UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL

MGMT-721
CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS

SYLLABUS—SPRING 2018

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Section 1: Monday/Wednesday 10:30am–11:50pm; room TBA
Section 2: Monday/Wednesday 1:30pm–2:50pm; room TBA
Office hours: by appointment

Course description

As markets globalize, technologies rapidly evolve, and consumer preferences dynamically shift, firms change to keep pace with and take advantage of new opportunities. Global diversified firms emerge to leverage their capabilities around different businesses throughout the world. To catalyze this transformation and stay ahead in competency and time to market, companies apply powerful but often risky corporate development strategies.

This course explores such modes of corporate development as internal growth, alliances, corporate venturing, and mergers and acquisitions. The objectives are three-fold: (1) to arm you with tools for the selection of a corporate development strategy appropriate in a given context; (2) to provide you with insights into management of strategic partnerships; and (3) to develop a comprehensive framework for executing M&As, from the initiation to the implementation.

The emphasis is on strategic and operational aspects of corporate development strategies, rather than merely on financial considerations. While the course will cover deals from a variety of industries, a number of them are from technology-based sectors. This is not only due to the recent prevalence and continued importance of external growth strategies in these sectors, but also because the fast pace provides early assessments of outcomes and management lessons. The insights from the technology-based settings are generalizable to many other contexts.

The course contains the following modules. The course starts with the discussion of the motivations for corporate development. Then the class outlines the choice from a menu of alternative modes of corporate development, explaining the applicability of and management approaches to each mode. Afterwards, students delve into each mode of corporate development, paying special attention to M&As. For that mode, students consider such important stages as the assessment of the resource needs faced by the acquirer, the acquisition screening and deal-making, and the post–merger integration. The course ends with the presentation of project work and a review of the learned material.
General pedagogical approach

This is an interactive, applied, case-based course with accompanying readings carefully selected to help students structure their analyses. To guide students through the course materials, discussion questions for each session will be set prior to the session. Readings are designed to provide a starting point for analyzing the case, but extension of the ideas is encouraged. Given the nature of the course, students will also apply lessons from the cases to understand challenges and implications of recent and ongoing deals. To facilitate this process, class participants are advised to follow the discussions of current corporate development activities in mass media.

Evaluation and other course policies

A student’s evaluation in this course is based on the following components:

- Individual class participation 35%
- Project draft 20%
- Group project presentation 10%
- Group project paper 35%

The class participation contributes a large part of a student’s grade for the course and is the only individually-determined element of the final grade. The class participation is also crucial for learning in the course because the participation helps students better understand and memorize the material. Accordingly, it is expected that class participants are well-prepared for each session and thoughtfully and frequently contribute to the discussions.

Students will receive intermediary feedback on their class participation. Around the midpoint of the semester, the instructor will inform students of their relative standing in the class in terms of class participation. Grades for the group project presentation and the final paper and the instructor’s feedback on students’ submissions will be released on the day of announcement of the final course grade.

Students must attend all classes. That requirement includes (a) all regular sessions, (b) an in-class project discussion meeting of only a student’s own group with the instructor, (c) two sessions with guest speakers, and (d) presentation sessions for all groups in the student’s section. As per Wharton’s policies, excused absences involve a documentable personal or family illness (i.e., the student absent in the class must provide the instructor with a doctor’s note; it is not sufficient to email the instructor that the student is not feeling well), and a religious observance for the observant student. Absences due to job interviews, career pursuits, non-documentable illnesses, or travel do not qualify as excused. Unexcused absences adversely affect class participation marks.

Students must attend the assigned sections. If a student is enrolled in the 10:30am section but attends the 1:30pm section (and vice versa), it will be treated as an unexcused absence.

This class has a strict “laptops-down” policy. The use of electronic devices, including tablets and smartphones, is prohibited in class and will adversely affect class participation marks. Students should plan their class preparation accordingly.
Course deadlines are strict. Late submissions of drafts or final reports for the group project are not accepted.

Each student must be involved actively in the group project. The active involvement requires: researching the topic selected by the group; regularly discussing the project with the group peers; preparing the draft, the final report, and the presentation; and presenting the project. To mitigate the possibility of free riding, each group member will be evaluated by the group peers in the end of the course. Group members who have contributed little to their group project will have their final grades for the project adjusted to reflect their actual contribution levels.

Canvas is the official means of communication for the course. In particular, the instructor will post discussion questions and other assignments for each session on Canvas before the session. Presentations and handouts will be posted on Canvas after the respective session. Students should use Canvas to submit completed assignments and drafts and final reports for the group project.

**Guidelines for group project**

The project is intended to give students the opportunity to apply course materials to a context that is of most interest to them. Two main choices students need to make are (1) the firm(s) to be analyzed and (2) a corporate development topic(s) they want to investigate with the selected firm(s). The topic(s) should be well-researched, based on the framework(s) covered in the course and using real corporate data from such sources as articles, reports, and specialized databases (e.g., SDC or COMPUSTAT). Students are also encouraged to enrich their projects by reaching out the analyzed firm(s) and conducting interviews with managers of those firms.

