COLUMBIA BUSINESS SCHOOL

B7508 -- Corporate Growth & Organizational Development (Summer 2015)
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*The Reading Load has been reduced herein*

TEXTS


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

COURSE DESCRIPTION

An economic adage states that “Success breeds success.” Stated otherwise, it suggests that the fruits of successful performance will fund a firm’s growth initiatives. *Corporate Growth and Organizational Development* is about diversification via internal or external multi-industry activities. Whether a firm grows organically or through transactions with other firms, its successful growth requires matching investments in organizational development and other resources with the growth path chosen to ensure that the firm will have appropriate skills to reinforce its successful transition to a more-complex firm.

Starting with competitive advantages achieved at the level of the business unit, the course investigates how value is ultimately created when a firm expands at the business unit level -- geographically, upstream or downstream, or into related activities. Then it investigates how the firm’s headquarters office provides appropriate support for enhancing the value of a firm’s diversification strategy. Finally a metric is introduced for fine-tuning the elements of the firm’s program of growth.

My research findings concerning operating synergies suggest that although a firm’s corporate advantage can be premised on many sources of operating advantage, the most enduring and adaptive source of advantage arises from the way that the firm uses its people. A program of well-considered organizational development reinforces the power of operating synergies that the firm’s managers have attained and suggests additional growth opportunities.

This course will help you to identify the various dimensions of a corporate advantage model that gauges how well headquarters contributions are supporting the members of the firm’s corporate family to maximize their potential advantage (or not). The course will also help you to develop a keen sense for the balance existing between controllable and uncontrollable dimensions that enhance corporate growth, as well as how firms might improve said balance.
OBJECTIVES OF THE COURSE

The objectives of Corporate Growth and Organizational Development are:

1. Understand the challenges of diverse patterns of growth and assess whether extant resources are adequate for successful development of organizational resources.
2. Understand why firms fail to invest in necessary organizational development even when they operate within inherently-attractive industries.
3. Identify the various elements of the “corporate shape” model that can evaluate the potential of a firm’s growth path.
4. Identify the management systems, organizational structures, and decision-making processes that are required to support various growth paths.
5. Identify the kind of corporate leadership and organizational culture that is needed to support growth strategies that are more complex and challenging than single-market competition is.

Corporate Growth and Organizational Development builds upon the initial premise that since competition occurs at the level of the business unit, and value must therefore ultimately be created at the business-unit level, the value added by corporate headquarters must be significant in order for having a corporate family to be in the best interest of shareholders.

The Corporate Growth and Organizational Development elective was created to let EMBA candidates investigate the formulation and implementation of corporate strategy. The course provides several readings about the analytical arguments behind concerns about corporate strategy. 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 corporate growth and organizational development as perceived by managers of multi-business corporations.

GRADING CRITERIA

There are four “tranches” of cases to select from. (They are color-coded.) You are expected to write up and present your analysis of one of them (and write up a case from the other three tranches). Read the appended conceptual note entitled “Acid Tests of Corporate Advantage” for expectations concerning how to evaluate a corporate strategy.

25% for Final Project Part 1 (Description, analysis, and application of frameworks)
7.5% for Corporate Shape #1
7.5% for Corporate Shape #2
7.5% for Corporate Shape #3
7.5% for Corporate Shape #4
10% for twenty-four Survey responses (on CANVAS)
15% for three comprehensive reading tests
20% Individual contributions to class (useful discussions -- beyond surveys and presentations)

Use CANVAS to choose which case you present in class (or send the professor an email). First-come, first-served. Extra points are offered for presenting the Loewen Group and U.S. Office Products cases during Session 1 (because you will be the pioneers). Ask Professor for help
WRITE-UPS
Write-ups are due on the day when discussion of the firm under study occurs. You are expected to present at least one of your write-ups in class.

See the conceptual note entitled “Acid Tests of Corporate Advantage” (online or in casebook). As the Note suggests, you are expected to produce a "corporate shape" for the firm under analysis and discuss the basis for the values you assigned to each dimension. Please give the shape’s dimensions a score between 00 and 99 to reflect your evaluation of their relative contribution to corporate advantage and discuss how well the firm’s strategy achieves the corporate strategy objectives described therein (or identify other germane corporate strategy objectives to use in judging the firm’s strategy). You will find that some dimensions of corporate strategy are more dominant than others in each of the respective cases. If a particular case provides little information on one of the dimensions, you must make inferences about it or research it.

