**Thursday, October 31**

**8:30-9:45 Introduction to Theme 8 Part B Professor Campbell**

This session provides an overview of the topics covered in the finance sessions in part b of theme 8. In addition the Valuation Template (Excel spreadsheet) will be introduced and explained and we will review the performance metrics introduced in theme 8a

**Reading:**

* “Performance Metrics”, Tim Campbell, 2013.

**9:45-10:00 Break**

**10:00-11:15 Derivatives Professor Campbell**

This session will provide an introduction to options and futures contracts and their uses. It will also provide an introduction to risk management and to option pricing and a foundation for the sessions on deal structure and leverage.

 **Reading:**

* Background: RWJJ Chapters 22, 23
* Spreadsheet: Black-Schoes Option Pricing Model

**11:15-11:30 Break**

**11:30-12:45 Derivatives Continued Professor Campbell**

**12:45-1:45 Lunch**

**1:45-3:00 Corporate strategy & multi-business corporations (1) Professor Bhambri**

So far in strategy, most of our discussions have focused on business unit strategy as opposed to corporate level strategy. Whereas business strategy focuses on the question of how to compete, corporate strategy focuses which businesses we should compete in and the extent and type of coordination across different businesses.

Topics:

Acquisition processes

Value added in acquisitions

Integration across Businesses

Parenting Advantage

Different corporate models

Reading:

Case: Danaher Corporation #9 708 445

Reading: Corporate Strategy – Module Note 9 713 415

Questions:

1. What is Danaher’s acquisition process? Is it a sustainable process?

1. If you are a business unit manager, what is the value that you get from being part of Danaher? What are the disadvantages that you face?
2. If you were managing a firm, would you rather compete against a division of a conglomerate like Danaher or an independent firm? Explain your answer.
3. If you were an investor, would you rather invest in a firm that competes in only one business or a firm that competes in many businesses?

**3:00-3:15 Break**

**3:15-4:30 Corporate strategy & multi-business corporations (2) Professor Bhambri**

Danaher and corporate strategy discussion continues.

**4:30-4:45 Break**

**4:45-6:00 Group Work**

**Friday, November 1**

**8:30-9:45 Derivatives Professor Campbell**

 This session will continue the discussion of derivatives begun on Thursday.

**9:45-10:00 Break**

**10:00-11:15 Deal Structure and Leverage Professor Campbell**

 In this session we revisit the topic of leverage and deal structure initially introduced in Theme 3. We will examine a major leveraged buyout of a US company, Hospital Corporation of America, and it subsequent public offering. Next we will examine a mezzanine finance deal for a small company seeking to raise capital. Finally, we will examine a binomial framework for analyzing debt and equity financing.

 **Reading:**

* Review: RWJJ Chapters 15, 16 and 17
* Assignment: “Risk and Reward in Venture Capital”, Sahlman, HBS #N9-811-036
* Assignment: Mezz Finance Case (short case by Tim Campbell)
* Assignment: HCA (A) HBS #9-207-276, HCA (B) HBS #9-208-070
* Spreadsheets: “Mezz Case”, “Binomial Leverage”, “Venture Portfolio”

**11:15-11:30 Break**

**11:30–12:45 Deal Structure and Leverage Professor Campbell**

In this session we will continue our discussion of how to construct an effective analysis of a levered deal and model the deal in a spreadsheet.

**12:45-1:45 Box Lunch Drive to site**

**1:45-4:30 Field Trip GEMBA VI & EMBA LA XXV Lonking**

**Saturday, November 2**

**8:30-9:45 Making Acquisitions (1) Professor Bhambri**

Having discussed a multi-business perspective of organizations, we will go deep into a discussion of a specific acquisition. Specifically, we will discuss a case series that starts with a bid and then track the subsequent acquisition of Adams by Cadbury Schweppes.