Some most recent projects have been the following:

- Analysis of SABMiller’s corporate development: Vertical integration and M&As
- AOL Time Warner merger: What went wrong?
- Santander Group: A story of growth
- Analysis of the Renault–Nissan alliance
- Corporate development of Comcast
- “Buttoning up” the Men’s Wearhouse/Jos. A. Bank acquisition
- Apple–Tesla corporate co–development: Acquisition, equity alliance, or non–equity alliance?
- Analysis of eBay’s acquisition of PayPal
- Oracle: Corporate development strategy
- AB InBev merger
- Google’s corporate development methods
- LVMH’s corporate development strategies
- Comcast–Time Warner Cable merger
- Beyond burgers: McDonald’s acquisition and divestiture of Chipotle
- US Airways–American Airlines merger: An analysis of the decision to merge
- Google’s acquisition of Motorola Mobility
- PepsiCo’s acquisitions of PepsiAmericas and Pepsi Bottling Group: Vertical integration
A good project will satisfy the following key requirements:

- **RELEVANCE**: the project consistently applies the materials of this course to the investigated topic;
- **COMPREHENSIVENESS**: the project conducts a thorough quantitative and/or qualitative analysis of the topic;
- **EFFICIENCY**: the project is efficiently written—the report is well-structured and clear and is not longer than 25 double-spaced pages (including the title page, appendices, tables, figures, and references).
- **ORIGINALITY**: the project represents a novel analysis conducted by the project group;
- **APPLICABILITY**: the project draws implications and suggests recommendations for managerial practice.

Students should use Canvas to form groups involving from four to six members by 5pm on January 26. Groups should be formed only within the respective section. Students who do not join a group by the established time will be arbitrarily allocated to a group. Groups involving less than four students can be merged at the instructor’s discretion. During the class time on February 26 and February 28, the instructor will meet with each group individually to briefly discuss the intended project. The specific time for the meeting should be selected in advance on the dedicated Canvas sign-up sheet. For that meeting, students should prepare a one page project outline naming the firm(s), the explored topic(s), the data sources, the analytical methods, and the progress to date.

Students should submit a draft of their project report via Canvas by 5pm on March 16. The draft should contain sufficient detail to enable the review by the instructor. The draft will be graded, and the grades, along with the instructor’s comments, will be given to students within two weeks from the submission deadline. The final presentation of the project will take place during one of the designated classes on April 16, April 18, or April 23. Students should schedule the date and the time for the presentation in advance on the Canvas sign-up sheet. Students should submit slides for their presentation via Canvas by 9am of the day immediately before the day of the presentation. The final paper is due by 5pm on April 27, to be uploaded on Canvas.

**Class schedule**

1. **PREVIEWS**

1/10 Session 1: Course overview

1/15 Martin Luther King, Jr. Day: no class
2. MOTIVATION FOR CORPORATE DEVELOPMENT

1/17 Session 2: Firm resources and corporate strategy


1/22 Session 3: Corporate diversification: Economies of scope—synergy

*Case:* “Polyface: The farm of many faces” (Harvard Business School, case #9–611–001).

1/24 Session 4: Corporate diversification: Economies of scope—resource redeployability


Complete team sign-up by 5:00pm on 1/26 via Canvas!

1/29 Session 5: Vertical integration: transaction cost economics


3. MODES OF CORPORATE DEVELOPMENT

1/31 Session 6: Selecting corporate development strategies


*Case:* “Monsanto’s march into biotechnology (A)” (Harvard Business School, case #9–690–009).

2/5 Session 7: Corporate strategy and corporate structure

3.1. ALLIANCES

2/7 Session 8: Managing strategic alliances


*Case*: “Lipitor: At the heart of Warner–Lambert” (University of Michigan Business School).

2/12 Session 9: Managing alliance networks


*Case*: “Star Alliance, 2000” (Brandeis University International Business School).

3.2. CORPORATE VENTURING

2/14 Session 10: Corporate venturing


3.3. MERGERS AND ACQUISITIONS

2/19 Session 11: Growing through acquisitions


3.3.1. ACQUISITION SCREENING AND DEAL–MAKING

2/21 Session 12: Assessing resource requirements


2/26 Project discussion meetings: schedule appointment and bring outline (no class, but come to the classroom at the 15-minute timeslot designated for the group meeting)

2/28 Project discussion meetings: schedule appointment and bring outline (no class, but come to the classroom at the 15-minute timeslot designated for the group meeting)

3/5 Spring Break (no class)

3/7 Spring Break (no class)

3/12 Session 13: Performing due diligence


3/14 Session 14: Conducting valuation and negotiation


*Case:* “Cerent Corporation” (Stanford University Graduate School of Business).

**Paper draft is due by 5:00pm on 3/16. Please submit via Canvas.**

3/19 Session 15: Challenges of valuation of corporate resources

3.3.2. POST–MERGER INTEGRATION

3/21 Session 16: Integration planning


Case: “HP and Compaq Combined: In Search of Scale and Scope” (Stanford University Graduate School of Business).

3/26 Session 17: Determining integration strategies


3/28 Session 18: M&A issues

Speaker: Xavier Sztejnberg, Dell Inc.

4/2 Session 19: Managing human resources and assimilating cultures


3.4. OTHER CORPORATE DEVELOPMENT STRATEGIES

4/4 Session 20: Strategic outsourcing

Case: “R&D Services at Wipro Technologies: Outsourcing Innovation?” (Wharton).

4/9 Session 21: Divestitures


4/11 Session 22: Divestitures

Speaker: Liz Fennessey, Deloitte Consulting

4/16 Session 23: Group presentation (1/3)

4/18 Session 24: Group presentation (2/3)

4/23 Session 25: Group presentation (3/3)

4/25 Session 26: Synthesis of course learning

Final paper is due by 5:00pm on 4/27. Please submit via Canvas.