**Acid test of valuable corporate resources:** The firm’s corporate resources – its tangible assets, intangible assets, and organizational capabilities which the corporate parent can share with its corporate family members – are unique, durable, valuable, highly desirable, competitively superior to those of other firms, and accrue valuable rents to the corporation (not to an individual).

**Acid test of optimal management systems:** The elements of the firm’s management systems and processes – its organizational structure and lines of communication, size and role of corporate staff, nature of performance measures, use of performance incentives and opportunities for managerial training or promotion or rotation among lines of business, uses of symbolism in developing corporate culture, and other dimensions of organizational design – are appropriate for the corporate strategy that the firm is pursuing (e.g., related diversification with active interventions, synergistic conglomerate, passive holding company, organic growth via innovation, franchising, joint venture, et cetera).

**Acid test of firm’s mix of industries:** Members of the firm’s corporate family -- the lines of business that it is in -- are “leaders” in their respective industries (i.e., earning higher than average industry profits)? The demand outlooks and competitive forecasts for the respective industry structures are favorable. The respective “industry success requirements” of the firm’s various lines of business are similar enough to benefit by transferring knowledge across business units or sharing critical resources among businesses in the corporate family advantageously.

**Acid test of controls:** To be in appropriate “strategic control,” the elements of the firm’s management systems, controls, and headquarters interventions must facilitate the efficient exploitation of synergies among business units within the corporate family -- where these synergies are mutually appropriate to pursue (and the corporate parent intervenes in business unit decision-making appropriately).
Acid test of corporate contributions to competitive advantage: The corporate parent makes its corporate resources, core competencies, organizational capabilities, and knowledge workers available to its business units in ways that enhance their respective competitive advantages better than having access to the corporate resources of any other corporate parent could do.

Acid test of appropriate coordination: The elements of the firm’s management systems and processes (which foster knowledge exchanges among corporate family members) nurture its mix of valuable corporate resources, enhance its corporate competencies, and facilitate development of appropriate organizational capabilities as would be needed to sustain the uniqueness of the firm’s tangible and intangible corporate resources or evolve new ones (as appropriate).

Presentation and discussion of your slides should be about ten minutes long. Be prepared to field questions and discussion from class when you present your analysis. Professor asks first question

FINAL PROJECT
The Final Project takes the form of a descriptive case combined with a solution (your analysis). Check your topic with professor. Work in teams no larger than 6 people.

USING ANGEL COURSEWARE
The most-important tab in the CANVAS content menu is the one for delivering your write-ups. Note that somebody is submitting a paper related to the cases being discussed during each session – even if it is not you. Use CANVAS to submit your respective case analysis, answer the daily survey questions (which must be answered by 7:30 AM on the day when each respective class meets), and take the three comprehensive reading tests that must be completed when Final Project is due. (Note: You may wish to print out all of the questions contained within each of the three comprehension test and use the printouts as guides when reading assigned materials. Comprehension tests can be done as soon as you have read all of the assigned readings.) Inside each of CANVAS’ session tabs are reading materials germane to each respective class meeting: cases, readings and Powerpoint files that take notes on the content of the readings. Your case book duplicates the cases and some of the assigned readings.
Module 1: Growth and Synergy

Please go to courseware and do the surveys about **U.S. Office Products (A) and the Loewen Group** by 7:30 AM on the day when Session 1 meets.

Session 1: Introductory Concepts: Growth vs. Synergy

**Cases:**
- "U.S. Office Products (A)" [9-799-029]
- "The Loewen Group" [Ivey: 9A98M008]

**Readings:**
- “Acid Tests of Corporate Advantage,” Columbia Caseworks #110406

**Optional Readings**

Please go to courseware folder “Testing” and do surveys about **Kraft-General Foods and PepsiCo’s Bid for Quaker Oats** by 7:30 AM on day when Session 2 meets

