March 27, 2020

COLUMBIA BUSINESS SCHOOL

B7508―Corporate Growth & Organizational Development (Summer 2020)

PROFESSOR HARRIGAN, *krh1@columbia.edu*

701 Uris Hall, Office Hours by appointment (212-854-3494)

## 

Case Book:      Customized book of cases and readings will be available for classroom instruction.  Please consult courseware for electronic location of assigned readings within CANVAS files that are linked to each session.

COURSE DESCRIPTION

*Corporate Growth and Organizational Development* (CGD) is about corporate strategy. Growth occurs via diversification from internal or external multi-industry activities. Whether a firm grows organically or through transactions with other firms, its successful growth matches organizational investments with the growth path chosen so the firm has the skills needed to become a more-complex firm.

Starting with competitive advantages achieved at the business unit level, the course investigates how value is ultimately created when a firm expands―geographically, upstream or downstream, or into related (*or unrelated*) activities. The cases investigate how the firm’s headquarters office supports the firm’s diversification strategy. A metric is introduced to compare the elements of firms’ corporate strategies.

An economic adage states that “Success breeds success.” Stated otherwise, it suggests that the fruits of successful performance fund a firm’s subsequent growth initiatives. My research findings concerning operating synergies suggest that although a firm’s corporate advantage can be premised on many sources of operating advantage, the most enduring and adaptive source of advantage arises from the way that the firm uses its people. A program of well-considered organizational development reinforces the power of operating synergies that the firm’s managers have attained and suggests additional growth opportunities. The CGD course examines how the internal systems of strategy implementation reinforce the firm’s attempts to enjoy synergies as it grows and masters new organizational capabilities.

This course will help you to identify the various dimensions of a corporate advantage model that gauges how well headquarters contributions are supporting the members of the firm’s corporate family to maximize their potential advantage (or not). The course will also help you to develop a keen sense for the balance existing between controllable and uncontrollable dimensions that enhance corporate growth, as well as how firms might improve said balance.

Objectives of the Course

The *Corporate Growth and Organizational Development* elective was created to let EMBA candidates investigate the formulation and implementation of corporate strategy.  The course provides several readings about the analytical arguments behind concerns about corporate strategy.  It also draws heavily on recent advances in economics, notably industrial organization, financial economics, and organizational economics.  Although it incorporates various theoretical perspectives, the course is ultimately designed to focus on the essential issues of corporate growth and organizational development as perceived by managers of multi-business corporations. The objectives of *Corporate Growth and Organizational Development* are:

1. Understand the challenges of diverse patterns of growth and assess whether extant resources are adequate for successful development of organizational resources.
2. Understand why firms fail to invest in necessary organizational development even when they operate within inherently-attractive industries.
3. Identify the various elements of the “corporate shape” model that can evaluate the potential of a firm’s growth path.
4. Identify the management systems, organizational structures, and decision-making processes that are required to support various growth paths.
5. Identify the kind of corporate leadership and organizational culture that is needed to support growth strategies that are more complex and challenging than single-market competition is.

The *Corporate Growth and Organizational Development* course builds upon the initial premise that since competition occurs at the level of the business unit, and value must therefore ultimately be created at the business-unit level, the value added by corporate headquarters must be significant in order for close coordination and sharing among corporate family members to be in the best interest of shareholders.

  GRADING CRITERIA

There are four “tranches” of cases to select from. (The tranches are color-coded.) You are expected to write up and present your analysis of one case from each color tranche. You may volunteer to present your analysis of ONE of your write-ups (as per the sign-up sheet). Please read Columbia Caseworks 110406, “Acid Tests of Corporate Advantage,” for expectations concerning how to evaluate a corporate strategy. You may write your case analyses in teams and present together.

**25%** for Final Project (Description, analysis, and application of frameworks)

**7.5%** for Corporate Shape #1

**7.5%** for Corporate Shape #2

**7.5%** for Corporate Shape #3

**7.5%** for Corporate Shape #4

**10%** for twenty-four Survey responses (on CANVAS)

**15%** for three comprehensive reading tests that pertain to the conceptual articles assigned

**20%** Individual contributions to class (useful discussions―beyond surveys and presentations)

WRITE-UPS

Write-ups are due on the day when discussion of the firm under study occurs.  You are expected to present one of your write-ups in class.

