This is a compressed course because of your work schedule. Yet, every subject we cover may be critical in your careers because corporate strategy decisions and failures impact most firms. That is why corporate strategy decisions and problems are in the business news every day.

Before our first class, please buy at the bookstore: Strategy II Corporate Strategy Analysis  B01-2104 +Three Cases in 1 Pack. Please click required & optional readings on Blackboard Course Site: B01-2104-U1 & U3

Because we have 6 class sessions, it is important that all students attend each of the 6 classes in their entirety and be well prepared for each class discussion. If an emergency prevents you from being at a class, please phone or email me in advance.

I admire you for being able to complete your course work and also do your jobs. Please make every effort to be on time. It is quite distracting when students wander in late.

Good Luck!

Prof. Bob Lamb

<table>
<thead>
<tr>
<th>#</th>
<th>Date - Time</th>
<th>Time</th>
<th>Turn-in assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sun. Sept. 9th PM</td>
<td>1:00 – 4:00 PM</td>
<td>2-page: Strategy Analysis of your firm 9Qs P.12</td>
</tr>
<tr>
<td>2</td>
<td>Tue. Sept. 11th PM</td>
<td>6:00 - 9:00 PM</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sun. Sept. 16th</td>
<td>9:00AM - 12:00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Sun. Sept. 16th</td>
<td>1:00 - 4:00 PM</td>
<td>Gp 2-p Daimler-Chry M&amp;A Goals + Bid Range</td>
</tr>
<tr>
<td>5</td>
<td>Tue. Sept. 18th</td>
<td>6:00 - 9:00 PM</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Thu. Sept. 20th</td>
<td>6:00 - 9:00PM</td>
<td>Gp Report: Google vs. MS vs. Yahoo JV w. eBay</td>
</tr>
<tr>
<td></td>
<td>Thu. Sept. 27 PM</td>
<td>6:00 PM</td>
<td>Final Exam Due hard copy my office + 3 online</td>
</tr>
</tbody>
</table>
THE GOALS OF CORPORATE STRATEGY & BUSINESS STRATEGY
This course covers corporate strategy as opposed to business strategy. It is important for students to understand the different goals of each type of strategy. Business Strategy’s 3 goals are:

1. Gain sustainable competitive advantage in one business.
2. Undermine your competitor’s competitive advantages.
3. Disrupt the market to create new competitive advantages.

In contrast, Corporate Strategy’s goal is to manage a multi-business firm to create corporate-wide advantages that benefit each separate business and the entire firm.

For example: Corporate Strategy evaluates whether Walt Disney should own theme parks, sports teams, restaurants, television networks, and movie production and how the corporation can add value to each of its individual businesses. Business strategy analyzes each individual business of Disney relative to its competitors. For example: ABC (one of Disney’s television networks) needs a business strategy to succeed against CBS, NBC, Fox and cable TV networks.

We Focus on the Following Topics in this Course

- Why do we have multi-business firms?
- Do they add or subtract value?
- What are a firm’s key resources?
- Where do valuable resources come from?
- How can resources be shared across multi-businesses to grow value?
- Scale & Scope advantages of the firm:
- Do they create a firm’s Market Power?
- Should a Corp. Build? Buy? Or Ally?
- Why Corp. Scope results from Transaction Cost Economics & Hold Up?
- How do today’s converging industries impact firms?
- Is there a relation between firm performance and corporate structure?
- Is the role for corporate headquarters to centralize or decentralize?
- How to best manage the process of mergers, alliances, JVs and franchises?
- We compare classic to virtual corporations and to Internet corporations.
- What are good ways to implement corporate strategies, and why?
1. TEXT INCLUDES CASES & READINGS:
   - Newell Company: Corporate Strategy p.61-82
   - GE’s Two-Decade Transformation: Jack Welch’s Leadership p.83-106
   - Daimler-Benz A.G.: Negotiations Between Daimler and Chrysler p.135-177
   - 3M: Profile of an Innovating Company p.178-197
   - Citigroup 2003: Testing the Limits of Convergence (A) p. 257-298
   - Kentucky Fried Chicken (Japan) Limited p. 299-318

2. 3 Cases Bookstore: “eBay Inc.” “Google Inc. 2006”, “GE Medical Systems 2006”

