

**UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL**

**MGMT-721**

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**CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS**

**SYLLABUS – FALL 2010**

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Section 1: Monday/Wednesday 12:00pm-1:30pm, JMHH F-50

Section 2: Monday/Wednesday 3:00pm-4:30pm, JMHH 265

Office Hours: Monday/Wednesday 4:30pm-6:00pm

**COURSE DESCRIPTION**

As product and factor markets globalize, technology rapidly evolves, and competition intensifies, companies worldwide are fundamentally changing their structures and processes to keep pace and take advantage of new opportunities. We are witnessing the emergence of the disaggregated and distributed global firm that leverages internal and external capabilities around the world in real-time, blurring traditional organizational boundaries and leading to the creation of virtual enterprises. To catalyze this transformation and stay ahead in competency, cost, and time to market, companies are utilizing an array of powerful but often risky inorganic strategies, in the hopes that they can “plug and play” with local and global entities, and gain the needed resources to compete effectively.

This course explores the various modes of corporate development available to managers to drive firm growth and change, including alliances, outsourcing, corporate venturing, and particularly mergers and acquisitions. The objectives are three-fold: (1) to arm you with a set of tools to facilitate the selection of the appropriate growth strategy in a given situation; (2) to provide you with insights as to how to manage partnerships like alliances, outsourcing, and corporate venturing; and, (3) to develop a comprehensive framework for executing M&As, from initiation to implementation.

The emphasis is on strategic and operational aspects of these transactions, rather than financial considerations. While we 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. As we will see, insights from these settings are generalizable to many other contexts.

The course has four modules. We begin by examining the different modes of corporate development, including the applicability and management approaches for each, particularly various types of partnerships. We then delve into acquisition screening and deal-making. Afterwards, we consider in detail post-merger integration. The course ends with the presentation of project work and a review of the course learnings.

## **Pedagogical Approach and Evaluation**

This is an applied, case-based course with accompanying readings to help structure your thinking. Discussion questions for the case will be set prior to each session, to enable you to focus your attention. Readings are designed to provide a starting point for analyzing the case, but extension of the ideas is encouraged, as they will be applied in an integrative fashion in the discussions. Given the nature of the course, we will also apply the lessons from the cases to understand the challenges and implications of relevant recent and on-going deals. To facilitate this process, you should subscribe to the New York Times' free e-mail newsletter DealBook, to keep abreast of current deal activity (sign-up at [www.nytimes.com](http://www.nytimes.com)).

Since corporate development, and especially mergers and acquisitions, is a complex phenomenon which we can only discuss in parts, it is important that you evolve your own mental framework throughout the course, linking deal rationale and implementation. A main source of failure of deals in practice is that the objectives and execution are not consistent amidst such complicated transactions.

Evaluation in the course is based on class participation and a group project (described below), in the following proportion:

Class Participation	35%
Project Draft	20%
Project Presentation	10%
Project Paper	35%

Discussion questions and any other assignments for each class will be posted on webCafé in advance. Any presentations and handouts will be posted on the same site after the respective session. Since class participation is a crucial component of not only the evaluation but also the learning in the course, it is expected that you are well-prepared for each session. At the beginning of each class, I will ask one person to open the discussion. Unexcused absences and tardiness will adversely affect class participation marks. A maximum of three excused absences will be accepted. Loss of the opportunity for class participation during excused absences may be partially made up for by submitting a written response to the discussion questions of the day.

## **Guidelines for Project Work**

The project is intended to give you the opportunity to apply your learning from the course to a context that is most interesting and relevant to you. There is a great deal of latitude in selecting a topic, as long as it relates to corporate development strategies at a firm or industry level. You may study past, current, or even hypothetical deals that you consider advisable. The topic should be well-researched, based on an extensive review of public information such as articles and reports, and specialized databases like SDC or COMPUSTAT. I strongly encourage you to attempt to gain access to the companies being studied to collect data and conduct interviews, since this can lead to a uniquely rich and insightful analysis.