As Columbia Caseworks 110406, “Acid Tests of Corporate Advantage,” suggests, you can produce a "corporate shape" for the firm under analysis and discuss the basis for the values you assigned to each dimension. Please give the shape’s dimensions a score between 00 and 99 to reflect your evaluation of their relative contribution to corporate advantage and discuss how well the firm’s strategy achieves the corporate strategy objectives described therein (or identify other germane corporate strategy objectives to use in judging the firm’s strategy). You will find that some dimensions of corporate strategy are more dominant than others in each of the respective cases. If a particular case provides little information on one of the dimensions, you must make inferences about it or research it. If your knowledge of OSSP topics is weak, read the “optional” materials in early sessions with special care. [Knowledge of management structures, systems and processes is important for strategy implementation.]

**Acid test of valuable corporate resources:** The firm’s *corporate* *resources*—its tangible assets, intangible assets, and organizational capabilities which the corporate parent can share with its corporate family members—are unique, durable, valuable, highly desirable, competitively superior to those of other firms, and accrue valuable rents to the corporation *(not to an individual).*

**Acid test of corporate contributions to competitive advantage:** The corporate parent makes its corporate resources, core competencies, organizational capabilities, and knowledge workers available to its business units in ways that enhance their respective competitive advantages better than having access to the corporate resources of any other corporate parent’s *contributions* could do.

**Acid test of firm’s mix of industries:** Members of the firm’s corporate family―the *lines of business* that it is in―are “leaders” in their respective industries (*i.e.,* earning higher than average, respective industry profits). The demand outlooks and competitive forecasts for the respective industry structures are favorable. The respective “industry success requirements” of the firm’s various lines of business are similar enough to benefit by transferring knowledge across business units or sharing critical corporate resources among businesses in the corporate family advantageously.

**Acid test of controls:** To be in appropriate “*strategic control*,” the elements of the firm’s management systems, controls, and headquarters interventions must match the amount of “synergizing” that is expected. If synergy potential is high, corporate OSSP should facilitate the efficient exploitation of synergies among business units within the corporate family; rewards should make synergies mutually appropriate to pursue by business units. The corporate parent intervenes in business units’ decision-making processes appropriately, not excessively.

**Acid test of optimal management systems:** The elements of the firm’s OSSP: *organizational structures,* *management systems and processes*—its organizational structure and lines of communication, size and role of corporate staff, nature of performance measures, use of performance incentives and opportunities for managerial training or promotion or rotation among lines of business, uses of symbolism in developing corporate culture, and other dimensions of organizational design—are appropriate for the type of corporate strategy that the firm is pursuing (*e.g.,* related diversification with active interventions, passive holding company, synergistic conglomerate, organic growth via innovation, franchising, joint venture, corporate venture capital, *et cetera*).

**Acid test of appropriate coordination:** Very important for renewing corporate resources (or finding new bases of advantage). The knowledge exchanges and other interactions among corporate family members nurture firm’s current mix of valuable corporate resources, enhance its corporate competencies, and facilitate development of appropriate new capabilities as would be needed to sustain the uniqueness of the firm’s tangible and intangible corporate resources or evolve new ones (as appropriate). Coordination activities reflect organizational learning that benefits corporate strategy.

Presentation and discussion of your slides should be about ten minutes long. Be prepared to field questions/ comments and discussion from members of class when you present your analysis. Professor asks first question.

Final Project

The Final Project takes the form of a descriptive case combined with a solution (your analysis). Check your topic with professor. Samples are in CANVAS. Work in teams no larger than 6 people.

USING CANVAS COURSEWARE

The *most-important* tab in the CANVAS content menu is the one for delivering your write-ups. The *second-most-important* tab in CANVAS is the one that links you to the daily quizzes pertaining to each respective class session. Use CANVAS to submit your respective case analysis, answer the daily survey questions (which *must be answered by 7:30 AM* on the day when each respective class meets), and take the three comprehension tests that must be completed when Final Project is due. (Note: You may wish to print out all of the questions contained within each of the three comprehension tests and use those printouts as guides when reading assigned materials. Comprehension tests can be done as soon as you have read all of the assigned readings; or you can do it all at the end of the term.) Inside each of CANVAS’ session tabs are reading materials germane to each respective class meeting: cases, readings and PowerPoint cliff-notes on the content of the readings.

COURSE OUTLINE AND MATERIALS LIST

(Color codes refer to the four tranches of case write-ups. Write on *ONE CASE PER COLOR*. Submit FOUR write-ups based on cases―PLUS Final Project on topic you choose)

**Module 1: Growth and Synergy**

Please go to courseware and do the surveys about Loewen Group and Service Corporation International by 7:30 AM on the day when Session 1 meets.

Session 1:        Introductory Concepts: Growth vs. Synergy

Cases:              “The Loewen Group Inc. (Abridged)” [9-201-082]

“Service Corporation International” [9-296-080]

Readings:        “Acid Tests of Corporate Advantage,” [Columbia Caseworks #110406]

“The Internal Arc” [Columbia Caseworks #160414]

Porter (1987), “From Competitive Advantage to Corporate Strategy,” Harvard Business Review, 65(3): May-June, pp.43-59.

