

Syllabus

OIDD 636

Scaling Ventures: Aligning Operations with Strategy

Instructor

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Course Overview

The course is designed for students who plan to join rapidly growing ventures, who are preparing to scale their own ventures, or who plan to evaluate such ventures through the lens of investors or consultants.

THE GOAL OF THIS COURSE is to make strategic scaling decisions that are grounded in operational reality. The course adopts the perspective of the CEO and functional leaders in growing ventures and organizations and explores issues that leaders and managers encounter after a firm achieves product-market fit.

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 needs to reformulate its strategy; whether the firm should build competencies in-house (for example, by investing in a portfolio of assets) or buy them (for example by developing and implementing a network strategy working with external suppliers) and the risks associated with scaling these. We will also discuss the organizational implications of scaling, focusing on designing the organizational structure and culture for growth, all while managing the challenges within and across the product, engineering, sales, marketing and sales functions.

Prerequisites

There are no formal pre-requisites to the class.

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 (10%), Individual case (10%) and a final term paper (30%) and Take-home exam (30%)

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. Note that since we on every day the class meets we have several sessions, you will need to prepare multiple reading for each day.

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 is one case write-ups (Peapod), which should be done in groups of 4 or 5, and one individual mini case, Network Fleet.

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.

Take-Home Exam (Individual)

The final/midterm exam is going to be a take-home exam and is going to focus on the quantitative part of the course. It will have the format of a case study, requiring you to build a model to evaluate the readiness of the firm to scale, and suggest a scaling plan. You will need to build a financial-operational model to understand the viability of the plan. You will have two weeks to work on it. The exam is due on TBD.

Term Paper/ Project (Group)

The goal of the project is to use the tools and concepts we discussed in class to better understand firms' attempt to scale or ability to scale.

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. Identify the main operational and marketing metrics required to assess its scaling over time.
3. 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 metrics and their impact on the financial viability and customer economics of the firm.
4. Propelled? Discuss whether the model has demonstrated scalability and how it is reflected in the KPI's.
5. Able? Identify possible scalability constraints and discuss how the firm can potentially mitigate them.
6. Ready? Based on your strategic and financial analysis, is the firm ready to further scale
7. Create a short presentation, up to 8 slides, outlining your analysis.

There will be several milestones for the analysis:

- (1) TBD: Analyze the strategic readiness of the firm to scale and identify the main scaling metrics (Steps 1-3)
- (2) TBD: Analyze whether the firm is Propelled, Able, Ready to scale. (steps 4-6)
- (3) TBD: Final deck is ready

Discussion board

In this course we will use a new type of discussion board, developed by ment.io
Here is a short video on how to use the platform:

https://zoom.us/recording/play/SjthuMlu6fsgHNSVZqkMtCiP_vwPtJfTtMRNsDARIEmkd4fsTh9JJZu1Cpd-pkCE?continueMode=true

To register to the platform (and the specific discussion board we will be using)
please use this link:

<https://app.ment.io/inviteuser?token=eyJhbGciOiJIUzI1NiIsInR5cCI6IkpXVCJ9.eyJ0ZWFiSWQ9OiJkY2FkNmNmYjY3ZDU0MDhiYjA1NjIwMzM4OTlkY2I2NyIsInZlcnNpb24iOiJEsImhdCI6MTU2ODU1MTQyNH0.yC8od1xd3xiLxn33t5aXn66GXGgq4qTENIgNe75lfV4>

Each student is required to participate in each discussion. Participation can be done by either agreeing, disagreeing, voting or offering an alternative answer.

Class Outline

Below is a summary listing of class topics and the assignment due in each class.

| Session | Topic | Due |
|---------------------------|---|--------------------------------------|
| Introduction | | |
| 1 | What is scaling: Introduction | |
| 2 | What is scaling: Operating System and Decisions | |
| Propelled? | | |
| 3 | Why firms scale? | |
| Ready? | | |
| 4 | Where to Scale? Strategic view | StirEdu Learning (Read and Prep) |
| 5 | When to scale? metrics | |
| Review Session | | |
| 6 | When to scale? | Peapod Case (Group) |
| Able? | | |
| 7 | What pace to scale? | ReffP (Read and Prep) |
| 8 | How to Scale: Assets and Risks | NetworkFleet Case (Individual) |
| 9 | How to Scale Assets: Hedging | |
| Review Session | | |
| 10 | How to scale: platforms | Friendster (Read and Prep) |
| 11 | How to scale: platforms | Catalant(Read and Prep) |
| 12 | How to scale: People and organizations (Early to growth) | CloudFlare (Read and Prep) |
| 13 | How to scale: People and organizations (reigniting growth) | Pal's Sudden Service (Read and Prep) |
| Wrap-Up and Review | | |

