



MGMT 892: DECISION MAKING IN THE LEADERSHIP CHAIR

Spring 2015, 3rd Quarter,
Wednesdays, January 21 - March 5, 3:00 – 6:00pm
0.5 credit units
Room: JMHH TBD

Instructor: William P. Lauder, Executive Chairman, The Estée Lauder Companies Inc.
wplauder@wharton.upenn.edu



William P. Lauder is Executive Chairman of The Estée Lauder Companies Inc., a global leader in prestige beauty. Since joining the Company in 1986, Mr. Lauder has been instrumental in expanding the Company's brand portfolio, distribution channels and international presence. Under his leadership he pioneered the Company's online business and oversaw the development of several successful new brands such as Origins and acquisitions such as Aveda, Bobbi Brown, M·A·C, and Smashbox. Mr. Lauder was Chief Executive Officer of the Company from March 2008 through June 2009 and President and Chief Executive Officer from July 2004 through February 2008. From January 2003 through June 2004, he was Chief Operating Officer. Mr. Lauder is a member of the Boards of Trustees of the University of Pennsylvania and The Trinity School in New York City, his alma maters. He also serves as Chairman of the Board for the Fresh Air Fund. Mr. Lauder's additional board memberships include the Jarden Corporation, The 92nd Street Y and Zelnick Media. In 2012, The Wharton School of the University of Pennsylvania appointed Mr. Lauder to its faculty as guest lecturer and also serves on the Wharton Leadership Advisory Board. He is the son of Mr. Leonard A. Lauder and Mrs. Evelyn H. Lauder, and the grandson of the Company's founder, Mrs. Estée Lauder.

Teaching Assistant: Nick LoBuglio, Doctoral Student, MGMT Department.
lobuglio@wharton.upenn.edu; office hours by appointment.

Purpose of the Course

The purpose of this course is to promote the development of future business leaders by fostering conversations between students and experienced leaders. In contrast to many other university courses, there are no formal frameworks or materials that students are expected to memorize. Instead, the course offers an opportunity for students to learn about the multi-dimensional role of the chief executive officer particularly as it pertains to the complex decisions and environments that CEOs must navigate. These include when leading the firm during critical periods, including company restructuring, crises, executive transitions, board conflicts, and beyond. Most sessions will be conceptually framed by the instructor and grounded in his experience and that of other executives, and they will include a presentation by student teams and a dialogue with an invited executive.

Framework for the Course

Decision making in the leadership chair is a complex task and one that is difficult to teach in a business school setting. To bridge this gap, William P. Lauder and invited executives will bring their experiences into the classroom, primarily addressing key decisions they made, how they weighed their options, and what they learned from the outcomes. The framework for the class centers around two crucial aspects of decision making in the leadership chair: the need to manage many groups of stakeholders, and the need to play many roles when doing this.

Stakeholders: In the leadership chair you must make and manage decisions while considering a wide array of stakeholders who may have competing interests. How do you evaluate and differentiate the interests of the various stakeholders? They may include:

- Shareholders
- Analysts
- Employees
- Customers
- Suppliers
- Government regulators

Speakers will dissect major decisions in their career, focusing on how they balanced the needs of various stakeholders. Students will be asked to examine specific decisions, and to identify, evaluate, and rank the interests of each of the stakeholders.

Roles of the Leader: In the leadership chair you must tap into non-traditional skills, such as:

- Visionary
- Psychologist
- Communicator
- Values creator/maintainer

Speakers will focus on these and other roles as appropriate through personal accounts and examples from their own leadership experience.

Application Process and Class Size:

Applicants **must** be second-year MBA students and a maximum of 48 students will be selected.

In order to be considered for this course, applicants will be asked to submit a resume and complete a short (300-500) word essay describing your interest in top management leadership, and how you think you can benefit from and contribute to the class. The deadline is **Friday, November 21 at 3:00pm** (no exceptions).

Selection will be at the discretion of the instructor and TA. You will be notified of the outcome by December 1. To apply, please complete the form at the following link:

http://wharton.qualtrics.com/SE/?SID=SV_9nu37LhOx4JwCgJ

If offered a place in the class, applicants must agree to attend all class sessions. This course is an elective, and spaces will only be given to students that can participate in every session. If students

agree to enroll and miss sessions for anything other than grave personal emergencies, it will impact the final course grade.

