

**UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL**

**MGMT-721**

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**CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS**

**SYLLABUS – SPRING 2020**

*(Preliminary version, subject to change)*

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Section 1: Monday/Wednesday 10:30am-Noon JMHH 355

Section 2: Monday/Wednesday 1:30pm-3:00pm VANC B11

Office Hours: By appointment, and occasional open office hours as announced through the semester

**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 into 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 five modules. In Module I, we begin by examining the different modes of corporate partnership, including the applicability and management approaches for each. In Module II, we turn our attention to the different modes of mergers and acquisition in particular. In Module III, we delve into acquisition screening and deal-making. In Module IV, we consider post-merger integration in detail. Module V concludes the course with sessions on other relevant topics of interest such as divestitures and private equity, as well as a review and integration of the course learnings.

## Pedagogical Approach

This is an applied, primarily 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 try to keep abreast of current deal activity.

## Evaluation and Course Policies

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 Paper       | 35% |
| Peer Assessment     | 10% |

Discussion questions and any other assignments for each class will be posted on Canvas 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. *Please take note* that class participation is the only component of your course grade that is individually-determined; the rest of your grade will be determined by your group's performance on the project. Thus, it is strongly in your interest to thoughtfully and frequently contribute to the case discussions. I cold call to ensure participation and preparation.

*Students are expected to attend all classes.* As per Wharton's policies, excused absences are defined as a *documentable* personal or family illness (*i.e.*, you must provide me with a doctor's note; *it is insufficient to email me that you are not feeling well*), and religious observance for observant students. ***Absences due to job interviews, career pursuits, non-documentable illnesses, or travel are unexcused. Each unexcused absence will result in a one-point reduction of your final course grade.***

*Students must attend their assigned sections.* If you are enrolled in the 10:30am section but you attend the 1:30pm section (and vice versa), it will be treated as an unexcused absence, unless you have my express permission, which may only be given under exceptional circumstances.

*This class has a strict "laptops-down" policy.* The use of all electronic devices, including tablets and phones, is prohibited in class and will adversely affect class participation marks. You should plan your class preparation accordingly.

*Grading.* I take great care to grade as fairly as possible. *Students who have final scores of 65 or below and/or excessive numbers of unexcused absences (as determined at my discretion) may receive failing grades*

*Session schedule and content may change.* Please check Canvas for updates frequently.

*Student lunches:* I will be scheduling a number of informal lunches with students later in the semester. These are entirely optional. I will make an announcement when you can sign up for these on Canvas.

## 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 PITCHBOOK, 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:

- Anheuser Busch-InBev Merger
- The Corporate Development Strategy of Electronic Arts
- Comcast-NBC Universal Merger
- CarMax vs. AutoNation: The Case for Organic Growth
- BMS's Evolving Acquisition Strategy: Pre- and Post-String of Pearls Strategy
- LATAM Airlines Group: The LAN-TAM Merger
- Big Bang vs. Gradual Growth: How Oil Super-Majors Became Shale Gas Leaders
- Kraft's Hostile Acquisition of Cadbury
- Amazon-Zappos Acquisition
- Hypothetical Merger between Pearson and Kaplan
- Consolidation in the Oil & Gas Industry: From Mega-Mergers Onwards

A good project will:

- clearly and logically apply the course material to the phenomenon being investigated;
- present a thorough and rigorous 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 randomly assigned groups of five or six within your section.*

A project topic is due to me by email and Canvas sign-up **by 5pm on January 31**. During class time on either **February 10** or **February 12**, I would like to meet with each group to discuss the project proposal (*attendance at these meetings is mandatory*). For this 15-minute meeting, which should be scheduled in advance on the dedicated Canvas sign-up sheet, please prepare a one page project outline with a brief description of your topic, the sources of data, analytical methods, and progress to date. This outline is due by file upload on Canvas **by 5pm on February 9**, whether your meeting is on February 10 or February 12. Please bring printed copies to your meeting too.

A draft of your project is due to me by file upload on Canvas **by 5pm on March 27**, on which you will receive feedback. This draft is to be in outline form.

The final paper is due **by 5pm on April 29, the day of the last class session**, to be uploaded on Canvas. The paper is to be a maximum of 20 double-spaced pages (or about 6,000 words), excluding exhibits. The peer assessment, which comprises a series of questions on Canvas about the contributions of your group mates to the group project, is also due **by 5pm on April 29**.

