COLUMBIA BUSINESS SCHOOL

B7708 -- Corporate Growth & Organizational Development (Summer 2009)
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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
Corporate Growth and Development is about diversification via internal or external multi-industry activities. The course 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, corporate headquarters’ value-added must be significant in order for multi-business activity to be in the best interest of shareholders. From this initial challenge, three fundamental issues are addressed:

• 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 Corporate Growth and 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 development as perceived by managers of multi-business corporations. A “real case” project is the final course deliverable.
Most industrial activity in developed countries is carried out by large corporations that 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 and private equity firms of today, provoked a debate about the efficacy of corporate hierarchies and the advantages of private enterprise. In addition, new institutional arrangements, such as the joint ventures, strategic alliances, and virtual firms of the nineties, have come into prominence as a means of implementing strategic initiatives.

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 had dwindled further by 2000, 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
15% for Final Project Part 1 (case posted on ANGEL)
15% for Final Project Part 2 (analysis, presentation and discussion provoked)
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 eighteen Survey responses (on ANGEL)
  5% for three comprehensive reading tests
  5% for providing feedback via Peer Project Evaluation Form
20% Individual contributions to class (beyond surveys and voluntary presentations)

Look for ANGEL sign-up sheet to select which case to present.
WRITE-UPS
Papers are due on the day when discussion of the firm under study occurs. You are expected to present one of your analyses in class.

As you analyze the "corporate shape" for each of the "driver" dimensions -- (a) corporate resources, (b) leadership, strength and relatedness among the corporate family of businesses or (c) organizational structures, managerial systems and decision making processes [OSSP] that implement corporate strategy -- please give the dimensions a score between 00 and 99 to reflect your evaluation of their contribution to corporate advantage. You will find that some dimensions of corporate strategy are more dominant than others.

You should also comment on whether each driver dimension interacts favorably with the other drivers to enhance the "outcome" dimensions of the firm's corporate advantage. (For example, an OSSP that enhances use of the firm's corporate resources will enhance resource renewal and creation of appropriate new ones. Businesses backed by attractive corporate resources enjoy strong competitive advantages in their respective markets. An OSSP that enhances resource sharing between and rotations among diverse businesses will foster positive synergies.) You should ascribe scores to all of the "outcome" dimensions to complete the "corporate shape." You may find that some firms are especially good at some of the outcome dimensions and should comment accordingly.

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

Final Case: The Final Project has two parts: a case and a solution (analysis). It can be prepared in teams. Part 1 of the Final Project (case study) must be posted in ANGEL for access by other class participants no later than noon on the date that is one week before Session 10 meets; Part 2 of the Final Projects (analysis and evaluation) will be discussed on when your project is presented (or simply turned in) at Session 10. Calendar for discussing final cases may be adjusted for size of class enrollment after conferring with members of class.

COURSE OUTLINE AND MATERIALS LIST
B7708 Corporate Growth & Organizational Development
Professor K.R. Harrigan (Summer 2008)

Module 1: Growth and Synergy
Please go to ANGEL Lesson #1 and do the surveys about U.S. Office Products (A) and the Loewen Group by 8:00 AM on the day when Session 1 meets.

Session 1: Introductory Concepts: Growth vs. Synergy


“The Loewen Group” [Ivey: 9A98M008]

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Please go to ANGEL Lesson #2 and do surveys about Kraft-General Foods and PepsiCo’s Bid for Quaker Oats by 8:00 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]

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Please go to ANGEL Lesson #3 and do surveys about IBP and the U.S. Meat Industry and Beatrice Companies by 8:00 AM on day when Session 3 meets

Session 3: Growth Paths and Growth Constraints


Beatrice Companies – 1985 [9-391-191]

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Please go to ANGEL Lesson #4 and do surveys about Newell Company and Cooper Industries by 8:00 AM on day when Session 4 meets

Session 4: Management Systems as Corporate Resources


“Cooper Industries' Corporate Strategy (A),” [9-391-095]

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Please go to ANGEL Lesson #5 and do surveys about Sharp Corporation and Cisco Systems, Inc.: Acquisition Integration for Manufacturing (A) by 8:00 AM on day when Session 5 meets

Session 5: Management Systems and Technological Synergies


Readings:  


Case:  
“Cisco Systems, Inc.: Acquisition Integration for Manufacturing (A)” [5-600-134]

Module 2  
Issues of Corporate Scope

Please go to ANGEL Lesson #6 and do surveys about **Qwest Communications International** and **Celulosa Arauco** by 8:00 AM on day when Session 6 meets.

Session 6:  
Vertical Integration: Merits and Disadvantages


Optional Readings:  


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

Cases:  
“Qwest Communications International [9-802-008]  
“Celulosa Arauco: Forward Integration or Horizontal Expansion?” [9-705-474]
Session 7: Managing Unrelated Growth
Cases: Textron, Inc. [3-373-337]
Tyco International (A) [9-798-061]

Session 8: De-Mergering and Restructuring for Corporate Advantage
Cases: “DuPont’s Spin-off ” [Columbia Business School materials]
“Motorola’s Spin-Off of the Cell Phone Business” [Columbia Business School materials]

Module 3: Corporate Advantage Through Enterprise Form
Please go to courseware “Testing” and do surveys about **Lucent Technologies New Ventures Group** and **Dell Ventures** by 8:00 AM on day when Session 9 meets.

**Session 9:**

**Readings:**
- **Corporate Advantage in Venture Capital**

**Optional Readings:**
- “A Note on Corporate Venture Capital,” [9-201-036]
- “A Note on Corporate Venturing and New Business Creation,” [9-302-091]

**Cases:**
- “Lucent Technologies New Ventures Group,” [9-300-085]
- “Dell Ventures,” [9-200-062]

**Part 1 of Final Project must be posted to all class members by noon one week before Session 10 meets. Please complete peer-graded commentaries on them to submit to Professor during Session 10.**

**Session 10:**

**Readings:**
- **Presentations of Field Work**
  - All “case” portions of all Final Projects [Part 1] are read before class and peer-graded commentaries are prepared for presenters.
  - Part 2 of each case is presented in class and questions will be fielded.
  - Everybody submits their comments for peers to Professor before class finishes.

**Reading Comprehension Exams are due**