WARNING: Three class sessions during summer term meet on Fridays.

TEXTS
Textbook: Collis & Montgomery (1997), Corporate Strategy: Resources and the Scope of the Firm, Chicago: Irwin. (Textbook contains some cases and some readings; it has been ordered through the Columbia University Bookstore.)

Case Book: Customized book of supplementary cases and readings will be available for classroom instruction. Please consult syllabus for location of assigned readings.

COURSE DESCRIPTION
Corporate Growth and Development considers new approaches and frameworks for the formulation of corporate strategy and the control and coordination of the multi-business corporation. Starting from the initial premise that competition occurs at the level of the business unit, and that value must therefore ultimately be created at the business unit level, the frameworks seek to address three fundamental issues:

• How does a corporation create economic value through multi-market activity?
• How must the corporation be structured and managed to realize the benefits of its multi-market activity?
• When should these activities be undertaken inside the corporation, rather than accessed through contracts, joint ventures, franchises, or other institutional arrangements?

COURSE CONTENT
The intent of the Corporate Growth and Development elective is to introduce MBA candidates to the issues and analytical arguments behind concerns of corporate strategy. In studying a range of firms, from start-up companies to global market leaders, the course builds on the tools and concepts introduced in nearly all first-year core courses, but particularly on Strategic Management of the Enterprise. It also draws heavily on recent advances in economics, notably industrial organization, financial economics, and organizational economics. Although it incorporates various theoretical perspectives, the course is ultimately designed to focus on the essential issues of problems of corporate growth and development as perceived by managers of multi-business corporations.
Most industrial activity in developed countries is carried out by large corporations which compete in more than one market. The nature of these large, multi-business corporations has undergone enormous change in the last thirty years, affecting both their scope and their structure. The merger and acquisition booms of the sixties and eighties extended the scope of existing multi-business corporations. More recently, capital market pressures forced every corporation to reassess its portfolio of businesses, level of overhead, and the way it coordinates and controls its multi-business activities. New forms of corporate organization, such as the LBO partnerships of the eighties, provoked a debate about the efficacy of corporate hierarchies. In addition, new institutional arrangements, such as the joint ventures, strategic alliances, and virtual firms of the nineties, have come into prominence.

In response, normative prescriptions for corporate strategy have been as varied as the challenges multi-business corporations have faced. From an emphasis on financial performance and EPS growth in the sixties, through managing the corporation as a "portfolio" of SBUs, and searching for "synergy" between business units in the seventies, the emphasis on "free cash flow" and its corollary "shareholder value analysis" in the eighties, recommendations, such as the strident call to break up corporate organizations or "stick to the knitting," have pulled CEOs in many conflicting directions. Not surprisingly, only a few corporations have made it through the last thirty years intact. Of the Fortune 500 in 1950, only 262 firms were still on the list in 1980. The list has dwindled further by 1990, and consolidations continue into the new century.

The challenges for business-level managers inside the multi-business corporation have been correspondingly daunting. Competition in the product market from international adversaries and entrepreneurial firms has increased, forcing them to renew their business unit’s competitiveness and transform their organizational cultures and capabilities. The performance criteria by which they are evaluated have also changed, moving from ROI to cash flow or shareholder value. Simultaneously they have had to adjust to the changing relationship with their corporate office and sister divisions. In many cases, they have even faced uncertainty as to whether their business units would be retained by the parent corporation.

GRADING CRITERIA
Final Project/ Presentation [case, analysis, and discussion provoked] 35%
Paper #1 [individual or group]/ Presentation 15%
Paper #2 [individual or group]/ Presentation 15%
Paper #3 [individual or group]/ Presentation 15%
Individual contributions to class when not otherwise presenting 20%

One (or more) of these papers should be written and presented individually.
WRITTEN ASSIGNMENTS
If you do a case analysis, Papers #1, #2 and #3 [individual or group] are due on the day when discussion of the firm under study occurs and you must make a presentation of your conclusions. If multiple papers are submitted, second presentation should emphasize how its analysis differs from the first one presented. First come, first served in making presentations, except that NO presentations may be offered when guest speakers appear. Alternative paper topic: critique remarks of speaker; paper is due on day following said presentation by guest speaker.

