Corporate Strategy

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Office hours: TBD. Also, you can always catch me before or after class, 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), and as analysts and investors.

Your grade*

- Class participation: 50%
- Final exam: 50%
- Optional final project: Raises one’s chances of getting an “H”

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.

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 10am 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 March 8th). You must complete the case individually.

Optional final project

You may choose to write a paper related to the concepts discussed in this course. Doing so will increase your chances of getting an “H” in the class. 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 the last class on March 1st. I encourage you to come to discuss your paper with me, though this is not required.

Final papers are due by 5pm on Friday, March 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 upon request. Your grade will be reduced if you do not submit feedback.

First class session

Please read the Kodak case, the Delta Song cases (A+B), and the article on Strategies for and respond to the online poll questions through Canvas.
Course plan

Class 1: Wednesday March 25th

Topics include: Discontinuous technological change, organizational rigidity and adaptation


Poll questions
- Did Kodak fail to foresee the digital revolution?
- Are there synergies between Delta Song and Delta?

Class 2: Wednesday April 1st

Topics include: Vertical integration, transaction cost economics, asset specificity, contractual incompleteness


Poll questions:
- Should Arauco build the pulp plant? Include your estimated NPV for the plant in your short answer justifying your position.
- Why did Coke and Pepsi acquire their bottlers?
Class 3: Wednesday April 8th

Topics include: Mergers and acquisitions, geographic diversification, globalization, the role of the center in corporate strategy


Poll questions:
- Should Cadbury Schweppes bid $4.2B for Adams?
- Should Tata bid for Land Rover and Jaguar?

Class 4: Wednesday April 15th

Topics include: Human capital strategy, complementarities


Poll questions:
- Is IMG’s scope expansion diversifying away risk?
- Was the synergy between Dell’s production and sales activities the secret to their success in the mid to late 1990s?
Class 5: Wednesday April 22nd

Topics include: Contracting, franchising, linking horizontal scope with vertical scope


Poll questions:
- Is Choice Hotels’s cross-selling strategy superior to HFS’s “holding company” approach?
- Will Montblanc succeed in watches?

Class 6: Wednesday April 29th

Topics include: Strategy in two-sided markets, envelopment


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


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