Course Overview

Most large companies, and many quite small ones, are not single businesses but ‘groups’, comprising a portfolio of more or less separate business units and one or more levels of ‘corporate’ management, operating across a number of these individual business units. Such portfolios may be apparently ‘diverse’, spanning several different industries, or more ‘focused’, with a number of directly parallel business units, or businesses in closely related industry sectors. Whatever the composition of the portfolio, there remains a question as to why it should exist at all, and to what extent it is worth more as a whole than the combined value of its constituent parts.

There is also a question about the nature and role of corporate-level management. What should it do? How should it try to influence or control individual business units? What is the risk that attempts to add value will backfire, leading to value destruction instead?

This elective addresses the topic of strategy at the corporate or group level. It starts by examining the main issues involved in corporate strategy, and then focuses on three topics in particular:

- 1. Portfolio composition: what businesses should be brought together within the company? For each business, how much of the value chain should the company participate in?
- 2. Portfolio change: how should the company add/ divest businesses through partnerships/acquisitions/internal development?
- 3. Organization: How should the company be organizationally structured, to leverage synergies across businesses? What sorts of things can and should the parent do, and how should these tasks be split between different levels or groups of corporate management?

The course then explores some more specific issues that relate to each of these main themes (such as outsourcing/offshoring, the creation of new businesses, the integration of acquisitions, the development of corporate resources, etc). Finally, the different elements are pulled together into group presentations concerning either process or content issues in corporate strategy.
**Course Objectives**

The prime aims of this course are to clarify the nature of corporate, as opposed to business, strategy, and to help students assess corporate strategies and develop superior ones. The course is particularly useful for those intending to become strategy consultants or investment bankers as well as those who plan to work in, and eventually lead, multi-business groups. It builds on many concepts covered in core courses in business strategy, and links to other courses in Finance and Organizational Behavior.

**Learning Methods**

The course will be taught primarily through cases and participative ‘lectures’, with some external speakers from corporations, consulting companies and banks. Some compulsory and some optional readings will also be provided. There will also be a written exam, and a group project (see below).

**Textbooks**

There will be no prescribed textbook. However, the books that are most relevant to the course are:


Short extracts from these books will be provided as readings during the course, but students seeking to deepen their knowledge may find it helpful to buy and read both these books, or keep them as reference material.

**Assessment and Assignment Details**

This is primarily a case discussion based course- attendance is important not only for yourself, but in enriching the experience of your colleagues. This is reflected in the 30% weight given to class participation. This is also a “content rich” course, in the sense that the evaluation also depends on your demonstration of mastery over a set of concepts and ideas through your individual assignment (35%). Finally, I am also interested in your being able to apply these concepts to think about real life situations in a collaborative way- hence the group project (35%). Details follow:

1. **Class participation (30%).** Participation will be judged more on quality than quantity, but failure to participate actively will be marked down. If you feel you are having problems participating, due to shyness, language or other issues, PLEASE
CONTACT ME as soon as possible, and I will try to ensure you have adequate opportunity to contribute more fully. Contributions that are pointless or time wasting will be scored down, but questions based on a genuine desire for clarification will always be treated positively.

2. **Individual assignment (35%)**. This should be completed individually, but with an “open book” approach.

3. **Group assignment (35%)**. A group assignment will be outlined during the first day. I suggest you start work on it as early as possible. Some groups may also be asked to present their intermediate outputs in class.

**Contact Details**

1. Before, during or after class
2. By e-mail at ppuranam@london.edu
3. Directly, or by leaving a message, on x 3020 at LBS

My secretary is Sharon Wilson, whose office is on the third floor of Sainsbury at S338. My own office is S317.
Detailed Course Timetable

1. **What is Corporate Strategy about?**
   This session will introduce the concept of corporate strategy. We will define the main elements of corporate strategy, and how corporate strategy differs from business unit strategy. We will also start to examine the drivers of corporate strategy, and the causes of change.

