

## Fall 2015 Semester Closing Note to My Students

By Don Sutherland

At the end of each semester, I provide my students with a closing note about the course. That note seeks to place the course, its content, and its requirements into a larger context. I do so, because I believe it is helpful for students to have one last opportunity to understand why they took the course and perhaps better identify what they might have gained from the course. Such understanding can perhaps reinforce learning for the long-term.

Below is the note to my fall 2015 students:

Dear Student,

With the semester nearing its conclusion, it is time to share some thoughts and insights to place this course into a larger context.

On December 14, *Star Wars: The Force Awakens* had its world premiere. While this epic narrative featuring Han Solo, General Leia, Poe Dameron, Rey, Finn, and the evil and combustible Kylo Ren will undoubtedly capture the attention of filmgoers worldwide, an even more profound event played out, not on the planet Jakku, but in Washington, D.C. just two days later. For strategic managers, financial professionals, and investors, “The Force” truly awakened when the Federal Reserve hiked its target federal funds rate by 25 basis points.

With the target rate having been frozen at 0%-0.25% for seven years, many younger professionals, as well as college students who had begun to watch economic and financial developments more closely toward the end of their academic careers, may have been tempted to believe a target rate near 0% is an immutable law of monetary policy. After all, even as the unemployment rate fell to 5% and the economic expansion extended into its 78<sup>th</sup> month, the Federal Reserve held firm. That all changed with the Federal Open Market Committee’s monetary policy statement announcing, “Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise the target rate for the federal funds rate to ¼ to ½ percent.” Suddenly, a new, unexpected, and potentially perilous world revealed itself.

The long calm of interest rate stability was shattered. Increasingly enduring assumptions about the cost of capital, valuation of projects, feasibility of acquisitions, and returns on investment were overturned at precisely 2 PM on December 16. Immediately following the Fed’s “Big Bang,” there was an incredible expansion in the number of once seemingly unthinkable questions.

“If the Fed hiked once, would it do so again?” “How far and how fast might the Fed move?” “What do rising interest rates mean for my business?” “How can my company minimize the risks of its interest rate exposure?” “Does it make sense for my company to continue to expand internationally?” “What is the ultimate fate of the current economic expansion and how should my company prepare?” That’s just a small sample of the rapidly proliferating body of questions.

Although certainty of the future is beyond anyone's reach and the highly complex interaction between the awakened "force" of monetary policy and the occasionally dark energy of "animal spirits" may never fully be understood, asking the right questions and finding good, well-supported solutions can make a large difference for strategic managers and companies alike in this changed world. In part, cultivating an ability to raise the right questions, examine the evidence, draw informed conclusions, and think about the longer-term implications was a central focus of the course.

Students nearing graduation, employees, managers, business owners, and leaders all need an intellectual foundation that helps them make sense of the ever shifting world, even as the rate of change is never constant. Sometimes, change evolves slowly and incrementally. At other times, it is abrupt and revolutionary.

Students, employees, managers, business owners, and leaders need a framework for systematically examining, analyzing, and addressing problems when information is incomplete, ambiguous or worse. They need knowledge of where they can find the relevant information needed to apply that framework and build understanding.

This course provided an opportunity for students to nurture the intellectual framework and capacities necessary for long-term success. The research paper, which challenged students to apply course concepts to an actual company, was aimed at helping students begin the transition from management theory to the much more demanding practice of strategic management.

Following the end of this class, it will be up to each student to build upon that framework from future study, career progress, and/or life experience. I hope that you will leave this class with some lasting knowledge and, even more importantly, build upon that knowledge in the years ahead.

Good luck and best wishes to all.