Detailed Description

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

I. Introduction:

Class 1: **What is Scaling: Introduction**

Objectives:

- (i) Why is the course relevant today?
- (ii) What is scaling (and how is it different than growth)?
- (iii) What are the main challenges and risks firms face as they scale

Class 2: **What is scaling?**

Objectives:

- (i) Understand the key scaling decisions and questions.
- (ii) Understand the key high-level metrics related to both consumer economics and financials.
- (iii) Explore the key components of the operating system and how they pertain to scaling.

II. Propelled?

Class 3: **Why firms scale?**

Objectives:

- (i) Understand that (rapid) growth should not be the goal of every firm
- (ii) Explore the main business model drivers that encourage (rapid) growth and how they are related to the notion of scaling
- (iii) Introduce the main framework to test for readiness to scale?

III. Ready?

Class 4: **Where to scale:**

Objectives:

- (i) Understand the key questions of “readiness-to-scale: ability to differentiate, ability to continue and deliver value and ability to scale.
- (ii) Understand the need to model the scalability of each market segment in order to test in what direction should the venture grow
- (iii) Understand the need to model and balance tradeoffs faced when choosing different market segments.

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

Class 5: **When to scale:**

Objectives:

- (i) Discuss the notion of “Readiness to Scale” and explore the financial and consumer related aspects of it.
- (ii) Develop a framework tying operational and marketing data together with personal estimates and projections of key resources and process to assess the readiness of the firm to scale.
- (iii) Understand how to identify key scaling metrics

Class 6: **When to scale:**

Objectives:

- (i) We will use the Peapod case as our main discussion vehicle to discuss readiness to scale and apply the frameworks we discussed until now.
- (ii) Understand the critical operational capabilities needed to scale and the metrics needed to measure these.

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

Class 7: **What's the right pace to scale?**

Objectives:

- (i) Understand the main risk of cash burn
- (ii) Understand the tradeoff between growth and financial return and viability.
- (iii) Understand how to build a basic (yet detailed) model for a SaaS business and test different hypotheses on the scalability.

Prepare: Prepare the REffP Case on ForClass and submit your responses on the platform. This should be done individually.

IV. Able? How to Scale: Operational Assets

Class 8: **How to scale: assets**

Objectives:

- (i) Understand that a critical operational capability is the ability to deal with risk while remaining agile.
- (ii) Understand the need to invest in a portfolio of assets and understand what makes a portfolio scalable.
- (iii) Understand the need to identify and focus on operational constraints.
- (iv) What are the main risks of scaling and how should firms plan for them?

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

Class 9: **How to scale assets (continued)**

Objective:

- (i) Understand the need to model risk and data-driven capabilities.
- (ii) Understand how ventures should scale while hedging against risks.
- (iii) Explore the implications for ventures scaling globally.

V. Able? How to Scale: Platform and Networks

Class 10: [How to scale: platforms](#)

Objectives:

- (i) Understand the shift from asset ownership to orchestration.
- (ii) Understand the unique challenge of choosing the right pace of scaling a platform. What are the factors that motivate firms to pursue or avoid accelerated growth strategies in such settings?
- (iii) Understand how to evaluate readiness to scale for a platform.
- (iv) Explore the unique scaling metrics of a platform.

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

Class 11: [How to scale: platforms](#)

Objectives:

- (i) Understand that network effects and their strengths vary across platforms.
- (ii) Explore how to manage a shift to top-down enterprise selling, especially the impact on product and company culture.
- (iii) Recapitulate analysis of whether/when to focus on accelerating growth in core business vs. diversifying in new directions in a context of a two-sided market.

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

VI. Able? How to Scale: People

Class 12: [How to scale: people and organizations](#)

Objectives:

- (i) 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.
- (ii) Understand the implication of growth to the culture of the venture.

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

Class 13: [How to scale: people and organizations](#)

Objectives:

- (i) We will discuss the organizational challenges that firms face when they aim to reignite growth in a mature industry.
- (ii) We will discuss the role of processes and the interaction between processes and culture in an operationally driven market.
- (iii) Understand the role of the manager as an educator in a scaling organization.
- (iv) Summary and Wrap up.

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