

MGT511 Corporate Strategy Module 4, 2015-2016

Course Information

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Office Hour: Wed. 2:00pm-4:00pm, or by appointment

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Classes:

Lectures: Tuesdays & Fridays 1:30-3:20pm

Venue: PHBS Building, Room 337

Course Website: MGT511 in Course Management System

1. Course Description

1.1 Context

Course overview:

MGT511 on Corporate Strategy offers a strategic perspective to look at multi-business corporations and to examine how participation in several industries, value-chain activities, and/or regions can enhance, or undermine the competitive advantage of a company. As an elective course in management program, MGT511 is to complement courses of MGT510 Strategic Management and/or MGT518 Strategic Leadership. Therefore, students will learn perspectives and approaches distinct from but relevant to the above courses, enhancing the students' abilities to understand, analyze, and solve problems faced in their future careers as middle and top managers.

This course is also designed to be integrative, drawing upon foundational material and tools developed in Strategic Management, such as SWOT analysis, BCG matrix, and industry analysis. To integrate material learned in this course and in other courses, we will use a series of HBR strategy short cases and three long cases by HBS, Ivey, and ACRC.

Each short case provides a hypothetical but practical situation that is closely related to many difficult decisions relating to corporate strategy. For this reason, it is important that you always prepare the case before class. A two-page case write-up will be due every week before we discuss the case. The three long cases, however, should be prepared in a team basis. Each team should discuss the three cases and write a five-page case write-up before class. To help focus your analysis, a set of case questions for the three cases will be provided. The questions can be used to guide your case preparation. Note that one of the three long cases will be used as the basis for a negotiation game in class.

In addition to course content and material, it is also important that we take advantage of knowledge and experience of class members. Therefore, where relevant, please feel free to bring your own thoughts and illustrations into class discussion. I encourage students with global and working experiences to bring your knowledge into the classroom. Your previous knowledge and experience will be a valuable source of information for our learning in class.

The course is divided into four parts. The first addresses the core concepts in corporate strategy: resources, resource allocation, and synergy. The second part deals with businesses and diversification strategies. The third part focuses on systems and structure of the multibusiness corporation. Final part of the class provides a synthesis of the material.

Prerequisites: MGT510 Strategic Management

1.2 Textbooks and Reading Materials

The readings, coming from a number of different sources, are carefully chosen to reflect a variety of perspectives and to stimulate your thinking. This class is probably the best opportunity you have to learn about corporate strategy—a subject that will become increasingly important as your career develops. I hope you will seize this opportunity and avail yourself of all the course materials.

Textbook

1. Collis, D. J., and Montgomery, C. A. 2011 (2nd International Ed.). *Corporate Strategy: A Resource-Based Approach*, McGraw-Hill (Hereinafter **CM**).

*You may find the textbook at Amazon.cn

Cases

Arauco (A): Forward Integration or Horizontal Expansion is a Harvard Business School case. The school has paid the case fee for PHBS students.

Hong Kong Disneyland (A), (B), and (C): The Walt Disney vs. Hong Kong Government are cases by The University of Hong Kong. Each individual student must pay **USD 7** for the cases to Asia Case Research Center (ACRC). Please contact the TA for buying the case.

Recommended Readings

1. Rumelt, R. 2011. *Good Strategy Bad Strategy: The Difference and Why It Matters*. Crown Business.

2. Rosenzweig, P. 2014. *Left Brain, Right Stuff: How Leaders Make Winning Decisions*. Public Affairs.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	O
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	O
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	O
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	O
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	O
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	O
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	O
	5.3. Our students will demonstrate competency in critical thinking.	O

2.2 Course specific objectives

The course prepares and requires students to be good listeners, who will have to understand precisely what other class participants have contributed during class discussion. For example, students will have to answer instructors questions such as "would you summarize what others have just said?" "Would you compare and contrast the comments made by student A and B?" and "Do you agree or disagree what others have said, and why?"