***Optional***

***Readings:* “Organizational Structure,” UV3041**

Please go to courseware and do surveys about Cadbury Schweppes and Snapple by 7:30 AM on day when Session 2 meets

Session 2:        Introductory Concepts: Growth through Acquisition

#### Cases:               “Snapple” [9-599-126]

#### “Cadbury Schweppes: Capturing Confectionery (A) [9-708-543]

#### “Cadbury Schweppes: Capturing Confectionery (B) [9-708-544]

Readings:         Eccles, Lanes & Wilson (1999), “Are You Paying Too Much for That Acquisition?” Harvard Business Review, 79(4): July-August, pp. 136-146.

"The Synergy Limitation Paradox," [Columbia Caseworks #120409]

Deighton, (2002), “How Snapple Got Its Juice Back,” Harvard Business Review, 70(1): 3-7.

***Optional***

***Readings:* Jensen (1984), “Takeovers: Folklore and Science,” Harvard Business Review, 62(6): pp.109-121.**

Please go to courseware and do surveys about Li & Fung and Activist Investors by 7:30 AM on day when Session 3 meets

Session 3:        Growth Paths and Growth Constraints

Cases:              “Li & Fung 2012,” [9-312-102]

“Shareholder Activists and Corporate Strategy” [9-716-403]

“A Note on Activist Investors and the Tech Sector” [9-716-462

 Readings:        Collis & Montgomery, 1998, “Creating Corporate Advantage,” Harvard Business Review, 76(3): 70-83.

Guest speaker will add readings to “Cases” tab within “Required Readings”

***Optional***

***Readings:* Markides (1997), “To Diversify or Not to Diversify,” Harvard Business Review, 75(6): November-December, pp. 93-99.**

Please go to courseware and do surveys about Newell Company and Infosys by 7:30 AM on day when Session 4 meets

Session 4:        Management Systems as Corporate Resources

# Case:               “Newell Company: Corporate Strategy,” [9-799-139]

#### “Infosys 3.0: Building Tomorrow’s Enterprise” [Columbia Caseworks #110411]

#### Readings:       Campbell, Goold & Alexander (1995), "Corporate Strategy: The Quest for Parenting Advantage," Harvard Business Review, 73(2), pp. 120-132.

Goold & Campbell (1998), “Desperately Seeking Synergy,”  Harvard Business Review, 76(5), pp. 131-143.

Please go to courseware and do surveys about Walt Disney/ Lion King: Synergy Group/ Pixar and Novartis by 7:30 AM on day when Session 5 meets

Session  5:       Management Systems and Technological Synergies

#### Case:               “Novartis: A Transformative Deal” [9-717-453]

#### “The Walt Disney Company: The Entertainment King,” [9-702-035]

#### “Disney’s ‘The Lion King’ (B): The Synergy Group,” [9-899-042]

“Walt Disney Co. and Pixar: To Acquire or Not to Acquire?” [9-709-462]

Readings Eisenhardt & Galunic (2000), “Co-Evolving: At Last, A Way to Make Synergies Work,” Harvard Business Review, 78(1): January-February, pp. 91-101.

Rigby & Zook (2002), “Open-Market Innovation,” Harvard Business Review, 79(10): pp.

 Please go to courseware folder “Testing” and do surveys about Cisco and Facebook/ WhatsApp by 7:30 AM on day when Session 6 meets

Session  6:       Management Systems and Technological Synergies II

Cases:              “Cisco Systems, Inc: Acquisition Integration for Manufacturing (A)” [5-600-134]

“$19B 4 txt app WhatsApp…omg!” [9-715-441]

Readings:         Hargadon (1998), “Firms as Knowledge Brokers: Lessons in Pursuing Continuous Innovation,” California Management Review, 40(3): Spring, pp. 209-227.

***Optional***

***Readings:*** Prahalad & Hamel (1990), “The Core Competence of the Corporation,” Harvard Business Review, 68(3): May-June, pp. 79-90.

**Module 2**

**Issues of Corporate Scope**

Please go to courseware and do surveys about AT&T/Time Warner and Celulosa Arauco by 7:30 AM on day when Session 7 meets

Session 7:        Vertical Integration: Merits and Disadvantages

Cases: “Celulosa Arauco: Forward Integration or Horizontal Expansion?” [9-705-474]

“Disruptive Forces in the Media Industry,” [Columbia Caseworks 170409]

“AT&T’s Bid for Time Warner,” [Columbia Caseworks 170411]

Readings: Chesebrough & Teece (1996), "When Is Virtual Virtuous? Organizing for Innovation," Harvard Business Review, 74(1), pp. 65-73

Harrigan (1986), "Matching Vertical Integration Strategies to Competitive Conditions," Strategic Management Journal, Vol. 7, No. 6, pp. 535-555.

