

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL**

MGMT-7210

CORPORATE DEVELOPMENT: MERGERS AND ACQUISITIONS

PRELIMINARY SYLLABUS (January 5, 2024)

Professor Paul Nary

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Teaching Assistant: TBD

Section 1: Monday/Wednesday 8:30am-10:00am **ROOM JMHH 360**

Section 2: Monday/Wednesday 10:15am-11:45am **ROOM JMHH 360**

Office Hours: TBD/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 evidence-based 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 deal structure or other 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 core modules. In Module I, we examine the different modes of corporate development, including the applicability and management approaches for each. In Module II, we turn our attention specifically to the different modes of mergers and acquisitions. In Module III, we delve into acquisition screening and deal-making. In Module IV, we consider different aspects of post-merger integration. There may also be one or more special topic sessions on other relevant subjects of interest such as private equity, as well as a review and integration of the course learnings for our final session.

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 distributed 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 ongoing deals. To facilitate this process, you should try to keep up with 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 Survey | 5% |
| Individual Class Participation & Attendance | 29% |
| Individual Papers: Module Reflections (3 of 4) | 21% |
| Group Project Draft | 5% |
| Group Project Paper (including presentation) | 30% |
| Group Peer Assessment | 10% |

Discussion questions and any other assignments for each class will be posted on Canvas, or presented during class. Any presentations and handouts will be posted on Canvas after the respective session.

Preparation: I expect you to read all of the assigned materials for each session in advance. I will specify in advance when readings are optional or when it is appropriate to skim through the material. All materials are available through the course Canvas site and your course pack (via Study.net).

Attendance and participation: **Students are expected to attend all classes and use the check-in app.** As per Wharton's policies, excused absences are defined as a *documentable* personal illness, personal and family emergencies, and religious holidays 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.***

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 your contribution of high quality? I am not expecting you to say something profound in every single class, but I am looking for a pattern of sustained quality participation throughout the course. This can be accomplished by answering the questions that I 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 better understand a concept or a framework. Not every comment merits points. For example, answers to some basic questions (i.e. certain case facts) are simply a reflection of good preparation. I will randomly cold call on students throughout the class, but I understand that some students may have personal or health-related reasons that may prevent them from effectively engaging when cold-called, in which case, please let me know outside of the classroom as soon as possible, and I will take it into consideration.

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

- Class will start and end on time.
- There is a zero-tolerance policy in place for use of electronic devices for anything not related directly to class. Please keep your cellphones and any other unnecessary devices off your desks. Please limit use of approved electronic devices (laptops, tablets) to a minimum.

- You are expected to attend the section for which you are signed up. If you are enrolled in the 8:30am section but you attend the 10:15am section (and vice versa), it will be treated as an unexcused absence, unless you have my express permission, which will only be given under agreed-upon circumstances.
- Any violation of these expectations will negatively impact the attendance and participation component of your grade.

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.

Late Assignment Grading Policy: Late assignments are subject to an automatic 10% grade reduction (using total possible points as a base) for each day the assignment is late. Thus, an assignment that is three days late will be subject to a penalty that equals 30% of the total possible assignment grade.

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

Individual papers: There will be three individual assignments in form of a short paper, where you will reflect on teachings, takeaways, and frameworks from three modules of your choosing (out of total four modules – thus you get to skip one). These papers will be worth 21% of your final grade. You are expected to work on these assignments on your own, and are not to discuss them with your classmates.

Students needing other accommodations: You may be facing personal challenges that make it hard to attend or 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 ASAP, directly or through your academic advisor, to let me know of any substantive challenges that may impede your progress in this class.**

Session schedule and content may change: Please check Canvas for updates and changes frequently. It is possible, but hopefully unlikely, that at some point, we may have to conduct some class sessions via Zoom, and some of the sessions may be delivered as prerecorded lectures.

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

Student lunches: Depending on whether there are any potential restrictions related to COVID-19, I will plan to schedule 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.

Academic integrity: All relevant University policies regarding Academic Integrity must be followed. Please consult the Code of Academic Integrity for details and clear descriptions of prohibited actions. Any violation of the Code will automatically lead to a FAIL or F grade. Violation of the MBA Code of Ethics may lead to additional sanctions.