Session 2: Introductory Concepts: Growth through Acquisition

**Cases:**
- “Pepsico’s Bid for Quaker Oats (A),” [9-801-458]

**Readings:**
- "The Synergy Limitation Paradox," Columbia Caseworks #120409

**Optional Readings**
Please go to courseware folder “Testing” and do surveys about Li & Fung and ISS – International Service Systems A/S by 7:30 AM on day when Session 3 meets

Session 3: Growth Paths and Growth Constraints


Optional Readings

Please go to courseware folder “Testing” and do surveys about Newell Company and Cooper Industries by 7:30 AM on day when Session 4 meets

Session 4: Management Systems as Corporate Resources
“Cooper Industries' Corporate Strategy (A),” [9-391-095]


Please go to courseware folder “Testing” and do surveys about Infosys and Sharp Corporation by 7:30 AM on day when Session 5 meets

Session 5: Management Systems and Technological Synergies
Case: “Infosys 3.0: Building Tomorrow’s Enterprise” Columbia Caseworks #110411


Please go to courseware folder “Testing” and do surveys about Cisco and The Walt Disney Company by 7:30 AM on day when Session 6 meets

Session 6: Management Systems and Technological Synergies II

Cases: “Cisco Systems, Inc: Acquisition Integration for Manufacturing (A)” [5-600-134]
“Disney’s ‘The Lion King’ (B): The Synergy Group,” [9-899-042]
“The Walt Disney Co. and Pixar: To Acquire or Not to Acquire?” [9-709-462]


Module 2
Issues of Corporate Scope

Please go to courseware folder “Testing” and do surveys about Qwest Communications International and Celulosa Arauco by 7:30 AM on day when Session 7 meets

Session 7: Vertical Integration: Merits and Disadvantages

Cases: “Qwest Communications International [9-802-008]
“Celulosa Arauco: Forward Integration or Horizontal Expansion?” [9-705-474]


Optional Readings In CANVAS:

Piskorski, “Note on Corporate Strategy,” [9-705-449]


Please go to courseware folder “Testing” and do surveys about **Berkshire Partners** and **Berkshire Hathaway** by 7:30 AM on day when Session 8 meets.

**Session 8:** Managing Unrelated Growth I

**Cases:**
- "Corporate Strategy at Berkshire Partners," [9-710-414]
- "Berkshire Hathaway" [9-709-449]
- "The Management of Berkshire Hathaway” [CG-16]

**Readings:**

- Strategies of Unrelated Diversification [9-705-480]
- Strategies of Related Diversification [9-705-481]

Please go to courseware folder “Testing” and do surveys about **Danaher Corporation** and **GE’s Growth Strategy** by 7:30 AM on day when Session 9 meets.

**Session 9:** Managing Unrelated Growth

**Cases:**
- GE’s Talent Machine [9-304-049]
- Danaher Corporation [9-708-445]

**Reading:**


Please go to courseware folder “Testing” and do surveys about **Time Warner Restructures** and **DuPont’s Spin-Off** by 7:30 AM on day when Session 10 meets.

**Session 8:** De-Mergering and Restructuring for Corporate Advantage

**Cases:**
- "E.I. DuPont de Nemours: Cleaning House” [Columbia Caseworks 120401]
- "Time Warner Restructures” [Columbia Caseworks 140425]

**Readings:**

Module 3: Corporate Advantage Through Enterprise Form

Please go to courseware folder “Testing” and do surveys about **Lucent Technologies New Ventures Group** and **Dell Ventures** by 7:30 AM on day when Session 11 meets

**Session 11:** Corporate Advantage in Venture Capital  
**Cases:**  
“Dell Ventures,” [9-200-062]

**Readings:**  


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Please go to courseware folder “Testing” and do surveys about **Microsoft’s IP Ventures** and **Corporate Venture Capital at Eli Lilly** by 7:30 AM on day when Session 12 meets

**Session 12:** Corporate Advantage in Venture Capital II  
**Cases:**  
Corporate Venture Capital at Eli Lilly [9-806-092]  
“Microsoft’s IP Ventures,” [9-810-096]

**Readings:**  
“A Note on Corporate Venture Capital,” [9-201-036]

“A Note on Corporate Venturing and New Business Creation,” [9-302-091]


Go to CANVAS for instructions about Final Project. You write your own case, e.g., *Time Warner Restructures*, plus your analysis thereof.