Required: Please evaluate the corporate strategy (with updates where available when case is discussed) of any three firms in the syllabus. Be prepared to present your evaluation of the case at the start of class and field questions from other class participants. OR critically assess the content of guest speaker’s remarks to deduce corporate strategy.

Constraint: Five pages text (double-spaced), unlimited exhibits, plus a page listing sources consulted in your assessment.

Part 1 of the Final Project (case study) must be photoduplicated and distributed to other class participants no later than July 30th; Part 2 of the Final Projects (analysis and evaluation) is due and will be discussed on August 2nd and 4th. Calendar will be adjusted for size of class enrollments. The paper requires some field work in order to evaluate the corporate strategy of chosen firm [since necessary information may not be readily collected by financial analysts].

Required: Assess how chosen firm's corporate office [and management systems] creates shareholder value and evaluate the contestibility of its corporate strategy. How does firm achieve corporate advantage? (See guidelines.)
Corporate Strategy
DAILY READINGS AND ASSIGNMENTS
Module 1:
Growth and Synergy

Wednesday, May 12, 1999
Session 1: Introductory Concepts: Internal Growth vs. Acquisition


Friday, May 14, 1999
Session 2: Introductory Concepts: Synergy
Case: The Walt Disney Company (B): Sustaining Growth in Text: pp. 223-244 and The Walt Disney Company (C): A Tumultuous Year (distributed in class)


Monday, May 17, 1999
Session 3: Management Systems as Corporate Resources
Case: ISS--International Service System A/S [9-391-093]


Sirower & Harrigan (1997), "The Synergy Limitation Paradox" (unpublished manuscript)
Monday, May 24, 1999
Session 4:  Management Systems and Acquisition Strategies


Wednesday, May 26
Session 5:  Management Systems and Manufacturing Synergies
Cooper Industries' Corporate Strategy (B) (distributed in class)


Wednesday, June 2
Session 6:  Management Systems and Technological Synergies


Module 2
Corporate Advantage

Friday, June 4, 1999
Session 7:  Identifying and Leveraging Critical Resources
Case:  Marks & Spencer (A) in Text: pp. 259-281
Marks & Spencer (B) 9-391-090
Marks & Spencer (C) 9-792-007 (distributed in class)

Chapter 8: "Functional and Services Influence," and Chapter 9: "Corporate Development," in Goold, Campbell
Monday, June 7, 1999
Session 8: Managing Acquisition-Based Growth
Case: Textron, Inc. in Text: pp. 543-568
Reading: Text: Chapter 4, "Diversified Expansion." Collis & Montgomery (1997), Corporate Strategy: Resources and the Scope of the Firm, pp. 75-97

Wednesday, June 9, 1999
Session 9: De-Mergering and Restructuring for Corporate Advantage
Case: ICI and Hanson (A) in Text: pp. 701-730

Monday, June 14, 1999
Session 10: Managing LBO-Based Growth
Case: Berkshire Partners in Text: pp. 282-300

Wednesday, June 16, 1999
Session 11: Guest Speaker on strategy in private equity firms (to be announced)
Assignment: [to be determined]

Monday, June 21, 1999
Session 12: Guest Speaker on corporate venture capital (to be announced)
Assignment: [to be determined]

Module 3
Issues of Corporate Scope
Wednesday, June 23, 1999
Session 13: Value Creation through Appropriate Scope
Reading: Chapter 8: "Downscoping," in Hoskisson & Hitt, Downscoping: How to Tame the Diversified Firm, pp. 125-134.
Monday, June 28, 1999
Session 14: Vertical Integration: Professor Presents Her Research (No Write-Ups)

Reading:

Wednesday, June 30, 1999
Session 15: Guest Speaker on horizontal integration (to be announced)
Readings: Read the section of the Pepsico Case pertaining to internal conditions as background. Text: pp.569-596

Monday, July 12, 1999
Session 16: De-Integrating Vertical Value-Adding Relationships
Case: General Motors Automotive Components Group 2-391-176

Readings:


Wednesday, July 14, 1999
Session 17: Guest speaker on joint ventures (to be announced)
Assignment: Please read the General Mills case (as background) in Text: 731-740


Monday, July 19
Session 18: Guest speaker on adjusting corporate strategy to competitive realities
Assignment: [to be determined]
Module 4:
Evaluating Strategies of Multi-Business Enterprise

Wednesday, July 21
Session 19: Guest speaker on creating shareholder value within multi-business enterprise
Assignment: [to be determined]

Monday, July 26, 1999
Session 20: Evaluating Geographic Synergies

Wednesday, July 28, 1999
Session 21: Evaluating Corporate Strategy I
Case: Beatrice Companies--1985 in Text: pp. 684-700

Friday, July 30, 1999
Session 22: Evaluating Corporate Strategy II

Third paper is due no later than 11:30 A.M. Wednesday, August 5th.

Monday, August 2, 1999
Session 23: Presentations

Wednesday, August 4, 1999
Session 24: Presentations

Final projects are due and will be discussed in class.
Guidelines concerning Final Project

1. Multi-business firm: Any combination of resources (acquisition, internal entrepreneurship, internal alliance, joint venture, non-equity strategic alliance, franchising arrangement, or other form of diversification) applied to at least TWO markets (geographic or segmentation [e.g., commercial/industrial uses vs. residential consumers]) or TWO product lines (different 4-digit SIC codes) or TWO technologies (includes problem-solving methodologies).

2. Resource-based Advantage: Comment on extent to which corporate resources are valuable because they are (1) inimitable, (2) durable, (3) specialized, (4) inappropriable, (5) non-substitutable, and (6) competitively-superior.

3. Role of Corporate Office: What (and how well) does HQ do to create value-added? (Examples include portfolio management, industry restructuring, transferring skills, and sharing resources, among other tasks that make corporate resources even more valuable at each germane stage of firm's value chain.)

4. Value-Creation Tests: How well does corporate strategy satisfy Porter's tests of shareholder value creation (attractiveness, cost-of-entry, and better-off)?

5. Special Scope Issues: What issues (if any) of horizontal and/or vertical integration create challenges requiring special organizational arrangements, and how well does corporate staff provide resolution for such problems as may arise within unique business relationships with sister business units that can exploit scale, scope, vertical integration and experience curve economies in ways that are superior to any other firm's potential business relationship contributions (and/or enjoyment of membership benefits) because the firm's strategy makes it more difficult for competitors to contest their businesses all along the value chain than was previously the case?

6. Evaluation: Does strategy achieve corporate advantage, such that ...

   -- creates value (from membership of business unit in corporate family) in excess of cost of corporate overhead through corporate leveraging policies

   -- adds more value than any other potential parent could add at each stage of the germane value chain by nurturing, leveraging and renewing unique resources through intra-firm organizational arrangements that HQ policies reinforce

As a part of your analysis, comment on whether firm's rents are Ricardian or Schumpeterian. Identify salient core rigidities (if any) as well as core competencies. Identify nature of salient knowledge-based advantages and identities of salient knowledge workers (if any). Comment on ability of knowledge workers to appropriate the firm's rents.

Part 1 (due July 30th) is a “vanilla” case describing (without analytical insights) the multi-business situation from which corporate strategy may be deduced. Part 2 (due August 2nd and 4th) is an analysis that applies every germane framework, tool, insight
and analytical technique that shed light on whether/how value is created. Only Part 2 is presented in class; everyone will have read the descriptive case comprising Part 1 and drawn their own conclusions about value creation.