

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL**

MGMT-721

CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS

SYLLABUS – SPRING 2021 (PRELIMINARY AS OF JAN 2021)

Professor Paul Nary

Office: 2017 Steinberg Hall-Dietrich Hall

Office Phone: (215) 746-2047

E-Mail: paulnary@wharton.upenn.edu Best way

Teaching Assistant: Allison Delaney Briggs (dallis@wharton.upenn.edu)

Section 1: Monday/Wednesday 10:30am-Noon **VIRTUAL SESSIONS AS SCHEDULED VIA ZOOM**

Section 2: Monday/Wednesday 1:30pm-3:00pm **VIRTUAL SESSIONS AS SCHEDULED VIA ZOOM**

Office Hours: Zoom virtual office hours TBA and by appointment

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. There will also be a couple of special topic sessions on other relevant subjects 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. 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:

Individual Class Participation & Quizzes	25%
Individual Assignments (Short Reflection Papers)	10%
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, or presented during class. Any presentations and handouts will be posted on the same site after the respective session.

Due to ongoing COVID19 pandemic, all classes will be delivered remotely. On designated dates, class will be live at the originally designated time for your section. Parts of some of the sessions may be delivered as a prerecorded lecture, in which case I will inform you well in advance and adjust the length of synchronous class sessions accordingly.

Preparation: I expect for you to read all of the assigned materials for each session in advance. All reading materials are available through the course Canvas site (via Study.net).

Attendance and participation: This class will be delivered synchronously. Students living in the same time zone as Philadelphia, or those in a reasonably close time zone, should participate in live sessions. For those students, attendance is mandatory.

Active participation in a conceptual class like this one is crucial to learning. Thus, I will track and grade participation every day of class. I will use two simple criteria to evaluate participation: (1) Did you speak up? (2) Was the contribution of high quality? We are not expecting you to say something in every single class, but we will be looking for a pattern of sustained quality participation throughout the course. This can be accomplished by answering the questions we will ask in class, by reacting to the comments of your peers in ways that generate healthy debate, or by asking questions that help us or your peers better explain or understand a concept. Not every comment made in class merits points. For example, answers to some basic questions (i.e. certain facts of from case or reading) are simply a reflection of good preparation. Please be assured that I am conscious of the limitations that remote learning imposes on group dialogue. At the same time, technology currently available for remote learning provides ample opportunities for all students to participate.

Quizzes: From time to time, I may conduct short in-class quizzes that will count towards participation.

Individual assignments: There will be five individual assignments in form of short reflection papers, one for each module of the course. Each paper will be worth 2% of your final grade (10% total)

In-class expectations: We will follow these basic principles to maximize the learning experience:

- Class will start and end on time
- Students should keep their cameras on at all times, unless technological or physical constraints make it impractical or distracting
- Cell phones and other devices besides the computer being used for class should be put aside to avoid distractions. Students should be in a quiet location (to the extent possible)

Students who cannot attend live classes: I will record class for students facing circumstances that make live attendance unreasonable (e.g. incompatible time zones) and provide alternative means for those students to gain participation credit. Please contact me immediately if you will be unable to participate live. It is your responsibility to communicate your needs with sufficient notice so that I can make the necessary accommodations. Otherwise, I will assume you can participate live and grade you accordingly.

Students needing other accommodations: Whether because of the COVID pandemic or other reasons, you may be facing personal challenges that make it hard to be fully engaged in this class. I see it as my job to support you and help you be successful in this course. However, I cannot help you if I don't know what's going on. Please contact me, directly or through your academic advisor, to let me know of any challenges.

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. All grading will incorporate any updated pandemic-related Wharton grading policies.

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

Guest speakers: Depending on availability, we may from time to time have guest speakers visiting with us virtually. Your attendance for these sessions will remain mandatory. Please check Canvas for updates frequently.

Student lunches: Depending on level of interest, I may schedule some virtual student lunches or happy hours later in the semester. Please stay tuned.

Guidelines for Individual Assignments (Personal Reflection Papers)

There will be four short individual assignments, each roughly matched to one of the class modules. The purpose of these assignments is to help you better digest and integrate what we are learning in class, at your own pace and from your own perspective. It will also allow me to engage with each and every one of you on a more individual level. These assignments will be due at **5PM** on **February 21**, **March 21**, **April 4**, and **April 18**. I will provide you with specific instructions for each of these assignments via Canvas at a later date.