3. BLACKBOARD REQUIRED READINGS, RESOURCES + CLASS HANDOUTS

   Google Report Oppenheimer Analyst July 2007
   “Google Plans Search Service for Mobile” Wall Street Journal July 17 B1
   Yahoo Report Oppenheimer Analyst July 2007
   Microsoft Report, Credit Suisse First Boston July 2007
   Digital Convergence of Industries Power Point Slides on Blackboard
   “GE Capital: GE’s Secret Weapon” (Blackboard)
   “GE’s Financial Revaluation” (Blackboard)
   “GE Capital’s Fishbone Procedure for M&A” (Blackboard)
   “Jeff Immelt’s Education.” (Blackboard)
   The Synergy Trap: Ch. 3 “Do You Feel Lucky?” (Blackboard)
   “Winning in the Consolidating World (Blackboard)
   “When Synergy Creates Real Value” (Blackboard)
   “Collaborate with Your Competitors & Win” (HBR) (on Blackboard)
   “Daimler Chrysler Merger Valuation”, “Merger Negotiation Process”
   “DaimlerChrysler and Cerberus Capital Management Transaction for Chrysler”.
   “The Specialists Challenge by Clayton Christensen (Blackboard)

Optional:
“The Role of Intellectual Property In Mergers & Acquisitions”
Various analyst reports and articles posted on Blackboard

GRADING INFORMATION
   - 10% of grade based on class participation + 3 minute memos to raise questions & comments
   - 10% based on 2 Homework Assignments: 1= Individual: 1= Group [2-pages each]
   - 40% is based on Group Report.
   - 40% will be based on your final take home exam due 1 week after last class

All assignments are 10-12-point type, double-spaced, 1-inch margin.
Class Sessions

Session 1. Sun. Sept 9th 1:00 - 4:00 PM

Corporate Strategies
This course analyzes the interaction between the 4 theories of corporate strategy:

Due this First Class Session:
Required Reading:
• TEXT Chapters 2 + 3 on Corp. Resources & Rents & Ch 3. Corp. Scale & Scope
“Vertical Integration, Fisher Body & GM Case Revisited.” (Blackboard)
“Transaction Cost Economics”, “Market Power” Definitions (Blackboard)
“The Newell Company: Corporate Strategy” TEXT p.61-82
Convergence of Digital Technologies causes Convergence in Industries
Please review these Power Point Slides on Convergence on Blackboard

Prepare1
Does GM need to buy Fisher Body or simply enter a long-term contract for car hoods?
How was Newell able to rank 24th in S&P 500 for 10 years for ROI until 1998?

Hand in:
• 2-page Individual Strategic Analysis of your Firm + Industry (see p. 10)

Class Discussion will Contrast Four Different Theories of Corporate Strategy:
1. The Resource View of The Firm States that Corporations Leverage Their Key
   Resources Across Several of Their Individual Business Units. This multiplies the value
   of those key resources for each separate business unit. Re-use of these same resources in
   many business units makes Corp. more valuable. Create new resources. Resources: =
   physical assets, intangible assets & org. capabilities?

2. The Transaction Cost Economics Theory of The Firm Evaluates via Comparative costs:
   Should Corporation: Build from Within, Buy From The Market, Merge, Acquire, JV,
   Ally, Franchise License or Outsource?
   GM need to buy Fisher Body or simply enter a long-term contract for car hoods?

3. Different Sources of Market Power or Dominance in Corporate Strategy include:
   Monopoly, Oligopoly, Collusion, Monopsony, Holdup, Network Econ, Industry Standards

4. Today, Many Converging Digital Technologies Cause the Convergence of Industries
   which Impacts Many Firm’s Corporate Strategies in scope and speed of change:
   Examples: Media, Communications, Finance, Medicine, Health, Weapons, Transportation

“The Newell Company: Corporate Strategy” Case p. 61-82 In-Class Strategic Analysis
Prepare: What is Newell’s Method of M&A? What Are Its Key Strategic Benefits? Do Any of
The Four Theories of Corporate Strategy Apply to Newell Corp. M&A Deals?
[Note: On the final exam, 1 question, worth 20% of total, is on the concepts covered in this class.]

1 To “prepare” means to be able to answer and discuss these questions in class. Notes about the questions
and relevant financial or market share calculations should be prepared in advance.
Due this session:

**Required Reading:**
- “GE’s Two-Decade Transformation: Jack Welch’s Leadership” TEXT p.83
- “GE Medical Systems: 2005” in 3 Course Cases Bookstore
- “Business Strategy and Industry Analysis” TEXT p.32-39
- “Scale and Scope Within an Industry” TEXT p.40-60
- “Diversified Expansion” TEXT p.107-134
- “GE Capital: GE’s Secret Weapon” (Blackboard)
- “GE’s Financial Revaluation” (Blackboard)