Past projects have included:

- Exploring Google's Growth Strategy
- Corporate Development Analysis of British Petroleum Alternative Energy
- How Schwab Broadened its Client Base through Acquisitions and Alliances
- Making Sense of the Oracle M&A Spree

- Sprint's Wireless Growth Strategy: Affiliates and Mobile Virtual Network Operators
- The Emergence of a Consumer Products Giant: P&G's Acquisition of Gillette
- The News Corporation Acquisition of Dow Jones
- MGM Mirage Acquisition of Mandalay and Harrah's Acquisition of Caesars
- Lenovo's Acquisition of IBM PC Division
- Analysis of the Delta-Northwest Merger
- AOL-Time Warner Merger
- The XM-Sirius Merger
- Microsoft's Attempted Acquisition of Yahoo
- Hypothetical Acquisition of Netflix by Blockbuster
- What Should Microsoft Do with Facebook?
- Sony Ericsson Joint Venture
- Consolidation in the Oil & Gas Industry: From Mega-Mergers Onwards
- Nanoelectronics: Corporate Development Options for Semiconductor Companies
- Business Process Outsourcing: A Study

A good project will:

- clearly and logically apply the course material to the phenomenon being investigated;
- present a thorough and rigorous quantitative and/or qualitative analysis of the phenomenon;
- draw implications and suggest recommendations for managerial practice;
- discuss which insights are generalizable and under what conditions.

The project is to be worked on in groups of **five**. A project topic and list of group members is due to me by email on **September 24**. During class time on either **October 13** or **October 18**, I would like to meet with each group to discuss the project proposal. For this 15-minute meeting, which should be scheduled in advance on the dedicated webCafé sign-up sheet, please prepare a one page project outline with a description of your topic, the sources of data, analytical methods, and progress to date.

A draft of your project is due to me by file upload on webCafé on **November 5**, on which you will receive feedback. This draft is to be in presentation form, but with sufficient detail to enable it to be read as a coherent document (as is common in consulting and investment banking circles). The final presentation of your project will take place during one of the designated classes between **November 29** and **December 6**. The final paper is due on **December 10**, to be uploaded on webCafé. The paper is to be a maximum of 20 double-spaced pages, excluding exhibits.

## CLASS SCHEDULE

### ***I. MODES OF CORPORATE DEVELOPMENT AND MANAGEMENT OF PARTNERSHIPS***

#### **09/08 Session 1: Course Overview**

#### **09/13 Session 2: Deciding Between Corporate Development Strategies**

Case: Monsanto's March into Biotechnology (A) (*HBS*)

Reading: Organizing for Innovation: When is Virtual Virtuous? (*HBR*)  
When to Ally and When to Acquire (*HBR*)

#### **09/15 Session 3: Managing Strategic Alliances**

Case: Lipitor: At the Heart of Warner-Lambert (*Michigan*)

Reading: How to Make Strategic Alliances Work (*SMR*)  
The Relational View: Cooperative Strategy... (*AMR*)

#### **09/20 Session 4: Managing Alliance Networks**

Case: Star Alliance, 2000 (*Brandeis*)

Smarter Ways to Do Business with the Competition (*European Business Forum*)  
Star Alliance Seeks Integration (*Korea Times*)  
Star Alliance Cuts Costs to Stay Ahead (*The Nation*)

Reading: Constellation Strategy: Managing Alliance Groups (*Ivey Business Journal*)  
Strategy as Ecology (*HBR*)

#### **09/22 Session 5: Engaging in Strategic Outsourcing of Peripheral to Core Activities**

Case: R&D Services at Wipro Technologies: Outsourcing Innovation? (*Wharton*)

#### **09/24 \*Project Topic and List of Group Members Due by E-mail\***

#### **09/27 Session 6: Engaging in Corporate Venturing**

Case: Intel Capital: The Berkeley Networks Investment (*HBS*)

Reading: Making Sense of Corporate Venture Capital (*HBR*)

#### **09/29 Session 7: Growing through Acquisitions**

Case: Cisco's Acquisition Strategy (1993 to 2000): Value Growth... (*Wharton*)

Reading: Capturing the Real Value in High-Tech Acquisitions (*HBR*)  
The Influence of Organizational Acquisition Experience... (*ASQ*)

#### **10/04 Session 8: Managing Corporate Transformations: Acquisitions**

Case: American Can Company, 1984 (*HBS*)

Reading: To Diversify or Not To Diversify (*HBR*)

#### **10/06 Session 9: Managing Corporate Transformations: Divestitures**

Case: Esmark (A) (*HBS*)

Reading: Divestiture: Strategy's Missing Link (*HBR*)