AI Policy: You may use generative AI programs (e.g., tools like ChatGPT) to help generate ideas and brainstorm where I expressly allow it. However, you should note that the material generated by these programs may be inaccurate, incomplete, or otherwise problematic, and often lacks the level of nuance that we are aiming for in this class. Beware that use may also stifle your own independent thinking and creativity. You may not submit any work generated by an AI program as your own or without disclosing AI use. If you include material generated by an AI program, it should be cited like any other

reference material (with due consideration for the quality of the reference, which may be poor). Any plagiarism or other form of cheating will be dealt with severely under relevant Penn policies.

Guidelines for Individual Assignments (Personal Reflection Papers)

There will be three individual assignments where you will choose to write a reflection paper for three (and three only) of the four modules of the class. 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. This assignment will be due at 11:59 PM on **Friday the week following the week of the last class of the module for which you’re writing the reflection paper**. I will provide you with specific instructions for 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
- 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
- Consolidation in the Oil & Gas Industry: From Mega-Mergers Onwards

Because they are featured prominently in our class or were the subject of last year’s presentations, **the following companies and most of their deals or strategies are not suitable to serve as the core focus of your project:**

| | | | |
|-------------------|-----------------------|------------------|------------|
| Amazon | General Motors | 7-11 | Microsoft |
| American Airlines | Google | Adobe | Mondelez |
| Becton-Dickinson | JetBlue | AT&T | Nvidia |
| Cadbury | Mercedes-Benz/Daimler | Bayer | Pepsico |
| Chrysler | Motorola | CVS | Salesforce |
| Cisco | Pfizer | Estee Lauder | |
| Danaher | Silver Lake | Keurig Dr Pepper | |
| Disney | Tata | Kraft-Heinz | |
| Dow | US Airways | Kroeger | |
| Facebook | Walmart | LVMH | |

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.

For this project, you will be assigned to a random group within your section. A project topic is due to me by email **by 11:59pm on February 11**. During regular class time on **February 19** or **February 21**, I will 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, 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 11:59pm on February 18**, whether our meeting is scheduled for February 19 or February 21. A draft outline of your project is due by file upload on Canvas **by 11:59pm on March 24**, on which you will receive feedback. The final paper is due **by 11:59pm on April 21**, to be uploaded on Canvas. The paper should be about 20-25 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 11:59pm on April 21**. **You must submit your peer assessment to receive your own peer assessment grade (10% of your class grade).**

TENTATIVE SPRING 2024 SCHEDULE (please check Canvas for updates prior to class)

- 01/17 Session 1: Course Overview and Introduction, Strategy Discussion**
Readings: Corporate Strategy: A Conceptual Framework (*HBSP*)
The Kernel of Good Strategy (Ch. 5 of “Good Strategy/Bad Strategy” by Richard Rumelt)
(*OPTIONAL*): Shareholder Activists and Corporate Strategy (*HBSP*)

01/17 *Individual class survey due by the end of the day for those unable to finish in class*

MODULE I. MODES OF CORPORATE DEVELOPMENT

- 01/22 Session 2: Internal Development and Pursuing Organic Growth Strategies**
Case: Becton Dickinson: Innovation and Growth (A) (*HBSP*)
Readings: Process of Strategy Making (*HBSP*)
(*SKIM*): The Ambidextrous Organization (*HBR*)
- 01/24 Session 3: Managing Strategic Alliances, Alliance Networks, Outsourcing**
Case: Lipitor: At the Heart of Warner-Lambert (*Michigan*)
Readings: The Relational View: Cooperative Strategy... (*AMR*)
When to Ally and When to Acquire (*HBR*)

01/28 *You will be randomly assigned to a team project group by the end of Jan. 28*

- 01/29 Session 4: Corporate Venturing and Minority Investments**
Case: JetBlue Technology Ventures: Bringing External Innovation in House (*Stanford GSB*)
Readings: Making Sense of Corporate Venture Capital (*HBR*)
(*SKIM*): What drives corporate minority acquisitions around the world? The case for financial constraints (*JCF*)
(*OPTIONAL*): Corporate VCs Are Moving the Goalposts (*HBR*)
- 01/31 Session 5: Divestitures, Spinoffs, Breakups**
Case: Motorola’s Spinoff of its Cell Phone Business (*CBS*)
Reading: Corporate Divestitures and Spinoffs (*HBSP*)