**Case: Cadbury Schweppes: Capturing Confectionery (A) 9 708 453**

After reading the A case:

1. As a member of the Board of Cadbury Schweppes would you approve a bid of more than $4 billion for Adams? Why? Why not?

**9:45-10:00 Break**

**10:00-11:15 Making Acquisitions (2) Professor Bhambri**

**11:15-11:30 Break**

**11:30–12:45 Raising Capital for New Ventures Professor Campbell**

In this session we will examine a term sheet for a proposed venture financing deal via the Trendsetter case study. The purpose is to understand the basic structure of venture financing and how to structure a term sheet. The Trendsetter case uses convertible preferred securities. In order to understand the use of these securities it is necessary to draw on your understanding of derivatives covered earlier in the week on on so-called agency problems, discussed in the readings assigned for this session.

**Reading:**

* Case assignment: Term Sheet Negotiations for Trendsetter, Inc, HBS #9-801-358
* Background: “A Note on Private Equity Securities”, Lerner and Hardymon, HBS #9-200-027
* “The Basic Venture Capital Formula”, Sahlman, HBS #9-804-042
* “Passion Capital”
* Spreadsheet: “Trendsetter”

**12:45-1:45 Lunch**

**1:45-3:00 Raising Capital for New Ventures Professor Campbell**

In this session we will continue our discussion of venture financing.

**3:00-3:15 Break**

**3:15-4:30 Project Workshop**

**4:30-4:45 Break**

**4:45-6:00 Project Workshop**

**Sunday, November 3**

**8:30-9:45 Global Acquisitions (1) Professor Bhambri**

Mittal Steel’s remarkable rise to the top of the steel industry spearheaded a wave of cross-border consolidation that fundamentally changed the industry’s competitive and geographic structure. We will examine how Mittal built up the company through international acquisitions and analyze the logic of global integration in the steel industry.

Reading:

Case: Mittal Steel in 2006: Changing the Steel Game HBSP PG0002

Questions:

1. How has Mittal managed to expand from a marginal position to become the largest steel producer in the world? What new sources of value has Mittal seen and capitalized on?
2. How would you characterize Mittal Steel’s competitive position in 2004? Please compare Mittal’s economics per ton of crude steel shipped with its leading competitiors.
3. What threats does Mittal face in sustaining its record of profitable growth?
4. How strong is the global consolidation dynamic in the steel industry? To what extent is profitability driven by global scale? What other considerations are relevant?
5. How plausible is vertical integration as a value driver for Mittal?
6. How would a merger of Mittal with Arcelor add value?

**9:45-10:00 Break**

**10:00-11:15 Global Acquisitions (2) Professor Bhambri**

While continuing a review of international acquisitions based on Mittal Steel, we will broaden our conversation to examine the changing pattern of global acquisitions by Chinese companies.

Reading:

How China Resets its Global Acquisition Agenda by P.J. Williamson and A. Raman, HBR R1104K

**11:15-11:30 Break**

**11:30-12:45 Integrating Acquisitions Professor Bhambri**

As we will discuss, value added in acquisitions depends on the effectiveness of the integration process. The following article is an in-depth examination of the HP-Compaq merger in which one of the authors (Webb McKinney, USC engineering alum) was a senior HP executive closely involved in leading the integration team and shares reflections on his experience.

Managing the Strategic Dynamics of Acquisition Integration: Lessons from HP-Compaq by R. Burgelman and W. McKinney HBSP CMR336

**12:45-1:45 Lunch**

**1:45–3:00 Prosperity & Demographics Professor Campbell**

 In this session we will discuss some of the key economic and financial issues facing the global financial system.