#### **10/13 \*Project Discussion Meetings: Schedule Appointment and Bring Outline\* (No Class)**

#### **10/18 \*Project Discussion Meetings: Schedule Appointment and Bring Outline\* (No Class)**

## **II. ACQUISITION SCREENING AND DEAL-MAKING**

### **10/20 Session 10: Assessing Needs**

Case: PepsiCo's Restaurants (*HBS*)  
*Background:* PepsiCo: A View from the Corporate Office (*HBS*)

### **10/25 Session 11: Performing Due Diligence**

Case: Fleet/Norstar Financial Group: Banking on BNE (*HBS*)  
Reading: When to Walk Away from a Deal (*HBR*)

### **10/27 Session 12: Conducting Valuation and Negotiation**

Case: Cerent Corporation (*Stanford*)  
Reading: Are You Paying Too Much for That Acquisition? (*HBR*)  
Valuation Techniques (*Stanford*)  
Stock or Cash? The Trade-Offs for Buyers and Sellers in M&As (*HBR*)  
The Fine Art of Friendly Acquisition (*HBR*)

### **11/01 Session 13: Bidding for Targets**

Case: The Auction That Wouldn't End (*Deal Focus*)  
\$41 Billion Offer by Cingular Wins AT&T Wireless (*NYT*)  
How the Cingular Deal Helps Verizon (*BusinessWeek*)  
Haier Retreats (*The Deal*)  
Whirlpool Warding Off Rivals (*The Deal*)  
Chevron Completes Unocal Deal (*San Francisco Chronicle*)  
Reading: Managerial Overcommitment in Corporate Acquisition Processes (*Org. Sci.*)

## **III. POST-MERGER INTEGRATION**

### **11/03 Session 14: Tackling the Integration Process: Understanding Challenges and Execution**

Case: The Breakfast of Champions: Can General Mills Make the Dough with Pillsbury? (*A*) (*Darden*)  
Reading: Acquisition Integration: Creating the Atmosphere for Value Creation (*Book Ch.*)  
Post-Merger Integration (*JBS*)  
Not All M&As Are Alike – and That Matters (*HBR*)

### **11/05 \*Project Draft Due on webCafé\***

### **11/08 Session 15: Embarking on Integration Planning**

Case: HP and Compaq Combined: In Search of Scale and Scope (*Stanford*)  
Reading: Buying Innovation: Managing Technology-Based Acquisitions (*Wharton*)  
Making M&As Work: Strategic and Psychological Preparation (*AME*)

### **11/10 Session 16: Integration in “Mergers of Equals”**

Case: DaimlerChrysler Merger: The Quest to Create “One Company” (*Babson*)  
Reading: Identity versus Culture in Mergers of Equals (*EMJ*)  
The Dubious Logic of Global Megamergers (*HBR*)  
Do CEOs in Mergers Trade Power for Premium? Evidence from “Mergers of Equals” (*JLEO*)

- 11/15 Session 17: Managing Human Resources and Assimilating Cultures**  
Case: Forming a Financial Services Goliath: The MS-DWD Merger (*Wharton*)  
Reading: Managing Human Resources to Capture Capabilities... (*Book Ch.*)  
Revisiting the Merger Syndrome: Dealing with Stress (*M&A*)  
Integrating Different Cultures and Managing Conflicts (*Book Ch.*)
- 11/17 Session 18: Determining Integration Strategies**  
Case: Vermeer Technologies (D), (E), (F) (*HBS*)  
Post-Merger Integration: How IBM and Lotus Work Together (*S&B*)  
Reading: Same as Session 15
- 11/22 Session 19: Global M&A by Emerging-Market Multinationals**  
Case: China's Track Record in M&A (*McKinsey Quarterly*)  
Lenovo Evolves with Its IBM PC Unit in Tow (*NYT*)  
Big Deal? (*Business Standard Strategist*)  
Merger, Indian Style: Buy a Brand, Leave It Alone (*WSJ*)  
Global Integration the Cemex Way (*The Deal*)  
No Small Beer Empire (*Financial Mail*)  
Reading: What Have We Learned About Emerging-Market MNEs? (*Book Ch.*)
- 11/24 \*Happy Thanksgiving!\* (No Class)**

#### ***IV. PROJECTS AND REVIEW***

- 11/29 Session 20: Project Presentations (1/3)**
- 12/01 Session 21: Project Presentations (2/3)**
- 12/06 Session 22: Project Presentations (3/3)**
- 12/08 Session 23: Synthesis of Course Learnings**
- 12/10 \*Final Paper Due\***