

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL**

MGMT-721

CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS

SYLLABUS – FALL 2021

Professor Emilie R. Feldman

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Section 1: Monday/Wednesday 1:45pm-3:15pm, **virtual Zoom sessions (see Canvas for meeting link)**

Section 2: Monday/Wednesday 3:30pm-5:00pm, **virtual Zoom sessions (see Canvas for meeting link)**

Office Hours: **Zoom virtual open office hours (see Canvas for meeting link)** Wednesdays 5:00-6:00pm, or by appointment (send me an email to schedule)

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 venture capital; 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, several 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 three modules. In Module I, we begin by examining the different modes of corporate development, ranging from organic growth to partnerships (alliances, outsourcing, and corporate venture capital) to mergers and acquisitions. In Module II, we turn our attention to acquisition screening and deal-making. In Module III, we consider post-merger integration.

Pedagogical Approach

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 newsletter, DealBook, to keep abreast of current deal activity.

Evaluation and Course Policies

As described in greater detail below, evaluation in the course is based on class attendance and participation, three short individual module assignments, an individual reaction paper, and a group project, in the following proportions:

Individual Class Participation	15%
Individual Module Assignments	15%
Individual Reaction Paper	15%
Group Project Draft	20%
Group Project Paper	30%
Group Project Peer Assessment	5%

Preparation and In-Class Expectations

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

To assist in your preparation, discussion questions for each class will be posted on Canvas in advance of each session. Any presentations and handouts will be posted on the same site after the respective session.

We will follow these basic principles to maximize the learning experience:

- Class will start and end on time.
- Please keep your camera on throughout class.
- Please mute your microphone unless I call on you to speak.
- Please use Zoom's hand raise feature to participate in class. I will call on you.
- Please feel free to use the chat for questions and comments as well. I will incorporate comments from the chat into the discussion to the greatest extent possible.
- Cell phones and other devices besides the one being used for class should be put aside to avoid distractions. Please try to be in a quiet location.

Class Attendance

This course will be delivered synchronously, so students are expected to attend all classes.

As per Wharton's policies, *absences due to job interviews, career pursuits, non-documentable illnesses, or travel are unexcused and will count against your participation grade.*

Please attend your assigned section. If you are enrolled in the 1:45pm section but you attend the 3:30pm section (and vice versa), it will be treated as an unexcused absence.

Class Participation

Active participation in a conceptual class like this one is crucial to learning. Thus, I will track and grade attendance and participation every day of class. I will use two criteria to evaluate participation: (1) Did you speak up? (2) Was the contribution of high quality?

I am not expecting you to say something in every single class, but I will be looking for a pattern of sustained quality participation throughout the course. This can be accomplished by answering the questions asked in class, reacting to the comments of your peers in ways that generate healthy debate, or asking questions that help better explain or understand a concept. Not every comment made in class merits points.

Please be assured that I am conscious of the limitations that remote learning imposes on group dialogue. At the same time, Zoom provides ample opportunities for all students to participate.

Grading

Final grades are final. I take great care to grade fairly, and so will not discuss grades at the end of the course. *Students who have final scores of 65 or below and/or excessive numbers of unexcused absences (as determined at my discretion) will receive failing grades.*

Individual Module Assignments

There will be three short individual module assignments, one for each of the three course 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. They will also allow me to engage with each of you on a more individual level. These assignments will be due by file upload to Canvas **by 9pm on October 4, November 3, and December 1**. These assignments are to be worked on individually and not in collaboration with your group members or any other classmates.

Here is the prompt to answer for each of the individual module assignments (this will also be posted on Canvas):

“In a short paper (a few paragraphs, 1-2 pages max), please discuss one or more of the takeaways, concepts, or frameworks from the [first/second/third] module that have resonated with you the most and elaborate on why you found it interesting. This may be a concept or a framework that was enlightening or questionable to you based on your previous experiences, prior work, or your future career path. It can also be something that you have found useful, insightful, or perhaps unclear with respect to the material that we have covered so far. I am leaving this reasonably open-ended so that it is most useful to each of you individually, and I will try to engage with your write-ups and respond to any questions or comments that may come up as I read through these.”

Individual Reaction Paper

The individual reaction paper is intended to give you the opportunity to apply your understanding of “Synergy in Mergers and Acquisitions: Typology, Lifecycles, and Value” (the reading for Session 15) to a past or ongoing M&A transaction that is interesting to you. Please feel free to select any M&A deal other than those in the cases we are covering in class and the one you are

studying for your group project. This reaction paper is to be worked on individually and not in collaboration with your group members or any other classmates.

Please address the following questions (conceptual arguments are sufficient; if you can quantify, that's great but not necessary).

1. Briefly describe the M&A transaction. What is the strategic rationale?
2. Assess the extent to which the five sources of synergy defined in "Synergy in Mergers & Acquisitions: Typology, Lifecycles, and Value" appear in this deal.
3. Pick at least two pairs of synergies in this deal. Describe at least one co-synergy between them and at least one dis-synergy between them.
4. Pick at least two synergies in this deal and describe how you expect their lifecycles to unfold. Do your descriptions match the arguments in "Synergy in Mergers & Acquisitions: Typology, Lifecycles, and Value"? Why or why not?

The reaction paper should be no more than 1,000 words (about 3 pages). The reaction paper is due by file upload on Canvas **by 5pm on November 19**. However, you are welcome to read "Synergy in Mergers and Acquisitions: Typology, Lifecycles, and Value" and to complete your reaction paper at any time prior to this date.