## CLASS SCHEDULE (please check Canvas for updates prior to class)

01/15 Session 1: Course Overview

01/20 \*MLK Day (No Class)\*

### ***I. MODES OF CORPORATE PARTNERSHIP***

01/22 Session 2: Pursuing Organic Growth Strategies

Case: Becton Dickinson: Innovation and Growth (A) (HBS)

Reading: The Ambidextrous Organization (HBR)

01/27 Session 3: Managing Strategic Alliances

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

Readings: The Relational View: Cooperative Strategy... (AMR)

When to Ally and When to Acquire (HBR)

01/29 Session 4: Managing Alliance Networks & Ecosystems

Case: Star Alliance, 2000 (Brandeis)

Reading: Smarter Ways to Do Business with the Competition (Euro Business Forum)

Constellation Strategy: Managing Alliance Groups (Ivey Business Journal)

01/31 \*Project Topic Due on Canvas by 5pm\*

02/03 Session 5: Managing Outsourcing Partnerships

Case: Lego Group: An Outsourcing Journey (Ivey)

02/05 Session 6: Engaging in Corporate Venturing

Case: JetBlue Technology Ventures: Bringing External Innovation in House (Stanford GSB)

Readings: Making Sense of Corporate Venture Capital (HBR)

Corporate VCs Are Moving the Goalposts (HBR)

02/09 \*Project Short Brief Due on Canvas by 5pm\*

02/10 Session 7: Project Discussion Meetings I/II

Schedule Appointment & Bring Outline (meeting in regular classroom)

02/12 Session 8: Project Discussion Meetings II/II

Schedule Appointment & Bring Outline (meeting in regular classroom)

### ***II. MODES OF MERGERS AND ACQUISITIONS***

02/17 Session 9: Vertical Acquisitions

Case: The Walt Disney Company & Pixar Inc.: To Acquire or Not to Acquire? (HBS)

02/19 Session 10: Horizontal Acquisitions

Case: Cisco Systems: New Millennium—New Acquisition Strategy? (INSEAD)

Reading: The Influence of Organizational Acquisition Experience... (ASQ)

02/24 Session 11: Diversifying Acquisitions

Case: Danaher Corporation (HBS)

- 02/26 Session 12: Globalizing Acquisitions**  
 Case: House of Tata: Acquiring a Global Footprint (*HBS*)
- 03/02 Session 13: SPECIAL TOPIC: Blending Modes of Corporate Development**  
 Case: Mary Barra and the Lyft Investment: Leading GM into the Sharing Economy through Acquisitions (*IMD*)  
 Reading: The Delicate Balance of Making an Ecosystem Strategy Work (*HBR*)
- 03/04 Session 14: Group Project Work**  
 Dedicated class time to be used for project work (*Project draft due 03/27*)

**03/09 \*SPRING BREAK (No Class)\***

**03/11 \*SPRING BREAK (No Class)\***

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

- 03/16 Session 15: Assessing Needs**  
 Case: PepsiCo's Restaurants (*HBS*)
- 03/18 Session 16: Performing Due Diligence**  
 Case: Cadbury Schweppes: Capturing Confectionery (A) (*HBS*)
- 03/23 Session 17: Valuing Synergies and Managing Risk**  
 Case: Dow's Bid for Rohm and Haas (*HBS*)
- 03/25 Session 18: Strategic Valuation**  
 Case: \$19B for txt app WhatsApp...omg! (*HBS*)
- 03/27 \*Project Draft Due on Canvas by 5pm\***

### ***IV. POST-MERGER INTEGRATION***

- 03/30 Session 19: Embarking on Integration Planning**  
 Case: Merging American Airlines and US Airways (*HBS*)
- 04/01 Session 20: Integration in "Mergers of Equals"**  
 Case: DaimlerChrysler Merger: The Quest to Create "One Company" (*Babson*)  
 Reading: Identity versus Culture in Mergers of Equals (*EMJ*)  
 Do CEOs in Mergers Trade Power for Premium?... (*JLEO*)
- 04/06 Session 21: Integration Strategies**  
 Case: Ben and Jerry's: Preserving Mission and Brand within Unilever (*HBS*)  
 Reading: Not All M&As Are Alike – and That Matters (*HBR*)
- 04/08 Session 22: Human Resource and Cultural Integration**  
 Case: Procter & Gamble in the 21<sup>st</sup> Century (B): Welcoming Gillette (*HBS*)

## ***V. SPECIAL TOPICS***

**04/13 Session 23: Divestitures**

Case: Motorola's Spinoff of its Cell Phone Business (*CBS*)

**04/15 Session 24: Private Equity Transactions**

Case: The Hertz Corporation (A) (*HBS*) 9-208-030

**04/20 Session 25: Group Presentations 1/3**

**04/22 Session 26: Group Presentations 2/3**

**04/27 Session 27: Group Presentations 3/3**

**04/29 Session 28: Synthesis of Course Learnings**

**04/29 \*Final Paper Due on Canvas by 5pm\***

**\*Peer Assessment Due on Canvas by 5pm\***