NEW YORK UNIVERSITY
Leonard N. Stern School of Business
Langone MBA Program
STRATEGY II: CORPORATE STRATEGY

B01.2104.W1 and W4

Spring 2005

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Teaching Fellow:

KEY DEADLINES FOR THIS COURSE
Every Session: Class Contributions
Every Session: Homework
Take-Home Final Exam: Due back via email by 9 p.m. one week after last class
COURSE MATERIALS

**NOTE:** Some of you may have already received some of the cases listed below as a part of your Strategy I materials. Please check those materials and purchase only what you need for this course.


**Harvard Business School cases**
1. 3M: Profile of an Innovating Company
2. Newell Company: Corporate Strategy
3. Kentucky Fried Chicken (Japan) Limited
4. GE’s Two-Decade Transformation: Jack Welch’s Leadership
5. Intrawest Corporation

**Material from other sources**
1. Daimler-Benz A. G.: Negotiations Between Daimler and Chrysler

Additional Materials will be distributed in class.
INTRODUCTION

This course focuses on the strategic management and understanding of multi-product, multi-location and multi-business firms. We examine the following topics in this class:

1. Why do we have firms?
2. What are firm resources? How can resources be developed and acquired?
3. Why do we have multi-product, multi-location and multi-business firms? How do they create value?
4. What determines the boundaries of firms?
5. How are multi-product, multi-location and multi-business firms managed?

This course focuses on strategically managing multi-product, multi-location and multi-business firms whereas Business Strategy Analysis focused on strategically managing individual businesses. For instance, Corporate strategy issues include the evaluation of whether Disney should own theme parks, restaurants, television networks, and movie production and how the corporation can add value to the individual businesses. Business strategy issues include the assessment of strategies of the individual businesses relative to its competitors. For example, ABC’s (one of Disney’s television networks) strategies as a television network.

In this course, we adopt the perspective of top management who must be concerned with the overall viability of firms. Thus, we consider both strategy formulation and implementation. We will emphasize the close inter-relationships between what a firm wants to do and how it can go about doing it to achieve its objectives.

COURSE STANDARDS

At the outset, it is important to understand that the greatest value from graduate education is seldom realized immediately upon graduation. Such value, which is typically realized over a lifetime, comes not from having a "bag of tricks" but from developing analytical and executive skills. Also, the most valuable ability that you can develop, and sharpen, in graduate school is the ability to think, to read, to write, to speak, and to present your arguments logically.

Accordingly, this is not a lecture course and you are responsible for a large portion of your own development. You are required not only to attend classes but also to carefully prepare for each class and contribute actively to class discussion of the assignments for each session. Without your full participation in this learning endeavor, you will not learn.

The emphasis on case analysis makes it crucial that preparation for class is of consistently high quality.
EVALUATION

Points earned for each segment of the course will be summed to obtain a total score for the course. Students will be rank-ordered based on this total score to determine their course grade.

Course grades will be determined as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Homework</td>
<td>40%</td>
</tr>
<tr>
<td>Take-Home Final Exam</td>
<td>60%</td>
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Homework

Please submit the six very brief homework assignments at the start of class as indicated in bold in the detailed syllabus below. Please answer only the question listed in bold below. Each assignment should be no longer than a ½ page executive summary. In each instance, I will evaluate effort and results. (For our purposes here only, getting it done and submitted on time is much more important than getting it right.) Each homework assignment is based on the readings and case for the respective session. In addition to time for reading and case analysis, budget about 15 minutes on average to complete each homework. No late submissions.

Class Contribution

Effective class contribution involves activities that:
1. Lead to a productive start to the discussion,
2. Affect the discussion positively through the introduction or use of concepts and frameworks
3. Include carefully considered quantitative or qualitative analyses based on data
4. Challenge what appears to be "accepted wisdom",
5. Do not repeat what has already been said.

Due to the compressed nature of this course, I will not evaluate your class contributions. However, I strongly encourage you to contribute actively in every class. Since I expect you to be fully prepared for each class, I may call upon you to start or manage the discussion or answer a specific question during the class in any session. If for some reason you are not fully prepared for a particular session, please let me know before class so that I do not embarrass you inadvertently. I urge you to attend all classes, even if you are not adequately prepared. Please inform me if you will be unable to attend class.

Take-Home Final Exam

I view examinations as learning opportunities. You will receive a take-home final exam at the end of the last class session. Your responses will be due back via email by 9 p.m. one week later. (No late submissions.)

November 1, 2004
Note on Grading

Since managerial problems seldom have unique solutions, I will primarily look for compelling logic and reasoning in the analysis, practicality of recommended actions, the "value added" of any exhibits or analyses, and clear and concise oral presentation and writing styles. Since "cut and dried" solutions are not always possible, the grading process will be, in part, subjective but hopefully equitable.

OFFICE HOURS

Office hours will be held by appointment.

CONCLUDING COMMENTS

I will be prepared for class; I expect you to be prepared too. Also, I welcome your comments and constructive criticisms during the course on any aspects of your learning experience. I will be willing to discuss these in class and take appropriate actions that will enhance the "value-added" from this course.