Teaching Approach:

The class is designed to be a conversation between students, Mr. Lauder, and the weekly guests. Each session will typically include preparation work, in-class activities and presentations, and open discussion sections. Towards that goal, we will utilize a “heads up” learning system. The basic elements include:

- Mandatory classroom attendance, no exceptions
- **No laptops, ipads or cell phones permitted in class - this includes for note-taking purposes**
- The faculty and speakers will cold-call students (please bring your name tent to each class)

Note on communications: Mr. Lauder will be responding to student emails via the above email address throughout the semester. However, to ensure timely responses and consistency with regard to questions about the course and course policies, students should also copy Nick on all relevant messages.

Work Requirements:

- Class attendance and participation (30%)
- Individual weekly discussion entries (20%)
- Leadership Reflection Papers (20%)
- Final paper (30%)

Class attendance and participation (30% of final grade)

Effective participation is accomplished by focused comments or questions that develop insights that are not immediately discernible from the cases or readings, and demonstrated mastery of the readings, case materials, and lectures. We expect students to be fully prepared to participate in every discussion. Class participation includes three components: (a) class attendance; (b) frequency of class participation; and (c) quality of class participation.

Individual weekly discussion entries (20% of final grade)

Following each week's class, students will participate in an online discussion forum that focuses on the theme, speaker, and readings from that week. The purpose is to reflect on the sessions, pose additional questions, and exchange ideas with classmates. The discussion forum will be hosted on Canvas, and students will be required to make an entry by 12:00 pm on the Friday following each class. Entries should be no more than a few sentences long, and quantity of words will not be equated with quality. The goal is to capture key thoughts and reflections, rather than lengthy treatments of each topic. The Canvas "Discussions" feature can be located in the main Canvas navigation menu, on the left side of the screen.

Each week, students may choose to either start a new thread or reply/build on an existing thread. The emphasis should always be on extending and enriching the conversation, even if taking a different position than previous posts. Discussion entries can take a variety of forms, for example:

- Highlighting a particularly interesting story or experience discussed in class or the readings
- Extending the conclusions drawn in class to new settings or situations

- Considering alternative courses of action and the potential consequences
- Challenging an assumption made by the speaker or the class
- Discussing a personal anecdote or other case that bears on the topic

Students will not receive individual grades for each entry, but will receive a final grade based on the quality of their contributions over the seven weeks.

Leadership Reflection Papers (20% of final grade)

A major objective of this course is for you to reflect on your own experiences and strengths/weaknesses as leaders, and to compare your own characteristics and experiences to those demonstrated by the guest speakers. To further this goal, please submit a brief (maximum of 2-pages, double-spaced) reflection paper before class begins, by 3pm on Wednesday, January 22. Each essay should address the following:

- What leadership roles do you aspire to, and why?
- What personal characteristics and experiences do you believe would make you an effective leader in this context?
- What do you think is most likely to limit your ability to climb to this position, or function effectively if you achieve it?

Prior to the last class session, you will submit a follow-up reflection paper that compares, contrasts, or expands on the first paper based on the individuals and experiences discussed in class (again with a maximum length of two double-spaced pages).

You have a great deal of latitude to tailor this assignment to your own development, and an effective essay might focus very broadly or highly specifically. Follow-up essays may consider many points from class and compare multiple guests, or they might consider only one aspect of one guest's experience.

Final paper (30% of final grade)

In this paper, you will play the role of advisor to either a board of directors or search firm tasked with finding a new CEO. Clearly define the specific leadership characteristics the company should seek in its new CEO using the course readings and speaker and instructor commentaries to shape, frame, analyze, and explain your assessment. You may select virtually any company for your analysis, taking the perspective that the organization is currently searching for a new CEO. Even if the firm has not made any public announcements about a CEO search, leaders may be removed or leave unexpectedly for other positions. The company can be public or private, but must be large enough to have sufficient information available to do a thorough analysis.

Drawing upon everything you have learned through the course, consider a series of factors such as:

- Is the candidate internal or external?
- Is the candidate from within the industry or outside?
- What leadership qualities will be required for each of the CEO's roles?
- What stakeholders will be most important to the CEO, and how should he or she best work with each of them?

The paper should focus on the leadership skills and abilities needed for this company at this time. Sufficient details of the business situation should be included, but the focus should primarily be on the leader and the major decisions that lie ahead.