MODULE II. MODES OF MERGERS AND ACQUISITIONS

- 02/05 Session 6: Vertical Acquisitions**
Case: The Walt Disney Company & Pixar Inc.: To Acquire or Not to Acquire? (*HBS*)
Reading: The Scope of the Corporation (*HBSP*)
- 02/07 Session 7: Horizontal Acquisitions**
Case: Cisco Systems: New Millennium—New Acquisition Strategy? (*INSEAD*)
Reading: (*SKIM*): The Influence of Organizational Acquisition Experience... (*ASQ*)

02/09 *Personal reflection paper for Module I (if chosen) Due by 11:59pm*

02/11 *Project Topic Due on Canvas by 11:59pm*

- 02/12 Session 8: Diversifying Acquisitions**
Cases: Danaher Corporation (*HBSP*)

(SKIM): House of Tata: Acquiring a Global Footprint (HBS)

02/14 Session 9: Blending Modes of Corporate Development

Case: Mary Barra and the Lyft Investment: Leading GM into the Sharing Economy through Acquisitions (IMD)

Readings: Strategic Decline (HBSP)

(SKIM): The Delicate Balance of Making an Ecosystem Strategy Work (HBR)

02/18 *Project Short Brief Due on Canvas by 11:59pm*

02/19 Session 10: Project Discussion Meetings I/II

Scheduled Group Appointments

02/21 Session 11: Project Discussion Meetings II/II

Scheduled Group Appointments

02/23 *Personal reflection paper for Module II (if chosen) Due by 11:59pm*

02/26 Session 12: Group Project Work – NO FORMAL CLASS

Dedicated class time to be used for project work (Project draft due 03/24)

SPRING BREAK (No Class until March 13)

MODULE III. ACQUISITION SCREENING AND DEAL-MAKING

03/11 Session 13: Assessing Needs

Case: Walmart Inc. Takes on Amazon.com (HBSP)

Walmart Ecommerce (B) (HBSP)

Strategic Renewal (HBSP)

03/13 Session 14: Performing Due Diligence – Guest Speaker

Case: Cadbury Schweppes: Capturing Confectionery (A) (HBSP)

03/18 Session 15: Valuing Synergies and Managing Risk

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

03/20 Session 16: Interlude: Private Equity – Guest Speaker

Case: Silver Lake (HBSP)

03/24 *Project Draft Outline Due on Canvas by 11:59pm*

03/25 Session 17: Strategic Valuation

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

MODULE IV. POST-MERGER INTEGRATION

03/27 Session 18: Embarking on Integration Planning

Case: Merging American Airlines and US Airways (HBSP)

04/01 Session 19: Integration in “Mergers of Equals”

Case: DaimlerChrysler Merger: The Quest to Create “One Company” (Babson)

Reading: (SKIM): Identity versus Culture in Mergers of Equals (EMJ)
(SKIM): Do CEOs in Mergers Trade Power for Premium?... (JLEO)

04/03 Session 20: Integration Strategies (Please review both cases for brief discussion)

Case A: Ben and Jerry's: Preserving Mission and Brand within Unilever (HBSP)

Case B: Procter & Gamble in the 21st Century (B): Welcoming Gillette (HBSP)

Reading: (SKIM): Not All M&As Are Alike – and That Matters (HBR)

04/05 *Personal reflection paper for Module III (if chosen) Due by 11:59pm*

04/08 Session 21: Integration Strategies – Guest Speaker

04/10 Session 22: Reserved for Group Project Presentations 1/2

04/15 Session 23: Reserved for Group Project Presentations 2/2

04/17 Session 24: Class Synthesis and Wrap-up

04/19 *Personal reflection paper for Module IV (if chosen) Due by 11:59pm*

04/21 *Final Paper and Peer Assignment Due on Canvas by 11:59pm*