

## Corporate Strategy

October – December 2019

**Lecturer:** Dr. Nir Brueller

**Course Time:** Thursday 15:00-18:00/18:00-21:00 or Friday 8:00-11:00/11:

**Office Hours:** By appointment

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## Course objectives

Corporate strategy deals with the scope of the firm, the identification of markets and businesses in which to compete and the choice of appropriate modes of entry (and exit). This course explores the various modes of corporate development available to managers to achieve firm growth and restructuring, including mergers, acquisitions, strategic alliances, joint ventures and divestitures. The objectives of the course are to (1) present theories and frameworks for understanding the nature of corporate advantage and related issues of diversification and scope of the firm; (2) provide the necessary skills for analyzing a firm's corporate strategy and its underlying core competencies and (3) develop participants' awareness to the strategic prerequisites for initiating corporate development activities.

## Course structure

The course will be taught using lectures, class discussions, reading material, case studies, student presentations and a final project.

## Requirements

All students are required to read the relevant conceptual reading materials and case-studies for each class, make a case study class presentation, and submit a final group project. If you are unable to read an assigned case, please alert me via email in advance. If you are short on time, read the case first and then the conceptual readings.

Your grade is established as follows:

Participation, contribution, and feedback	20%
Case presentation (group of four)	20%
Final group project (same groups)	60%

### Reading material

Course Pack - a compilation of articles, book chapters and case studies.

## Quality of class participation, contribution, and individual feedback write-ups

Students are expected not only to attend all classes, but also to actively participate by significantly contributing to in-class analysis of cases, as well as any other type of class discussion. The evaluation of participation will be based on the extent to which it is relevant to the discussion, insightful, and progressive (e.g. builds or challenges previous comments, and thus helps move the discussion along, rather than restate what has already been said). To increase opportunities for effective participation, I will cold call a student either to open the class discussion or during one. Roll is taken at the beginning of each class.

Strategic analysis of the group presentations (40 words max). The objective of individual feedback write-ups is to force students to think critically about the group's presentation and specify the points on which they agree with the groups, points on which they disagree with the group, and points that the group members have overlooked in their analysis. Good feedback shows detailed knowledge of the case and is characterized by relevance by the quality and depth of assessment and the originality of contribution.

## Group Case Presentations

- The objective of group class presentations are twofold: (1) serve as practice in presenting case study analysis in front of the class and (2) strengthen participant's analysis and presentation skills by teaching the class a selected aspect of case study analysis. [each student is graded individually in addition to team's grade]
- Case presentations should be sent via email to the Teaching Assistant and to me no later than **8 pm, the evening before class** in which the case is discussed.
- The case presentations should address the specific questions listed in the course outline. Analysis of financial and other data should be presented in appendices.
- References should be given accurately whenever someone else's work is quoted. Proper referencing includes the source next to every piece of data, even with page number, if applicable.

## Final group project

- The final project is, as mentioned, a group assignment with two main deliverables: (1) class presentation and (2) final report.
- The group project is intended to be a hands-on experience of dealing with the managerial challenges involved in the various stages of the acquisition process. Students will choose two publicly-traded firms; an acquirer and an acquisition target, and serve as consultants to the acquirer. They will be required to propose a **novel acquisition initiative**. Students are required to analyze the following aspects:

- a. Business and corporate strategy. What is the acquirer's strategy? Is it sustainable? Will the acquirer be able to capture a dominant position and enjoy a competitive advantage in the new space as well?
- b. Rationale of the acquisition. What strategic resource does the firm intend to leverage? Has the firm leveraged this resource before? How successful has it been? What is the firm's roadmap (Where? How? Why?). Use these guiding questions to get a comprehensive view of the strategy behind the move. Is acquisition the proper strategic tool (compared to alliance, internal development)? Where will the synergy come from? What is the source of value creation in the move?
- c. Implementation from deal making (structure, process, price) to PMI (post-merger integration). Valuation of the stand-alone value as well as the value of synergy. Does the expected synergy justify the required premium? Level of competition between the incumbents over the target. Uniqueness of the target. Analysis of the bargaining power of the parties. The focus of the acquisition (R&D, product, market share, entry into new industry) and subsequent integration. Which integration approach is appropriate (possibly different integration approaches to each part of the organization)? Fit with the acquirer's organizational structure.
- Students are required to submit the proposed project by email before the second class for approval.
- Students are required to send a short abstract containing the highlights of the presentation a week before the project presentation session.
- Participation in the last class, devoted to project presentations, is **mandatory**. Each group will make a short presentation (6 minutes) in which all group members will play the role of consultants, invited by the firm to present their acquisition proposal. During the presentations the class will play the role of the board of directors of the acquirer, evaluating the consultants' proposal, asking questions, and filling feedback forms, to be collected and serve for grading.
- After the last class you will be required to submit a memorandum/report. Again, this document should take the perspective of advisors to the acquirer, and have two main parts:
  - (1) A detailed proposal prepared for the management of the potential acquirer, presenting the proposed acquisition, the strategic rationale for the selected opportunity, and the price range for this acquisition.
  - (2) Assuming the management of the acquirer has approved going forward with the merger, a proposal for the implementation phase, and prepare a detailed integration plan.
- To explain the (real-world) importance this memorandum, it is interesting to quote Bruce Nolop, the CFO of Pitney Bowes, a prominent acquirer: "It would be hard to overstate how important this memorandum is to our process. Far from being a perfunctory exercise, it is essential to disciplining our decision making. I've been amazed at how many elements of a deal that seemed clear in PowerPoint can fall apart when they're subjected to prose. In bullet-point format, the rationale for a deal might be summed up in a phrase, such as "cross-selling." But a memorandum demands clarity about exactly who is cross-selling what to whom – and how and why. What specific sales force are we talking about? Which customers would this apply to? Why would a customer want us to cross-sell?" (Harvard Business Review, September 2007, p. 139).