   **Required pre work**
   Read the Grand Metropolitan case and consider the following questions:
   1. What was the ‘group level strategy’ under Maxwell Joseph? What was good and bad about this?
   2. What was the ‘group level strategy’ under Stanley Grinstead? What was good and bad about this?
   3. What was the ‘group-level strategy’ under Allen Sheppard? What was good and bad about this?

   **Optional reading (before or after)**
   From Competitive Advantage to Corporate Strategy, Michael Porter, Harvard Business Review May-June, 1987

2. **The Evolution of Corporate Strategy (Guest Speaker Session)**
   In this session, we will examine the main fads and trends in corporate strategy over the last 50 years. We will consider why these different historical approaches became more or less popular over time, and explore their underlying economic logic.

   We will then consider the different roles of the corporate ‘parent’ in preparation for the next session and case. We may also have a guest speaker this session from strategy consulting.

   **Required pre-reading**

   **Optional reading (before or after)**

3. **Diversification and Group Composition**
In this session we will focus on decisions about changing the scope and composition of the group, whether through new business development and acquisitions, or spin-offs and break-ups.

**Required pre-reading**
Case: Monsanto’s March into Biotechnology (A)

1. As an analyst, how would you react to Monsanto’s diversification from commodity chemicals to biotechnology?

**Follow up reading:**
Belen Villalonga, “Does diversification cause the diversification discount?”

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**4. M&A and corporate strategy**

In this session, we examine how M&A activity is used to alter the portfolio composition of firms dynamically over time.

**Required pre-reading**
Case: Cisco Systems Inc.: the acquisition of technology is the acquisition of people (Stanford GSB)

1. How are Cisco’s acquisitions affecting its corporate scope?
2. What implications does this have for how they manage their acquisitions?

**Follow up readings:**

Bringing some discipline to M&A mania, P.Puranam, H.Singh and M Zollo, FT Mastering Management Series.

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**5. Corporate-Level Organization**

In this session we will consider the structural side of multi-business companies, and examine different approaches to business unit definition, matrices, internal networks and divisional clusters.

**Required pre-reading:**
1. Reorganization at Cisco Systems (By Phanish Puranam and Ranjay Gulati)
2. Analyst’s reactions to Cisco’s reorganization

**Follow up readings:**
6. The Roles of the Corporate Parent

In this session we will look at the different roles that a corporate parent can play, examining these through the WPP case.

**Required pre-reading**

WPP – Integrating Icons to Leverage Knowledge, HBS case 9-396-249
1. What was Martin Sorrell’s original corporate strategy in 1985?
2. What was the strategic logic for acquiring JWT?
3. By late 1998, what had actually been done to add value to WPP’s various acquisitions? What were the main parenting roles in each of the ‘5 Divisions’ and at Head Office?
4. What new or different roles might the parent play in future, and how should Sorrell approach these potential changes?

**Optional reading (before or after)**


7. Business Process Outsourcing

The next two sessions will focus on the recent growth in outsourcing and off-shoring activity. We first begin with a traditional outsourcing of services model from IT.

**Required pre-reading**

Case: Xerox: Outsourcing the global information technology resources (HBS)

1. Why did Xerox want to outsource its IT services?


8. Off-shoring: limits and opportunities (Guest Speaker Session)

In this session, we will discuss the differences between outsourcing and off-shoring, and various models for off-shoring. **Guest speakers** from the financial services sector will discuss the rise of off-shoring in their sector.
9. Group project presentations (Guest Speaker Session)

During this session we will review some of the group presentations. The presenters will have an opportunity to obtain feedback from guest-experts from consulting firms.

Required preparation
Prepare presentation of group assignment.

10. Corporate strategies in the new millennium

In this session, we examine some of the new corporate organizational forms such as virtual networks and process based organizations. We will show that the basic mechanisms of coordination and control in these “new” organizational forms are not that new, after all.

Required pre-reading

Case : Li & Fung

John Hagel, Leveraged Growth, Harvard Business Review