### Please go to courseware and do surveys about Danaher Corporation and Turnaround of General Electric by 7:30 AM on day when Session 8 meets

Session 8:        Managing Unrelated Growth I

Cases:              “The Turnaround of General Electric” [Caseworks, 180409]

“Danaher Corporation” [9-708-445]

Reading:          Chapter 6: "Managing the Multibusiness Firm" and “Appendix C: Mechanisms for Achieving Corporate Coherence,” Collis & Montgomery (2005), Corporate Strategy: A Resource-Based Approach,  Irwin/ McGraw-Hill, pp. 133-172.

### Please go to courseware folder “Testing” and do surveys about Amazon.com and Berkshire Hathaway by 7:30 AM on day when Session 9 meets

Session 9: Managing Unrelated Growth II

Cases: “Amazon.com, 2018” [9-716-402]

“Berkshire Hathaway” [9-709-449] and

“The Management of Berkshire Hathaway” [CG-16]

***Optional***

***Readings:*** Strategies of Unrelated Diversification [9-705-480]

Strategies of Related Diversification [9-705-481]

 Please go to courseware and do surveys about  Motorola Spins Off Cellphones and DuPont’s Spin-Off by 7:30 AM on day when Session 10 meets

Session 10:        De-Mergering and Restructuring for Corporate Advantage

Cases:              “E.I. DuPont de Nemours: Cleaning House” [Columbia Caseworks 120401]

                        “Motorola Spins Off Cellphones” [Columbia Caseworks 120404]

Readings:        Owen & Harrison (1995), "Why ICI Chose to De-Merge," Harvard Business Review, 73(2), pp. 133-142.

                        Christensen, Raynor & Verlinden (2001), “Skate to Where the Money Will Be,” Harvard Business Review, 79(11): November, pp. 72-81.

**MODULE 3: CORPORATE ADVANTAGE THROUGH ENTERPRISE FORM**

Please go to courseware and do surveys about Alphabet and Corporate Venture Capital at Eli Lilly by 7:30 AM on day when Session 11 meets

Session 11:      Corporate Advantage in Venture Capital

Cases:            “Corporate Venture Capital at Eli Lilly” [9-806-092]

                     “Alphabet Eyes New Frontiers” [9-717-418]

Readings:        Chesbrough (2002), “Making Sense of Corporate Venture Capital,” Harvard Business Review, 80(3): March, pp. 90-99.

McGrath, Keil, & Tukiainen (2006), “Extracting Value from Corporate Venturing,” Sloan Management Review, 48(1): 50-56.

***Optional***

***Readings:*** [Shaver & Dushnitsky (2009) "Paradox of Corporate Venture Capital,"](https://angel.gsb.columbia.edu/section/content/default.asp?WCI=pgDisplay&WCU=CRSCNT&ENTRY_ID=1bd60c19b2f8c3cc5113371374e80625) Strategic Management Journal, 30: 1045-1064.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Go to courseware folder “Testing” to do surveys Microsoft: New Wine in Old Bottles?/ Microsoft’s Turnaround and Walmart by 7:30 AM on day when Session 12 meets

Session 12:      Corporate Renewal

Cases:              “Microsoft: New Wine in an Old Bottle” [HK 1039]

“Microsoft’s Turnaround” [EMBA case 1]

“The Inexorable Rise of Walmart?” [9-716-426]

Readings:        “Strategic Decline,” [9-708-497]

Jensen (1989), “Eclipse of the Public Corporation,” Harvard Business Review, 67(4): pp. 61-73.

**Final Project due at start of Session 13**

**Go to CANVAS for instructions about Final Project. You write your own case, about a company you know plus your analysis thereof. Write it in a team (or solo). Note that several Columbia Caseworks cases started as a Final Project, e.g., “AT&T/ Time Warner,” “DuPont Cleans House” or “Motorola’s Spin-off of Its Cell Phone Business.” “Microsoft’s Turnaround” was also an EMBA project.**

**Past Final Projects have included:**

**“Google Acquires Motorola Mobility,”**

**“Corporate Strategy Implications of Google Becoming Alphabet,” and**

**“Corporate Venture Capital at General Electric”**

**Every good Final Report addresses a corporate strategy problem, provides context, offers analysis, and makes recommendations. I convert the best final projects into cases for subsequent years. *[Thank you!]***