A good listening is a necessary foundation for meaningful and creative discussion both in classroom and in organization. MGT511 is designed in part through case discussion method, which helps students practice listening abilities, in addition to traditional analytical abilities.

2.3 Assessment/Grading Details

Assessment task	Weighting	Due date
Class Participation	25%	Every class
Case Write-up	25%	Every week
Group Negotiation	20%	Session 7
Group Final Exam	30%	End of the module
Total	100%	

Class participation grades reflect my judgment of your contribution to the learning environment. The grades take into account (1) the *frequency* of your responses in class, (2) their *quality* (e.g., relevance to course materials; insights that differ from others' points of view; elaboration or clarification of others' opinions), and (3) the *professionalism* of your conduct (i.e., attendance, punctuality, preparedness, and respect to your colleagues and their contributions).

Case write-up grades are my evaluation of *your* opinions about the cases in written format. Everyone is required to submit your own write-up, *within two pages*, before class discussion. That said, you are encouraged to discuss those short cases with your team members because your team needs to work together to write analyses for the three long cases and the final exam, which will be elaborated below. It is reasonable to expect better performance in the final exam if you and your team members get together once or twice a week to discuss a case. There are six cases (including two long cases) will be graded and each has 5 points. Out of the 6 case write-ups, the worse one of yours will be excluded. So total of 25 points will be your case write-up grades. Note that two of the long cases are team basis. Each team member has the same grade as the others in the same team.

Group negotiation grades are composed of two parts. One is a team based case write-up (5 points), and the other (15 points) is based on the negotiation results. Two teams will be paired together: one plays as the role of Walt Disney and the other as Hong Kong Government. Negotiation results depend on whether the two can reach a deal as well as whether one party out-bargains the other and grabs significant benefits. The winning team will get 15 out of 15 points and the losing team will get 5-10 points depends on the specific terms agreed.

Group final exam grades are my assessment of *your team's* opinions about the exam case in written format. I will use both *relative* and *absolute* evaluation schemes. By relative, I mean that there will be as many different grades as the number of teams in class. For example, if we have five teams, there will be five different final exam grades. The grades are the same for all members of your team, as in the long case write-up. Thus, your exam grades depend on how your team does in writing up the exam case. By absolute, I mean that it is possible for all teams to get good grades if every team passes a reasonable threshold. Finally, unlike the short case write-ups that limits to only two pages, the final exam can be *up to five pages*, as in the long case write-up.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

Sessio	Month	Date	Day	Topic	Textbook	Case	Points
1	Apr.	29	Fri.	Introduction	CM Ch.1		-
2-1	May	3	Tue.	Why Do Multibusiness Firms Exist?	CM Ch.2	Stick to the Core or Go for More?	5
2-2	May	6	Fri.				
3-1	May	10	Tue.	Choosing and Defining the Business	CM Ch.3	Arauco (A): Forward Integration or Horizontal Expansion	Group 5
3-2	May	13	Fri.				
4-1	May	17	Tue.	Diversified Strategies	CM Ch.4	The Pitfalls of Parenting Mature Companies	5
4-2	May	20	Fri.				
5-1	May	24	Tue.	Org. Limits to Firm Scope	CM Ch.5	Cross Selling or Cross Purposes?	5
5-2	May	27	Fri.				
6-1	May	31	Tue.	Multi-business Corporation	CM Ch.6	GE Energy Management Initiative (A) and (B)	Group 5
6-2	June	3	Fri.				
7-1	June	7	Tue.	Negotiation	Negotiation results due TBD	Hong Kong Disneyland: The Walt Disney vs. The HKSAR Perspectives	Group 20
7-2*	June	12	Sun.				
8-1	June	14	Tue.	International Diversification	CM Ch.7	Go Global—or No?	-
8-2	June	17	Fri.				
9-1	June	21	Tue.	Dynamics of Corporate Strategy	CM Ch.9	A Rose by Any Other Name	5
9-2	June	24	Fri.				
10	June	28	Tue.	Synergy		What Is a Growth Company?	-
Exam	TBD	TBD	TBD	Final Exam	Final exam is conducted in a team basis; each team will provide one case analysis.		Group 30

Part I. Resources

Session 1. Introduction: What Is Corporate Level Strategy (Apr. 29)

Reading: Collis/Montgomery, Chapter 1 (An Introduction to Corporate Strategy).