Students should use a variety of source materials in order to gain multiple perspectives on the company and current situation. These might include the popular and business media, academic articles, books, company press releases, investor reports, and personal interviews. Citations are not required within the text of the paper, but each paper should include a bibliography of the sources utilized. It is very important to note, however, that only very limited space in the paper should be devoted to rehashing the business situation itself. All analysis should focus on what an individual CEO may actually influence, rather than everything the company could possibly do to change its strategy, market position, etc. Papers should read more like reflection essays than like business press articles.

In order to ensure diversity of analysis, no more than two students will be permitted to choose the same company. Please email your company choice to Nick LoBuglio (lobuglio@wharton.upenn.edu) by **Monday, February 2**. All students will receive a reply within 24 hours to confirm if their choice is acceptable and still available. Priority will be given in the order that the requests are received. The final project paper must be uploaded to Canvas by **6:00 pm on Wednesday, March 11, 2015**, and should be no more than 1,000 words in length. We apologize that this deadline is during Spring Break, but it is in response to students in previous years requesting additional time after the final day of class. We encourage students to submit the paper earlier if possible.

Classroom Environment: All sessions will be videotaped for educational use by the instructor and/or faculty with varied audiences. Students will not be videotaped directly, but their questions may be included in some cases. All sessions will be open to outside guests of the instructor and invited executive.

Dinners with faculty and guest speakers: Following each class, dinner will be hosted by Mr. Lauder for the invited guests, faculty and students in MGMT 892. All students are required to join dinner on the first and last sessions, dinner will be held on campus and the location will be announced in class. If you are unable to commit to attending these dinners, please consult with the TA before agreeing to enroll in the course.

Each student in the class will then also have the opportunity to attend one small dinner with the guest speaker & faculty from classes 2 through 6. These dinners will be held on campus, and will be limited to 10 students. All students should complete the following online survey to rank order their preference among the five sessions.

[LINK TO BE PROVIDED WHEN CLASS BEGINS IN JANUARY 2015]

Every effort will be made to assign students their highest preferred choice. However, with the goal of providing a small group discussion and opportunity to learn with the speakers, it will not always be possible to accommodate all preferences. Details will be provided in class, final decisions will be made at the discretion of the TA.

Reading Materials: All readings below are required and available from Canvas and/or Study.net. Speaker biographies are also provided on Canvas.

SESSION #1 - JANUARY 21, 2015

LEADING A PORTFOLIO OF BRANDS AND COMPANIES

Guest Speaker: James D. Robinson, *Co-Founder & Managing Partner, RRE Ventures*

Readings:

- Jeffrey Pfeffer, *Shareholders First? No So Fast...*, Harvard Business Review, July – August 2009.
- Dominic Barton, *Capitalism for the Long Term*, Harvard Business Review, March 2011.
- Daisy Wademan Dowling, *The Best Advice I Ever Got: William P. Lauder, President and CEO, Estée Lauder Companies*, Harvard Business Review, May 1, 2008.
- The Focus, *Leadership Interview*, Volume XV/1
- **Please spend a few minutes looking over the [RRE website](#) to familiarize yourselves with the portfolio of companies**

**** All students are required to attend dinner following class, location to be announced in class****

SESSION #2 – JANUARY 28, 2015

LEADING THE BOARD

Guest Speaker: Richard Parsons, *former Chairman, Citigroup; former Chairman & CEO, AOL Time Warner*

Guest Faculty: Charles Elson, Edgar S. Woolard, Jr. *Chair Professor of Law, Director of the John L. Weinberg Center for Corporate Governance, University of Delaware*

This class will be divided into two discussions, the first focusing on AOL Time Warner, the second on Citigroup.

Readings:

- Time Warner Press Release: "AOL & Time Warner Will Merge To Create World's First Internet-Age Media & Communications Company." January 10, 2000.
- "Can Dick Parsons Rescue AOL Time Warner?" *Businessweek*. May 18, 2003.
- "What Happened at Citigroup? (A)" HBS case.
- "What Happened at Citigroup? (B)" HBS case.

Assignment:

As you read all four articles, think carefully about the stakeholders groups and what their primary concerns were during each firm's critical periods. In particular, think about the role of the board. Be prepared to discuss what the role of management, the board, and investors should be in creating long-term shareholder value for the firm. In addition, please consider the following specific questions:

- What might the boards of AOL or Time Warner have done to make the merger successful

- What implications did the shared board have for the success of the post-merger organization?
- What could the Citi board have done before the financial crisis of 2008 to have averted the company's deep plunge in the wake of Lehman's failure?
- When Citi director Richard Parsons became Citi board chair in 2009, what issues should be of greatest concern to him, and how should he as chair engage the CEO and other stakeholders?
- To what extent should Parsons be directly engaged with CEO Vikram Pandit in setting strategy and restructuring the company? More generally, what should be the role of the chair and the board in creating long-term shareholder value at the company?

