

# *Syllabus*

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## **OIDD 636**

### **Scaling Ventures: Aligning Operations with Strategy**

#### **Instructor**

**Gad Allon**

Office Hours: Monday 1:30pm-3pm

Wednesday 3-4:30

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#### **Course Overview**

THE GOAL OF THIS COURSE is to make strategic scaling decisions that are grounded in operational reality. We study how to build and evaluate the operational business model of the firm to maximize value with the focus on scaling the firm's operations.

We will approach the challenge of scaling by taking a holistic view that incorporates competitive strategy, financial evaluation, and the customer experience. We focus on decisions and challenges that many firms that try to scale their operations face with the focus on assessing the readiness of the firm to scale, and the required steps to scale. In particular, we will discuss whether the firm should build competencies in-house (i.e., investing in a portfolio of assets) or buy them (i.e., developing and implementing a global sourcing strategy and integrating external partners) and the risks associated with scaling these. We will also discuss the organizational implications of scaling.

#### **Prerequisites**

There are no formal pre-requisites. to the class. Students who have already taken OIDD 611, OIDD 615, and STAT 613 should be well equipped for the class. Other students should have a solid understanding of elementary probability and statistics. For questions regarding the specifics of your background, please contact the instructor.

## **Course Materials**

All course materials are either downloadable from Canvas or will be delivered over ForClass. ForClass is a platform that allows you to read cases and submit responses to basic questions that then will be used to enhance the discussion in the class.

## **Course Requirements and Grading**

Course grades will be based on class participation (20%), Group case write-ups (20%), Individual case (10%) and a final term paper (50%).

### **Class Participation**

One half of this grade will reflect basic measures of participation. On-time attendance is mandatory. You are expected to do the pre-assigned readings and to be prepared to discuss the readings in class.

The other half reflects my qualitative judgment concerning your effective contribution to class discussions and dynamics. You should be attentive to the class discussion. Your comments should respond to and “push forward” what is happening in class.

### **Case Write-Ups**

There are three case write-ups (Peapod, and Mexico China), which should be done in groups of 4 or 5, and one individual mini case, Seagate.

For each case, I will post on ForClass a set of questions to be answered. Your group may answer the questions one at a time. While there is no need to write up the case as a memo, your answers to case questions should be crisp and complete. I will judge your answers based on the depth, clarity, and care with which you present them.

## Term Paper/ Project

The goal of the project is to use the tools we discussed in class to better understand firms' attempt to scale or ability to scale. You should perform the analysis on a company and use the class lessons to explain variations across years. This is a very open exercise, so even if you cannot explain variations, you should discuss the deviations from the theory we discussed in class.

### Steps:

1. Pick a firm that you can collect some data about from financial statements, as well as other sources (all public and private sources are legitimate).
2. Discuss the scalability of the firm's business model and the scalability constraint it faced or may face.
3. Identify the main operational and marketing metrics required to assess its scaling over time: Build a ROIC tree as detailed as you can.
4. Use the timeline you can obtain. populate the tree. It's ok to make assumptions and approximations.
5. Identify changes in the firm's operations as it was scaling, based on what we discussed in class (increase in number of sku's, lean implementations, changes in global supply chains, etc) and see how they are being reflected in the tree.
6. Run sensitivity analysis on the main KPI's you identified based on the above
7. Discuss whether the model has demonstrated the scalability you discussed in (2) and how it is reflected in the KPI's.
8. Write a short report, up to 8 pages of text and 4 pages of exhibits.

## Class Outline

Below is a summary listing of class topics and the due dates for case write-ups. To prepare for a given session, you should go to Canvas

<https://canvas.upenn.edu/courses/#####>

and follow the appropriate link for instructions for the given class.