- Students are required to submit the proposed project by email before the third class for approval.
- Students are required to send a short abstract containing the highlights of the presentation a week before the project presentation session.
- Participation in the last class, devoted to project presentations, is **mandatory**. Each group will make a short presentation in which all group members will play the role of consultants, invited by the firm to draw lessons from the chosen event. During the presentations the class will play the role of the board of directors of the analyzed firm, evaluating the consultants' analysis, asking questions, and filling feedback forms, to be collected and serve for grading.
- The project report should be written as a consulting-firm business report, including a table of contents, executive summary, introduction (explaining the purpose of the report), criteria for choosing the case, description of case, analysis, insights and conclusions. References should be given accurately whenever someone else's work is quoted (include the source immediately next to the piece of data, even with page number in the original document, if applicable).
- Technical matters: up to 10 pages (not including appendices), font size:12, lines spacing:1.5

*Course Outline and Topics (tentative and subject to changes)*

No.	Date	Subject	Readings	Preparation Questions
1	31.10.19	From single- to multi-business	1. Porter M. 1987. From Competitive Advantage to Corporate Strategy. Harvard Business Review, May-June.	
2	07.11.19	Choosing Corporate Scope  Case: GPS-Vision Express	2. Collis D, Montgomery C. 1998. Creating corporate advantage. Harvard Business Review, May-June: 71-83. 3. Read case study	Does the GPS-Vision Express deal make strategic sense? Analyze the sources of synergy in this acquisition.
3	14.11.19	The dilemmas of diversification  Case: Asahi Glass Company	4. Optional: Teece DJ. 1982. Towards an economic theory of the multiproduct firm', <i>Journal of Economic Behavior and Organization</i> , 3, 39-63. 5. Read case study	Were Asahi's expansion/diversification moves successful? Incorporate data from Exhibit 1 in your analysis.
4	21.11.19	Target Valuation.  Value Creation and Value Capture.  Microsoft and Sendit (A, B)	1. A note on "Valuation Techniques" (Stanford University Note, S-E-53). 2. Optional: Barney JB. 1988. Returns to value creation in acquisitions: a re-examination of performance issues. Strategic Management Journal 9: 71-78. 3. Read case study	How attractive is Sendit for Microsoft? How much is Sendit worth? a. Stand alone value b. Value to Microsoft c. First offer price d. Walk-away price
5	12.12.19	Choosing diversification mode  eBay's Strategy in China	4. Dyer JH, Kale P., Singh H. 2004. When to ally & when to acquire. Harvard Business Review, July-August. 5. Case write-up required*	Why did the strategy of eBay in China go wrong? What would you do differently?
6	27.12.19	Multi-business strategy and the role of the corporate parent  Danaher	6. Chatterjee S, Brueller NN. 2015. A new M&A methodology: five lessons in anticipating post-merger resource interactions and challenges, <i>Strategy &amp; Leadership</i> , 43(4): 26-37. 7. Read case study	What lies at the heart of Danaher's ability to manage acquisitions?
7	03.01.20	Managing Strategic Alliances  Alliance management at Eli Lilly & Company	8. Dussauge P, Garrette B. 1999. The main types of alliance. In Cooperative Strategy: Competing Successfully Through Strategic Alliances, Chapter 4. John Wiley and Sons. 9. Read case study	What lies at the heart of Lilly's ability to manage strategic alliances?
8	17.01.20	Wrap-up Project Presentations		

## Appendix - Golden Rules for Case Study Presentations

- 1) **Understand the questions.** Read the questions word-by-word and make sure you have correctly and fully understood them before you start answering. **Example:** When you are asked "to quantify", the meaning is that you need to use numerical values. **Another example:** When you are asked to "evaluate a strategic shift", the meaning is not to describe it or to explain it but rather to state your own opinion on it. **Another example:** When you are asked why a company has performed better in A than in B it is not enough to explain the success in A and the failure in B, but rather the reason for the performance difference.
- 2) **Use of terms and frameworks discussed in class.** Using terms and frameworks discussed in class has many benefits for analyzing complicated phenomena. In addition, it may provide a common ground for understanding your views. While relevant outcomes should be fully present at the body of your presentation, the application of the frameworks should be described in hidden slides/appendices.
- 3) **Make your point in a structured, focused and logical manner.** Make clear and sharp statements based on facts (which may be mentioned in a word or two). Build up your case in a clear and logical manner. When asked to describe several reasons for a certain phenomenon, each reason should be described separately, and if there exists a connection between two of them (such as when one is a reason for the other) it should be described clearly. We recommend using **McKinsey's MECE** (Mutually Exclusive Collectively Exhaustive) approach. This way, an answer is made up of a sequence of numbered or bulleted points, where each point constitutes a distinct logical unit contributing to the answer.
- 4) **Use abstraction and generalization whenever possible.** Do not list the facts and events one-by-one as written in the case. Rather, produce general statements that summarize these facts and position them in a logical framework that adds value. Speak of the "forest" and not of the "trees".
- 5) **Refrain from making general or trivial statements.** Sure, a firm should always be "attentive to its market" (every firm!) and "seek lucrative market niches" (which are they?).
- 6) **Specific rules for questions seeking a recommendations**
  - a. **Refer specifically to every relevant dilemma.** Most of them appear at the beginning or the end of the case.
  - b. **Put in originality and creativity.** You are requested to add substantial value through your personal insight on the case.
  - c. **Refrain from making impractical recommendations.** Even a CEO cannot do with the company everything she likes, and you are usually in the spot of the strategic consultant.

**General comment: Refer only to the point in time in which the case ends.** Do not use hindsight to support your analysis and recommendations.