SESSION # 3 - FEBRUARY 4, 2015

LEADING DISRUPTION

Guest Speaker: Lauren Zalaznick, *Former Executive Vice President, NBCUniversal*

Guest Faculty: Adam Grant, *Professor of Management and Class of 1965 Chair, Wharton School of Business*

Readings:

Required -

- "The Weird Rules of Creativity" Robert I. Sutton (HBR September 2001)
- "How Innovative Leaders Maintain their Edge" Hal Gregerson & Jeff Dyer (Forbes article accompanying its list of most innovative companies)

Skim -

- Hoover's Quick Report on Comcast
- "Comcast vs. the Cord Cutters." *The New York Times*. February 15, 2014.
- "GE Makes it Official: NBC Will Go to Comcast." *The New York Times*. December 4, 2009.

Assignment:

It's March 2013 and Comcast has just assumed full ownership of NBCUniversal. The Comcast and NBCU leadership are meeting in Philadelphia over several days for in-depth strategy and long-term planning sessions. Your team is one of several that has been called in to give brief presentations to the leadership team around what Ed Breen calls the "big swings" in the television entertainment industry over the next 10-20 years. Your team will have 2 minutes to present your ideas around the following two related issues:

1. Briefly summarize the biggest potential disruptive forces that face the current industry, and what are the most important big swings that Comcast/NBCU need to be preparing to take now.
2. What are the key leadership challenges that will be associated with these swings? Who is most likely to embrace and resist the changes, and what might be effective strategies for leading disruption from the inside of the company?

SESSION #4 - FEBRUARY 11, 2015

LEADING THROUGH A RESTRUCTURING

Guest Speaker: Ed Breen, *Chairman, Tyco International*

Readings:

- First five pages of the case: "Tyco International: Corporate Governance" by Rakesh Khurana, James Weber (HBS 9-408-059)

Assignment: Come to class prepared to discuss the following questions:

1. Given the enormous problems facing Ed Breen when he became Tyco CEO on July 25, 2002, what should be the priorities for his first 100 days in office?
2. Who should Ed Breen recruit to his top management team? And should he reorganize or even reconstitute the board of directors?
3. Ed Breen had been described as "well-versed in restructuring and turnaround for manufacturing businesses," and what steps should he take to restructure and turnaround Tyco in the year ahead?

SESSION #5 - FEBRUARY 18, 2015**LEADING DURING A TIME OF TRANSFORMATION**

Guest Speaker: Arthur Sulzberger, Jr., *Chairman, The New York Times Company & Publisher, The New York Times*

Assignment: The class will be divided into two discussions, the first focusing on the decision related to the pay wall at the NYTimes, the second decision specific to publishing of the Wikileaks information.

Readings:

- First five pages of HBS case The New York Times Co. "The New York Times Paywall" (HBS#9-207-113)
- "Dealing with Assange and the Wikileaks Secrets," by Bill Keller, *The New York Times*, January 26, 2012.

Assignment: Come to class prepared to discuss the following questions:

1. What might management have considered when determining whether to launch a pay model?
2. How should that type of assessment/consideration be structured?
3. What should the Publisher have considered in reaching a decision on whether to print the WikiLeaks information?

SESSION # 6 - FEBRUARY 25, 2015**THE ROLE OF THE CHIEF EXECUTIVE**

Guest Speaker: Fabrizio Freda, *President and CEO, The Estée Lauder Companies, Inc.*

Readings:

- Guy Trebay, "Luxury Prices Are Falling; the Sky, Too" *The New York Times*, 4 December 2008.
- John Kotter, *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, March 1995

- “Capturing the world’s middle class”, *The McKinsey Quarterly*, July 2010

SESSION #7 - March 4, 2015

LEADING THE FUTURE OF TRANSPORTATION

Guest Speaker: William Clay Ford, Jr. *Executive Chairman, Ford Motor Company*

Readings:

- Slavin, Terry. "The Motown Missionary." *The Observer*. November 11, 2000.
- Linebaugh, Kate. "Designated Driver: Ford Taps Boeing Executive as CEO." *Wall Street Journal*. September 26, 2006.
- Vlasic, Bill. "Ford Scion Looks Beyond Bailout to Green Agenda." *The New York Times*. November 23, 2008.

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