Session	Topic	Due
1	Introduction to Scaling	
2	<b>What</b> is scaling:	
3	<b>Why</b> firms scale?	
4	<b>When</b> to scale? metrics	
5	Scaling metrics (case discussion)	Peapod Case (Group)
6	<b>When</b> to Scale? strategy	Enspire Learning (Read and Prep)
7	<b>When</b> to Scale? Strategy	
8	<b>How</b> to Scale: Assets and Risks	Seagate Case (Individual)
9	<b>How</b> to Scale Assets Globally	
10	<b>How</b> to scale: supply base (simulation game)	Mexico China game (Group)
11	<b>How</b> to scale: supply base (Debrief)	
12	<b>How</b> to scale: platforms	Friendster (Read and Prep) NeoPets (Read and Prep)
13	<b>How</b> to scale: People and organizations (Early to growth)	CloudFlare (Read and Prep)
14	<b>How</b> to scale: People and organizations (reigniting growth)	Pal's Sudden Service (Read and Prep)
15	<b>Wrap-Up and Review</b>	

## More Detailed Description for the Curriculum Committee

### I. Introduction:

Class 1: **Introduction to Scaling:** What is a scaling strategy?

Class 2: **What is scaling?** How is scaling different than growth? What's are the main challenges and risks firms face as they scale.

Class 3: **Why firms scale?** We will discuss the foundations of economies of scale. We will identify business model attributes that encourage rapid growth.

### II. Assessing Readiness:

Class 4: **When to scale: metrics** We will use public information together with personal estimates and projections of key resources and process to assess the readiness of the firm to scale. During this process we distill key operational and marketing metrics that create value, tie them to financial performance, and suggest how to improve profitability over time while scaling the business.

Class 5: Apply the concept. We will use the Peapod case as our main discussion vehicle.

Prepare: Prepare the Peapod on ForClass and submit your responses on the platform. This a graded group submission.

Class 6: **When to scale? strategy** How to assess a scaling strategy readiness to scale and choose the right segment to scale.

Prepare: Read the Enspire Learning case on ForClass and submit your responses on the platform. This should be done individually.

Class 7: **When to scale? strategy** How to assess a scaling strategy using internal data and competitive intelligence? Discuss how the concepts of operational trade-offs and competency focus relate to strategic positioning and operational efficiency and how they can be used-- qualitatively and quantitatively—to evaluate a firm’s readiness to scale.

### III. How to Scale: Assets

Class 8: **How to scale: assets.** What are the main risks of scaling and how should firms plan for them? How can we structure resources and processes to mitigate the firm’s risk exposure? How should firms build an asset portfolio to scale while hedging against risks.

Prepare: Read the Seagate case on ForClass and answer the questions. This is an individual case.

Class 9: **How to scale assets globally** Which factors should be considered when designing a global operational network?

## IV. How to Scale: Networks

Class 10: **How to scale: supply base.** How can the concept of *total landed cost* help making such decisions on scaling the firm's supply base. We will play an in-class simulation game. The objective is that each group identifies how to best manage a global network and the key challenges faced in such a setting.

Prepare: The assignment for the in-class simulation game will be discussed and handed out in the previous class. This a graded group submission.

Class 11: Mexico China game debrief.

Class 12: **How to scale: platforms.** What does it mean to be a platform business and what are the unique challenges in scaling these? What are the factors that motivate firms to pursue or avoid accelerated growth strategies in such settings? What are the main implications for international growth?

Prepare: Read the Friendster case on ForClass and submit your responses on the platform. This should be done individually.

Read the NeoPets case on ForClass and submit your responses on the platform. This should be done individually.

## V. How to Scale: People vs. Processes

Class 13: [How to scale: people and organizations](#) We will discuss the organizational challenges that firms face when they begin to scale rapidly. In particular, we will discuss the balance between growth, people hiring and process streamlining.

Prepare: Read the CloudFlare case on ForClass and submit your responses on the platform. This should be done individually.

Class 14: [How to scale: people and organizations](#) We will discuss the organizational challenges that firms face when they aim to reignite growth in a mature industry. In particular we will discuss the role of processes and the interaction between processes and culture.

Prepare: Prepare the Pal's case on ForClass and submit your responses on the platform.

Class 15: Summary and wrap up.