**Optional Reading:**
- “GE Capital’s Fishbone Procedure for M&A” (Blackboard)
- “Jeff Immelt’s Education.” (Blackboard)
- “GE: Too Big for its own Good?” and “Where the Empire gets its Money” (Blackboard)
- GE Citigroup Analyst Report, April, 2007 (Blackboard)

Prepare:
What is GE Corporation’s relation to the Seven Forces of Competition that include:
- Power of Buyers, Suppliers, Rivals, Substitutes, Potential Entrants, Complements + Governments in: GE Divisions such as Infrastructure, Aerospace, Entertainment, Medical Systems, Power Systems, Appliances, Internet?
- Analyze how GE’s strategies exploit financial spreads, market leverage & financial arbitrage.
Session 3 | Sun. Sept. 16th | 9:00AM - 12:00 Noon

Merger Failures /Successes: Franchise Corp., Joint Ventures + Alliances

Class 3. A. What’s Synergy? How can one Measure it? What Problems are there in Merger Integration?

Due This Session

Required Reading:
- **The Synergy Trap**: Ch. 3 “Do You Feel Lucky?” (Blackboard)
- “Winning in the Consolidating World” (Blackboard)
- “When Synergy Creates Real Value” (Blackboard)

Optional Reading:
- Articles on Mergers (Blackboard)

Prepare these questions for discussion in class:
- Based on the readings above, what are, or should be key goals of Mergers?
- What are major reasons firms do mergers, instead of internal growth, JV, Alliance?
- How do you measure positive synergies? How do you measure negative synergies?
- What are consequences of most mergers? What are major causes of Merger Failures?
- What are the best ways to realistically judge key success factors for merger partners?
- What are the best ways to Implement a Successful Merger.

Class 3 B. 2nd Half: KFC in Japan: Global Franchise Corp + International JV

Due this session:

Required Reading:
- **Kentucky Fried Chicken (Japan) Limited** Text p. 299-318
- “Collaborate with Your Competitors & Win” (HBR) (on Blackboard)

Optional Reading:
- Organizational Limits to Firm Scope Ch. 5 (C&M) TEXT p.319-352
- YUM! Brands, Friedman, Billings, Ramsey Research, (Blackboard)
- “Japan's fast food competitive landscape” (Blackboard)

Prepare:
- Why did KFC Franchise? What did KFC Franchise? Why did KFC Joint Venture?
- Evaluate management of KFC’s Franchisees: In US? Or Overseas?

In class we will discuss

Limits to Corporate Scope: Markets vs. Hierarchies
- “Organizational Limits to Firm Scope” Text: p.319-352
- Contrast managing a merger vs. a JV, Licensing, Outsourcing, or Virtual Integration
- Strategic Alliances: Consortium vs. Partnership vs. Multiple Targeted One-off Deals
- Star Airline Alliance vs. IBM’s Corporate Alliance Strategy
Session 4  Sept. 16th  1:00 - 4:00 PM

Class 4. A.  Sustaining 3M: Corporate Innovation  1:00-2:15 PM
Class 4. B.  Daimler Chrysler Merger Negotiations.  2:30-4:00 PM

Due This Session 4. A.
Required Reading:
- 3M: Profile of an Innovative Company Case (Text: p.178-197)
- “Creating Corporate Advantage” (C&M) Text p.243-256.

Prepare these questions for class discussion:
- How Did 3M Create Innovation? How does 3M Manage a Multi-Business Firm?
- How does innovation affect 3M’s financial statements?
- Compare firms that exploit streams of innovation, internal and or external?
We Compare 3M’s Process of innovation to Google’s & to Johnson & Johnson.

Session 4. B.  Daimler Chrysler Merger Negotiation.  2:30 PM –4:00 PM

Required Reading:
DaimlerChrysler and Cerberus Capital Management Transaction for Chrysler.
Optional: “The Role of Intellectual Property In Mergers & Acquisitions”

Prepare:
- What are the best ways to negotiate a successful merger?
- Should 2 Merging firms set opening bid + final bid price (Range) before negotiating?
- In actual merger negotiations, is there often a gap between 2 firms’ bidding ranges?
- How did Daimler and Chrysler each prepare for the merger?
- Why did Daimler propose this merger and the terms? Why did Chrysler accept?
- What is the current pending Cerberus Capital Management Transaction for Chrysler?

Hand in group typed 2-pages What Should be Goals of DC Merger? + Bid/Ask Range?
Class Groups 1-6 will negotiate Merger as Chrysler: Groups 7-11 will negotiate as Daimler.
Please use group’s notes on Daimler Chrysler Merger Goals + do In-Class Negotiation.