Henderson, B. 1970. *The Product Portfolio*.

Optional: Henderson, B. 1973. *The Experience Curve Reviewed, History*.

Session 2-1. Why Do Multibusiness Firms Exist? Theoretical Approaches (May 3)

Reading: Collis/Montgomery, Appendix A (Past Approach to Corporate Strategy).

Fligstein, N. 1985. The Spread of the Multidivisional Form among Large Firms, 1919-1979, *American Sociological Review*, 50(3): 377-391.

Optional: Williamson, O. 1991. Comparative Economic Organization: The Analysis of Discrete Structural Alternatives, *Administrative Science Quarterly*, 36(2): 269-296.

Session 2-2. Why Do Multibusiness Firms Exist: Resources and Rents (May 6)

Reading: Collis/Montgomery, Chapter 2 (Resources and Rents).

Zenger, T. 2013. What is the Theory of Your Firm? *Harvard Business Review*.

Optional: Teece, D. 1982. Toward an Economic Theory of the Multiproduct Firm, *Journal of Economic Behavior and Organization*, 3 (1): 39-63.

Case 1: Stick to the Core or Go for More?

<https://hbr.org/2002/02/stick-to-the-core-or-go-for-more>

Case question:

Should Advaark stick to its core competence?

Part II. Businesses

Session 3-1. Choosing the Business: Industry Analysis (May 10)

Reading: Collis/Montgomery, Chapter 3 (Scale and Scope within an Industry).

Collis/Montgomery, Appendix B (Business Strategy and Industry Analysis).

Optional: Henderson, B. 1972. Life Cycle of the Industry Leader.

Session 3-2. Defining the Business & Vertical Integration (May 13)

Reading: Porter, M. 1987. From Competitive Advantage to Corporate Strategy. *Harvard Business Review*, 65, 42-59.

Case 2: Arauco (A): Forward Integration or Horizontal Expansion. Harvard Business School Case # **9-705-474**.

Case questions:

(1) Should Arauco build the Nueva Aldea project?

(2) What are the sources of Arauco's competitive advantage?

(3) Should Arauco own both forests and pulp production facilities? Does the Alto Parana project help you answer this question?

Session 4-1. Modes of Expansion: Build, Buy, and Borrow (May 17)

Reading: Collis/Montgomery, Chapter 4 (Diversified Expansion).

Markides, C. 1997. To Diversify or Not to Diversify, *Harvard Business Review*

Zenger, T. 2013. Strategy: The Uniqueness Challenge. *Harvard Business Review*.

Session 4-2. Modes of Expansion: Build, Buy, and Borrow (May 20)

Reading: Bower, J. 2001. Not All M&As Are Alike – and That Matters, *Harvard Business Review*.

Case 3: The Pitfalls of Parenting Mature Companies.

<https://hbr.org/1996/09/the-pitfalls-of-parenting-mature-companies>

Case question:

What advice should Marlowe give the CEO?

Part III. Structure and Systems

Session 5-1. Diversification and Performance (May 24)

Reading: Palich, L., Cardinal, L., and Miller, C. Curvilinearity in the Diversification–Performance Linkage: An Examination of Over Three Decades of Research, *Strategic Management Journal*, 21 (2): 155-174.

Session 5-2. Organizational Limits to Firm Scope (May 27)

Reading: Collis/Montgomery, Chapter 5 (Organizational Limits to Firm Scope).