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
- Disney's corporate strategy
- BMS's Evolving Acquisition Strategy: Pre- and Post-String of Pearls Strategy
- LATAM Airlines Group: The LAN-TAM Merger
- LVMH and Tiffany's acquisition
- 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.

Considering that some of you may or may not be able to meet your colleagues live if you are at the same location, I will allow you to form your own groups of 5-6 people if you so desire, and I will randomly assign others into groups.

A project topic is due to me by email and Canvas sign-up **by 5pm on February 7**. 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 14**, whether your meeting is on February 15 or February 17. Please bring printed copies to your meeting too.

A draft of your project is due to me by file upload on Canvas **by 11:59pm on March 28**, on which you will receive feedback. This draft is to be in outline form.

The final paper is due **by 5pm on April 28, 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 28**.

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

01/20 Session 1: Course Overview

I. MODES OF CORPORATE PARTNERSHIP

01/25 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 *Groups Due Jan 29 – or Randomly Assigned on Jan 31*

02/01 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*)

02/03 Session 5: Managing Outsourcing Partnerships
Case: Lego Group: An Outsourcing Journey (*Ivey*)

02/07 *Project Topic Due on Canvas by 5pm*

02/08 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*)

02/10 Session 7: Special Topics #1: Divestitures
Case: Motorola's Spinoff of its Cell Phone Business (*CBS*)

02/14 *Project Short Brief Due on Canvas by 5pm*

02/15 Session 8: Project Discussion Meetings I/II
Scheduled Group Appointments

02/17 Session 9: Project Discussion Meetings II/II
Scheduled Group Appointments

02/21 *Individual Assignment #1 Due on Canvas by 5pm*

II. MODES OF MERGERS AND ACQUISITIONS

02/22 Session 10: Vertical Acquisitions
Case: The Walt Disney Company & Pixar Inc.: To Acquire or Not to Acquire? (*HBS*)

02/24 Session 11: Horizontal Acquisitions

Case: Cisco Systems: New Millennium—New Acquisition Strategy? (*INSEAD*)
Reading: The Influence of Organizational Acquisition Experience... (*ASQ*)

03/01 Session 12: Diversifying Acquisitions

Case: Danaher Corporation (*HBS*)

03/03 Session 13: Globalizing Acquisitions

Case: House of Tata: Acquiring a Global Footprint (*HBS*)

03/08 Session 14: Group Project Work

Dedicated class time to be used for project work (*Project draft due 03/28*)

03/10 *SPRING BREAK (No Class)*

03/15 Session 15: Special Topics #2: 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*)

III. ACQUISITION SCREENING AND DEAL-MAKING

03/17 Session 16: Assessing Needs

Case: PepsiCo's Restaurants (*HBS*)

03/21 *Individual Assignment #2 Due on Canvas by 5pm*

03/22 Session 17: Performing Due Diligence

Case: Cadbury Schweppes: Capturing Confectionery (A) (*HBS*)

03/24 Session 18: Valuing Synergies and Managing Risk

Case: Dow's Bid for Rohm and Haas (*HBS*)

03/28 *Project Draft Due on Canvas by 11:59pm*

03/29 Session 19: Strategic Valuation

Case: \$19B for txt app WhatsApp...omg! (*HBS*)

IV. POST-MERGER INTEGRATION

03/31 Session 20: Embarking on Integration Planning

Case: Merging American Airlines and US Airways (*HBS*)

04/04 *Individual Assignment #3 Due on Canvas by 5pm*

04/05 Session 21: 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*)

04/07 Session 22: 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*)

04/12 ****No Class****

04/14 Session 23: Human Resource and Cultural Integration
Case: Procter & Gamble in the 21st Century (B): Welcoming Gillette (*HBS*)

04/18 ****Individual Assignment #4 Due on Canvas by 5pm****

04/19 Session 24: Special Topics #3: Private Equity Transactions
Case: The Hertz Corporation (A) (*HBS*) 9-208-030

04/21 Session 25: Reserved for Group Project Presentations 1/2

04/26 Session 26: Reserved for Group Project Presentations 2/2

04/29 Session 27: Synthesis of Course Learnings

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