A. Before class Daimler Groups meet, discuss Merger’s Goals + set Bid/Ask Range
Type Goals +Opening Price Bid + Final Walk away Price for Chrysler. Explain
Strategic Reasons why you selected each separate price.
B. Before class, Chrysler Groups meet, discuss Merger’s Goals + set Bid/Ask Range
use DC Case Data, to set your Opening +Final Asking Price Range for Chrysler.
Explain Strategic Reasons why you selected each separate price.

On final exam, 1 question (20% of total) will focus on topics from this class.
Session 5 | Tues. Sept. 18th | 6:00 - 9:00 PM

| Class 5. A. | Citigroup Financial Supermarket vs. Specialists |
| Class 5. B. | Sustaining eBay’s Growth |

Due this Session:

Required Reading:
- “The Specialists Challenge” by Clayton Christensen (Blackboard)

Optional Reading:
- Organizational Limits to Firm Scope Ch. 5 (C&M) Text p. 319-352.
- Capital One Analysts reports on (Blackboard)

Prepare:
- Global Financial Services: One-Stop-Shop Giant Citigroup vs. Specialist’s Challenge
- What corporate strategies work best in Financial Services? Why?
- What strategies work worst in Financial Services? Why?

Session 5.B. Strategic Analysis of the Sustainability eBay’s Growth: Auction /Retail

Due this Session:
- Required Reading “eBay Inc.” + Analysts Reports on eBay (Blackboard).

Prepare Questions for Class Analysis
- How did eBay Create Corporate Advantage?
- How do they exploit Network Economics?
- Does eBay face Problems or Limits?
- Analyze eBay’s Corporate Strategy Expansion now that it faces free classified adds from Yahoo, Amazon, Google, Craig’s List Plus specialist auctions; both in the US, Globally especially China, India & ?
Group Paper Due:

Google vs. Microsoft vs. Yahoo’s JV with eBay [10-pages+ 3-pager appendix]

This is a Comparative Strategic Analysis: (40% of grade) In order to ensure that your group’s Analysis of these firms is manageable, and not overwhelming, please focus on comparing just these Corporations’ Search, Advertising, Online Payment and VOIP online phone service: capabilities and strategies. Then, each group will Recommend one New Joint Venture each, for Yahoo, Google & Microsoft & explain its strategic benefits.

1. Explain how the 4 Theories of Corporate Strategy apply to Google vs. Microsoft vs. Yahoo’s JV with eBay

2. Explain how the 7 Forces of Competition apply to Google vs. Microsoft vs. Yahoo’s JV with eBay

3. Explain how the 7 Sources of Competitive Advantage apply to Google vs. Microsoft vs. Yahoo’s JV with eBay

4. Discuss the Innovation Strategies involved with to Google vs. Microsoft vs. Yahoo’s JV with eBay

5. Discuss 1st Mover vs. 2nd Mover: Both Advantages and Disadvantages of First Mover vs. 2nd Mover involved in Google vs. Microsoft vs. Yahoo’s JV with eBay

Google Report Oppenheimer Analyst July 2007
“Google Plans Search Service for Mobile” Wall Street Journal July 17 B1
Yahoo Report Oppenheimer Analyst July 2007
Microsoft Report, Credit Suisse First Boston July 2007
Articles and Analyst reports (Blackboard)

Under NYU Stern School’s Honor Code each of you is to research and write this group paper & Take Home Final based on your individual effort. [No Plagarism]
Dear Strategy Students, Before Sept. 9th Each Student will type A Key Individual Exercise for our Course. Please Write 2 pages on the Strategic Situation of your Firm: For example, Briefly What Are: [If Necessary, Use Bullets]

1. Name Your Firm’s Internal Strengths & Weaknesses vs. Direct Competitors. Name Your Firm’s External Opportunities + Threats
3. Does your Firm have any Unique Core Competencies? Name 1.
4. Does your Firm have Sustainable Competitive Advantages? Name 2.
5. Name 3 Weaknesses at 3 Specific Competitors you could Target, now. How?
6. What other Industries products or services Complement yours to grow the MKT?
7. Should your firm grow from within? Do Mergers? JVs? Strategic Alliances?
8. What functions should your firm outsource? What must it not outsource? Why?
9. How is your Industry impacted by Governments: Domestic & Foreign?

All Students, Please talk with your friends at work about these Strategy Exercises.

Finally, Please write one sentence on what your personal career goal is. What do you want be doing 15 years from now? Have you a strategy to achieve your goal?

Please bring 2 pg Analysis to our first class & Bring Your Resume & Your Photo.

Best Wishes. Stay Healthy. I look forward to seeing you on Sept 9th
Sincerely yours, Prof. Bob Lamb