Zenger, T., and Huang, J. 2009. Limits to the Scale and Scope of the Firm, in Nickerson, J., and Silverman, B. (Ed.) *The Economic Institutions of Strategy (Advances in Strategic Management)*, 26: 267- 286.

Case 4: Cross Selling or Cross Purposes?

<https://hbr.org/2004/07/cross-selling-or-cross-purposes>

Case question:

What will it take for cross selling to succeed in Top Tek?

Session 6-1. Managing the Multibusiness Company: The Role of the Parent (May 31)

Reading: Collis/Montgomery, Chapter 6 (Managing the Multibusiness Corporation).

Campbell, A., Goold, M., and Alexander, M. 1995. Corporate Strategy: The Quest for Parenting Advantage, *Harvard Business Review*.

Session 6-2. Organizing and Structuring the Multibusiness Company (June 3)

Reading: Nickerson, J., and Zenger, T. 2002. —Being Efficiently Fickle: A Dynamic Theory of Organizational Choice, || *Organization Science*, 13 (5): 547–566.

Case 5: GE Energy Management Initiative (A) and (B). Ivey Case Bank.

Case questions:

Take the position of Raj Bhatt:

(1) How does the GE Management System work? How does GE Canada fit into this picture?

(2) As of the end of the meeting with GE supply executives, what are your options for proceeding, and what do you intend to do?

Part IV. Synthesis

Session 7-1. Group Negotiation: Role Playing Game (June 7)

Reading: Sebenius, J. 2002. The Hidden Challenge of Cross-Border Negotiations, *Harvard Business Review*.

Optional: Types of Negotiations: Many Paths to a Deal, *Harvard Business School Press*.

Session 7-2. Negotiation Results and Discussion (June 12)¹

Case 6 (A): *Hong Kong Disneyland (A): The Walt Disney Perspective*. ACRC Case.

Case Questions:

- (1) How would you value the Hong Kong Disneyland project from the perspective of Walt Disney?
- (2) How much does the attractiveness of the project vary according to different economic scenarios and financing arrangements?
- (3) If concessions could be granted by the HKSAR in order to make the project feasible, what would those concessions be?

Case 6 (B): *Hong Kong Disneyland (B): The HKSAR Perspective*. ACRC Case.

Case Questions:

- (4) How would you apply project evaluation techniques to value the Hong Kong Disneyland project from the perspective of the Hong Kong Government?
- (5) How does the attractiveness of the Disneyland project vary under different economic scenarios and financing arrangements?
- (6) Should the Government pay to lure Disney to Hong Kong? If so, at what price?

Session 8-1. Global Strategy: Motives for Global Expansion (June 14)

3 No write-up is due.

Ghemawat, P. 2001. Distance Still Matters: The Hard Reality of Global Expansion, *Harvard Business Review*.

Session 8-2. Global Strategy: Replicating Successful Strategy Globally (June 17)

Reading: Ghemawat, P. 2007. Managing Differences: The Central Challenge of Global Strategy, *Harvard Business Review*.

Case3: *Go Global—or No?*

<https://hbr.org/2001/06/go-global-or-no>

Case questions:

Should DataClear go global?

Session 9-1. Dynamics of Corporate Strategy (June 21)

Reading: Collis/Montgomery, Chapter 9 (Corporate Transformation: Dynamics of Corporate Strategy).

Session 9-2. Restructuring Strategies: Reducing Firm Scope (June 24)

Reading: Kotter, J. 2007. Leading Change: Why Transformation Efforts Fail, *Harvard Business Review Classic*.

Case 7: *A Rose by Any Other Name*.

<https://hbr.org/2003/03/a-rose-by-any-other-name>

Case questions:

What's the best marketing strategy for Rose Partyware?

¹ The class will be held on June 12th (Sunday).

Session 10. Review and Synthesis (June 28)

Reading: Collis/Montgomery, Chapter 7 (Creating Corporate Advantage).

Final Exam (TBD)

Final exam schedule is to be decided. Every team needs to submit ONE copy of your case analysis before the deadline.