KEY DEADLINES FOR THIS COURSE

<table>
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<th>Every Session:</th>
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CLASS SCHEDULE

Please prepare the assignments listed below for each session using the questions below as a guide. Class discussion will, however, also cover many additional issues.

Session 1  Introduction to Corporate Strategy, Resources and Rents
Homeworks #1 & #2. Due at the start of class.

Read:  Text Chapters 1 & 2.
1. Why do we have firms? What are the alternatives?
2. List 5 firms that you think are “exceptional.” Why are they exceptional?
3. Will they always be exceptional?
4. How would you compete against those exceptional firms?
5. Your local deli would like to become exceptional. What would you advise the owner?
   (Note: Use analyses to develop recommendations.)

Prepare:  3M: Profile of an Innovating Company.
1. What are 3M’s valuable resources? Can these resources be acquired in any market?
2. How does 3M develop and deploy valuable resources across multiple businesses?
3. How do these activities affect its financial statements?
4. Suppose you are an investor contemplating buying shares of 3M. What are the pros and cons of 3M’s innovation efforts from your point of view? Explain why?
5. What other options does 3M have to develop and deploy valuable resources?
6. What can a retail bank learn from 3M's resource development and deployment efforts?
   (Note: Again, use analyses.)

Session 2  Scale and Scope within an Industry
Homework #3. Due at the start of class.

Read:  Chapter 3
Consider:  Recent examples of firms expanding within an industry.
1. What could be the rationale for expansion – vertical, geographic and product market – within an industry?
2. What alternatives to firm expansion could be considered? Will firm expansion ever stop?
3. A Mexican fast-food restaurant chain is considering vertical, geographic and product-market expansion. What would you advise its CEO? (Note: Do not forget analyses.)

Prepare:  Daimler-Benz A.G.: Negotiations Between Daimler and Chrysler
1. Why did Daimler propose a merger and why did Chrysler agree?
2. Why merge? Why not form strategic alliances, joint ventures or write contracts?
3. How should its competitors view the merger? What should they do?
4. What needs to happen for the merger to work?
5. What does the future hold for DaimlerChrysler?
Session 3  Diversified Expansion

Homework #4. Due at the start of class.

Read:   Chapter 4
Consider:   The many diversified firms that you know.
1.  Is it a good idea to be a diversified firm? Is it possible to be a focused competitor in each industry and do well?
2.  How can you determine whether diversification was a success?
3.  What must happen for a diversification strategy to be successful?
4.  Your local clothes dry cleaner is thinking of diversifying into carpet cleaning (area rugs and wall-to-wall). What would you advise her/him? (Note: Did you use analyses?)

Prepare:   Newell Company: Corporate Strategy
1.  What measures or indicators would you use to determine whether Newell has a successful corporate-level strategy? Does Newell have a successful corporate-level strategy?
2.  What accounts for Newell’s performance? How does it deploy valuable resources?
3.  How was Newell able to provide a 31% average annual return to its shareholders over a 10-year period ending 1997 compared to 18% for the S&P 500 by selling only the simplest product lines of staple products?
4.  What challenges does it face at the end of the 1990s and now?
5.  What do you think of the Calphalon and Rubbermaid acquisitions?

Session 4  Organizational Limits to Firm Scope

Homework #5. Due at the start of class.

Read:   Chapter 5
Consider:   The many industries that you know.
1.  Why do small and large firms co-exist in an industry?
2.  How would you estimate costs and benefits of the market and the hierarchy?
3.  Which activities would you do inside an athletic shoes firm? Why? (Note: Analyses?)

Prepare:   Kentucky Fried Chicken (Japan) Limited
1.  Why did KFC franchise? What did KFC franchise? What other alternatives are available?
2.  What competitive benefits does a KFC franchisee get from its affiliation with the company? In the US? Overseas? How do these benefits arise? From which resources?
3.  What resources does a franchisee contribute? How does KFC benefit locally and globally from them?
4.  What is your evaluation of how KFC is managing its franchisees? In the US? Overseas?
5.  Should anything be changed at KFC headquarters?
6.  What should KFC do about future expansion into new markets?
Session 5  Managing the Multibusiness Corporation: Creating Corporate Advantage.

Homework #6. Due at the start of class.

Read: Chapters 6 & 7
Consider: The many multi-business firms that you know.
1. What distinguishes a single-business firm from a multi-business firm? What role, if any, does size play?
2. Are managerial tasks in multi-business firms different from those in single-business firms?
3. What is a conglomerate? How does it differ from other types of firm?
4. Do firms stop diversifying? Why or why not?

Prepare: GE’s Two-Decade Transformation: Jack Welch’s Leadership
2. How do GE’s businesses benefit by being part of GE? Do they suffer in any way?
3. Should GE add or divest some businesses? Which ones? Why?
4. Some have suggested that various “markets” – for labor, capital, products, etc. – are inefficient and that firms such as GE help “make” inefficient markets function better. Others believe that such firms only exploit market failures for their own ends. What is your assessment? What does GE do?

Session 6  Corporate Strategy.

Prepare: Intrawest Corporation
1. What challenges does Intrawest Corporation face?
2. What would you recommend to Bill Green? Why? Provide analytical support for your recommendations.