COURSE DESCRIPTION

The Business Strategy course in the first semester of the senior year focused on the single-business firm. Corporate Strategy will extend our thinking to the multi-business firm.

The course consists of three modules. First we take up issues concerning the scope of the firm. In other words, what businesses should the firm be in, what geographies, what product lines, which customer segments? As part of this topic we consider mergers, acquisitions, divestitures, and joint ventures from a strategic point of view.

In the second module we take up management issues in the multi-business firm. Here we consider the differences in responsibility and relationship between the corporate center and the business units of the firm. We explore the value adding potential of the corporate center.

The final module looks in depth at the issue of vertical integration including the advantages and disadvantages of outsourcing. We will use a contemporary vertical diversification as a vehicle to apply the strategic tools we have mastered. The activity will feature a class debate between teams assigned in support or opposition to the proposed diversification.

COURSE MATERIALS

Textbook


Package of Cases and Papers

<table>
<thead>
<tr>
<th>ORDER NUMBER</th>
<th>CASE OR PAPER</th>
<th>TITLE</th>
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<tbody>
<tr>
<td></td>
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<td>HR26A CASE WELLS FARGO AND NORWEST: MERGER OF EQUALS (A)</td>
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<tr>
<td>9-708-455</td>
<td>CASE</td>
<td>DANAHER CORPORATION</td>
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CLASS ORGANIZATION & ADMINISTRATION

Each Study Team will be responsible for either one of the two cases – Wells Fargo or Danaher -- or a report on vertical acquisition from the news. Assignments and the format for the report on the current acquisition we will study will be distributed via email.

The case report format for this course is the same as that used in Business Strategy [620:622:71]. Review the syllabus for that course for guidance on class participation.

Because participation is critical to the learning experience of this course, attendance is critical. Please email me if you must be absent from any of the three class meetings. I will specify a make-up assignment in response. More than one absence will seriously affect the student’s grade.

Case Reports

The Case Report must be emailed to me before the start of the class during which the case is to be discussed. (See schedule below for schedule of cases.) It should be 8-10 pages in length (single-space, 12-point font). This report is relatively short, so precision of thought and crispness of argument are essential.

The Case Report must include the following 3 parts:

(a) Introduction:
The Introduction should be one page or so. It describes what the case is about, gives the important elements of the history of the situation, and specifies the key problem or issue of the case, e.g. what decision has to be made by which manager.

(b) Answers to the starred questions for study
At the end of this Syllabus is a list of study questions for each case. (Questions for the case on vertical integration from the news will be emailed separately.) The questions in this list will be used to guide class discussion. Everyone should be prepared to answer any and all of these questions during discussion,

(c) Lessons Learned
This section has two sub-sections:

1. List the most important learning(s) from the case. The learnings should be generalized with respect to leading and operating a business, not simply an outcome for the firm under study. Try to write about these learning using the name of the firm and its managers as little as possible. This subsection should be less than one page.

2. Pick the 2 most important learnings from your list above. For each of these write a) How the learning was illustrated by the case or your analysis process; and b) Why the learning is important for you as a manager. The writeup for each of the three learnings should take a half page or so. This part of the report is VERY IMPORTANT.
Tips:

1) **Please do NOT do any research for the two Harvard cases. (Research for the case from the news on vertical integration, on the other hand, is encouraged.)** All the information you need is contained in the Harvard cases themselves. In fact, please do not bring in any information you may have from any source outside of the case into the write-up or discussion. At the end of each case discussion, we will devote some time to discuss any additional information, e.g. what happened after the time of the case, how has the firm in the case done, etc. **That discussion will not be graded.**

2) When we ask what an executive or consultant should do, be decisive. Say explicitly what you would do in that individual's place. In most instances, avoid answers like, "if appropriate, Ms. X should..." "Mr. Y might want to study ....", or "Ms. Z should consider either alternative A or B." In my view, the outcome of Analysis is action. You need to think in terms of what you would DO!

3) If the team assigned a case cannot agree on the answer to a question, write both (or more) opinions, but be sure to defend both, and write why agreement could not be reached.

4) **Write the report in your own words.** If you must quote from the case, the text, or any other source, be sure to use quotation marks and footnote the source. **RUTGERS UNIVERSITY RULES ON PLAGIARISM BY GRADUATE STUDENTS ARE VERY SEVERE, INVOLVING SUSPENSIONS AND EXPULSIONS.**

5) The case write-up is a place to show off your insight into the situation, the clarity of your vision, and your approach to execution. Not that grades are so terribly important, but top grades on case write-ups only go to reports that show real insight.

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**FINAL GRADE ASSIGNMENT**

The grade for this course will be based on the case report (65%) and class participation (35%).

Environmental and Business Economics (22:373:660)

**COURSE SCHEDULE**

**Session 1**

Themes: What is “Corporate Strategy”?  
Scope of the firm  
The distinction between horizontal and vertical diversification  
Diversification – History, Motivations, Models, and Results  
Economies of Scope  
Transaction costs vs. administrative costs  

Does Acquisition or Divestiture create Value?  
What is “relatedness” among the businesses of a firm?
The problem of merging cultures even when there is a “strategic” fit

Assignments: Grant: Chapters 14 and 16
Case: Wells Fargo and Norwest: Merger of Equals (A)

Session 2
Themes: Managing the Multi-Business Firm:
  – The triangle of Resources/Capabilities, Organization, and Businesses as a key to success
  – Creating a productive, strong, and uniform culture
  – The role of the Corporate Center or Headquarters
“The Toyota Way” as a comprehensive framework for managing the firm

Assignments: Grant: Chapter 17
Case: Danaher Corporation

Session 3
Themes: Vertical integration and the variety of vertical relationships
Economies of Sequence and Asset Specificity
The value of vertical markets and causes for their failure
Alliances and JVs – Pitfalls to avoid and a model for successful implementation
Leadership: Completing the picture

Assignment: Materials on current vertical acquisition/diversification example (To be provided)