Group 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. Please do not choose any deal or company that is covered in any of the cases listed below, or that you are studying in your reaction papers.

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:

- 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 groups of six or seven within your section (no cross-section groups allowed), with a maximum of 12 groups per section*. A list of group members is due to me by email and Canvas sign-up **by 5pm on September 14**. I will assign remaining students to random groups by **September 16**.

A project topic is due to me by email **by 5pm on September 21**.

A one-page project summary with a description of your project topic, the sources of data, analytical methods, and progress to date is due by file upload on Canvas **by 9pm on September 28**.

During class time on either **September 29** or **October 4**, I would like to meet with each group to discuss this project summary (*attendance at these meetings is mandatory*). Each group should sign up for a 15-minute meeting slot on the dedicated Canvas sign-up sheet (only one sign-up per group is necessary, and please only sign up for meetings during your actual class time). Meetings will be held on Zoom, see Canvas for the link.

A draft of your project is due by file upload on Canvas **by 5pm on November 5**, on which you will receive feedback. This draft is to be in outline form. There is no page limit.

The final paper is due by file upload on Canvas **by 5pm on December 10**. The paper is to be a maximum of 20 double-spaced pages, 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 December 10**.

Please be sure to submit all deliverables (including the peer assessment) by their deadlines. In fairness to all the students in the class, I am unable to accept late submissions.

CLASS SCHEDULE

08/30 Session 1: Course Overview
Reading: Mars to Buy Vet Operator VCA for \$7.7 Billion (*WSJ*)

MODULE I. MODES OF CORPORATE DEVELOPMENT

09/01 Session 2: Organic Growth
Case: Becton Dickinson: Innovation and Growth (A) (*HBS*)
Reading: The Ambidextrous Organization (*HBR*)

09/06 *Labor Day (No Class)*

09/08 Session 3: 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*)

09/13 Session 4: Strategic Outsourcing
Case: R&D Services at Wipro Technologies: Outsourcing Innovation? (*Wharton*)

09/14 * List of Group Members Due by E-mail & Canvas Sign-Up by 5pm, or randomly assigned by 09/16 *

09/15 Session 5: Corporate Venture Capital
Case: JetBlue Technology Ventures (*Stanford*)
Readings: Making Sense of Corporate Venture Capital (*HBR*)
Corporate VCs Are Moving the Goalposts (*HBR*)

09/20 Session 6: Vertical Acquisitions
Case: The Walt Disney Company & Pixar Inc.: To Acquire or Not to Acquire? (*HBS*)

09/21 *Project Topic Due by E-mail by 5pm*

09/22 Session 7: Horizontal Acquisitions
Case: Cisco Systems: New Millennium—New Acquisition Strategy? (*INSEAD*)
Reading: The Influence of Organizational Acquisition Experience... (*ASQ*)

09/27 Session 8: Diversifying Acquisitions
Case: Danaher Corporation (*HBS*)

09/28 *Project Summary Due on Canvas by 9pm*

09/29 Session 9: Project Discussion Meetings
Schedule Appointment & Bring Summary (please use regular class Zoom link posted on Canvas to attend your group's scheduled meeting)

10/04 Session 10: Project Discussion Meetings
Schedule Appointment & Bring Summary (please use regular class Zoom link posted on Canvas to attend your group's scheduled meeting)

10/04 *Individual Module Assignment #1 Due on Canvas by 9pm*

MODULE II. ACQUISITION SCREENING AND DEAL-MAKING

10/06 Session 11: Needs Assessment

Cases: Walmart Ecommerce (A): Picking Up the Pace (*HBS*)
Walmart Ecommerce (B): Omnichannel Pursuits (*HBS*)

10/11 Session 12: Due Diligence

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

10/13 *Fall Break (No Class)*

10/18 *Fall Break (No Class)*

10/20 *Fall Break (No Class)*

10/25 Session 13: Valuing Synergies and Managing Risk

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

10/27 Session 14: Strategic Valuation

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

11/01 Session 15: A New Perspective on Synergies

Reading: Synergy in Mergers and Acquisitions: Typology, Lifecycles, and Value (*AMR*)

11/03 Session 16: Anatomy of a Deal (no readings)

Speakers: Ian Hartman, Jeffrey Legath, and Eric Siegel (*Dechert LLP*)

11/03 *Individual Module Assignment #2 Due on Canvas by 9pm*

11/05 *Project Draft Due on Canvas by 5pm*

MODULE III. POST-MERGER INTEGRATION

11/08 Session 17: Integration Planning

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

11/10 Session 18: 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*)

11/15 Session 19: 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*)

11/17 Session 20: Best Practices in Post-Merger Integration (no readings)

Speaker: Oliver Engert (*Senior Partner, McKinsey & Company, Inc.*)

11/19 *Reaction Paper Due on Canvas by 5pm*

11/22 *Thanksgiving Break (No Class)*

11/24 **Thanksgiving Break (No Class)**

11/29 **Session 21:** **Divestitures** (*no readings*)

12/01 **Session 22:** **Integration Insights** (*no readings*)

Speaker: James Harris (*Lead Integration Manager, Google*)

12/01 **Individual Module Assignment #3 Due on Canvas by 9pm**

12/06 **Session 23:** **Synthesis of Course Learnings** (*no readings*)

12/08 **Session 24:** **Group Project Work**

Dedicated time to be used to finalize group project

12/10 **Final Paper Due on Canvas by 5pm**

Peer Assessment Due on Canvas by 5pm