Corporate Strategy

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Office hours: Wednesdays 1-2pm, or by appointment

Course description

Most major companies are not single businesses firms operating in a single location but portfolios of products and business units spanning multiple locations. This course studies corporate strategy in terms of portfolio composition and organization, focusing in particular on vertical integration, horizontal scope, and geographic diversification decisions.

Class time shall be devoted to discussing cases to gain a better understanding of the economic factors underlying value creation and value capture in corporate strategy. In particular, we will explore the role of transaction costs, agency costs, complementarities, and organizational rigidity and adaptation. Students who take this course will develop a sophisticated basis for analyzing corporate strategy decisions both as insiders (corporate managers and management consultants), but also as analysts and investors.

Your grade*

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class participation</td>
<td>50%</td>
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<tr>
<td>Final exam</td>
<td>50%</td>
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<tr>
<td>Optional final project</td>
<td>required to get an “H”</td>
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*Maximum grade is a “P” if you are absent for a cold call. Grade weights are 1/3, 1/3, 1/3 if you complete the optional final project.

Class sessions and participation

Class participation grades will be determined based on attendance, daily poll responses, and the overall quality of your comments and questions in each class. You get extra credit if you ask a good question of one of our guest speakers. Note: I use a randomized cold calling program. If I call your name for a cold call and you are absent you automatically get a “P” (at best).

Class polls

There are two online poll questions for each class session. Each poll question requires a Yes/No response and a short answer of 1-3 sentences explaining your Yes/No answer. Poll responses are due by 9am on the day of class.
Final exam

The final exam is a take home case. It will be distributed on the last day of class and is due exactly one week later (i.e., 5:30pm on May 6th). You must complete the case individually.

Optional final project

You may choose to write a paper related to the concepts discussed in this course. If you do not write the final paper the highest grade you can achieve in this class is an “HP.” If you choose to write the paper it will count as 33% of your grade (with participation and the final exam each reduced to 33% too). You may work in a group of up to four people on the final project.

The paper must examine a corporate strategy issue or set of issues, using a framework or frameworks discussed this course in the context of a single firm or industry. The “firm” could be a company you have worked for in the past or an organization you are interested in learning more about. The paper should describe the firm’s corporate strategy with an emphasis on how the firm creates value from the center, or shows how corporate strategy concepts can be used to describe a strategic challenge the firm faces.

Note that it is preferable to address a narrow problem deeply using a small number of theories discussed in class, rather than attempting to analyze a firm broadly using all the frameworks discussed exhaustively. I expect that the paper will be deeply researched and that assertions will be well documented.

Topics must be submitted in writing before midnight on Wednesday April 22nd. Earlier is better to avoid a last minute crunch. I encourage you to come to discuss your paper with me, though this is not required.

Final papers are due by 5pm on May 18th. There is a 5% penalty per day for late papers. The maximum length for a team of any size is 30 pages. I expect that smaller teams will write somewhat shorter papers.

If you work on a team, you must also submit feedback on all other members of your team in writing to me (by e-mail) briefly (in 2-3 sentences) evaluating the contributions of the other members of the group and providing a quantitative assessment of each members’ contributions to the project on a 1-5 scale (5 is the highest). I will keep your name anonymous, but each individual will be able to read their team’s assessment of their work. Your grade will be reduced if you do not submit feedback.

First class session

Please read the Kodak case, the Bitter Competition case, and the Beatrice article for the first class session and respond to the online poll questions through Canvas.

Important note: You must be prepared and attend the first class session of this course on March 25th to enroll in the class. If you cannot attend the first class session, or do not prepare the assigned material in advance of class, you cannot enroll in this course.
Course plan

Class 1: Wednesday March 25th

Topics include: Discontinuous technological change, coordination costs, organizational rigidity, agency costs, the role of the center in corporate strategy, and competition


Poll questions
- Did Kodak fail to foresee the digital revolution?
- How large a plant should HSC build in Europe?

Class 2: Wednesday April 1st

Topics include: Vertical integration, transaction cost economics, asset specificity, contractual incompleteness, linking horizontal scope with vertical scope


Poll questions:
- Will Montblanc succeed in watches?
- Should Arauco build the pulp plant? Include your estimated NPV for the plant in your short answer justifying your position.
Class 3: Wednesday April 8th

*Topics include: the role of geography in strategy, strategy in two-sided markets, envelopment, adaptation*


Read: TheLadders. 2014. Evan Rawley. *Columbia Case Works*


Guest speaker: Alex Douzet, CEO TheLadders

Poll questions:
- Is Google wasting shareholder money by diversifying so aggressively?
- Will TheLadders mobile strategy work?

Class 4: Wednesday April 15th

*Topics include: contracting, franchising, vertical integration*


Guest speaker: Adam Weissenberg, Global Lead, Travel, Hospitality, and Leisure, Deloitte & Touche

Poll questions:
- Is Choice Hotels’s cross-selling strategy superior to HFS’s “holding company” approach?
- Did Coke and Pepsi acquire their bottlers because bottling is an attractive industry?
Class 5: Wednesday April 22nd

Topics include: Mergers and acquisitions, capabilities and resources, geographic diversification


Poll questions:
- Should Cadbury Schweppes bid $4.2B for Adams?
- How did Lloyd’s add value as a parent to its business units?
- Should Lloyd’s acquire HBOS for £12.2

Class 6: Wednesday April 29th

Topics include: synergies, economies of scope, incentives


Poll questions:
- Is IMG’s scope expansion diversifying away risk?
- Will a sale to Cisco create and capture value for IronWood?