 **Background Reading (all are available via the internet):**

* Nicholas Eberstadt, “World Population Prospects and the Global Economic Outlook: The Shape of Things to Come”, American Enterprise Institute, February 2011, <http://www.aei.org/paper/society-and-culture/citizenship/world-population-prospects-and-the-global-economic-outlook-paper/>
* Michael Lewis, “Berware of Greeks Bearing Bonds”, Vanity Fair, October 1, 2010, <http://www.vanityfair.com/business/features/2010/10/greeks-bearing-bonds-201010?printable=true>
* George Friedman, “Recognizing the End of the Chinese Economic Miracle”, Stratfor, July 23, 2013, <http://www.stratfor.com/weekly/recognizing-end-chinese-economic-miracle>
* Martin Feldstein, “When Interest Rates Rise”, April 9, 2013, <http://www.project-syndicate.org/commentary/higher-interest-rates-and-financial-stability-by-martin-feldstein>
* “The Credit Crisis and Cycle Proof Regulation”, Raghuram G. Rajan, Federal Reserve Bank of St. Louis Review, September-October 2009, <http://www.stlouisfed.org/newsroom/fiyc/assets/2009HomerJones.pdf>
* “Can Europe Be Saved?”, Paul Krugman, New York Times Magazine, January 12, 2011, <http://www.nytimes.com/2011/01/16/magazine/16Europe-t.html?_r=1&adxnnl=1&ref=magazine&pagewanted=all&adxnnlx=1295197204-7dQbT3Gh5Mn3TkU/65Is/g>

**3:00-3:15 Break**

**3:15-4:00 Prosperity & Demographics Continued**

**Monday, November 4**

**8:30-9:45 Strategic Alliances Professor Bhambri**

While some companies develop capabilities in house, many companies, regardless of size, are partnering to develop and leverage capabilities. In this session, we will look at the imperatives, benefits, and challenges of global alliances.

Key topics:

Key Success Factors in Strategic Alliances

Different types of alliances

Evolution of strategic alliances

Creativity and Design in Strategy

Case: Bharti: Flying on the Wings of Others (A) IMD-3-1115

Questions:

1. If you were leading the negotiations for Bharti, what would be your position? What is your strategic goal? What would you compromise? What would you hold firm? What alternatives should you consider? Analyze the logic of your position clearly.
2. If you were leading the negotiations for BT, what would be your position? What is your strategic goal? What would you compromise? What would you hold firm? What alternatives should you consider? Analyze the logic of your position clearly.

**9:45-10:00 Break**

**10:00-11:15 Strategic Alliances (2) Professor Bhambri**

Eli Lilly in the mid 2000s had emerged as a pharmaceutical company with a reputation for excellence in partnering. This case describes the development of the office of alliance management at Eli Lilly and will help us discuss alliance strategy from a corporate perspective.

Reading: Innovation without walls: Alliance Management at Eli Lilly and Company HBSP 907M15

**11:15-11:30 Break**

**11:30-12:45 Strategy Review Professor Bhambri**

**12:45-3:00 Lunch on main campus and photo**

**3:15-4:00 Evaluation GEMBA office**

**Professor Bhambri Readings: from HBS**

Danaher Corporation #9 708 445

Corporate Strategy – Module Note 9 713 415

Cadbury Schweppes: Capturing Confectionery (A) 9 708 453

Mittal Steel in 2006: Changing the Steel Game HBSP PG0002

How China Resets its Global Acquisition Agenda by P.J. Williamson and A. Raman, HBR R1104K

Managing the Strategic Dynamics of Acquisition Integration: Lessons from HP-Compaq by R. Burgelman and W. McKinney HBSP CMR336

Innovation without walls: Alliance Management at Eli Lilly and Company HBSP 907M15

In addition, I will need copies of Cadbury-Schweppes: Capturing Confectionery (B), (C), and (D), 9 708 454, 9 708 455, and 9 708 491. However, these **should not be distributed in advance**. Please make copies and keep for me to distribute.

**Professor Bhambri readings from IMD: (IMD cases are available at www.ecch.com)**

Bharti: Flying on the Wings of Others (A) IMD-3-1115

In addition, I will need copies of Bharti: Flying on the Wings of Others (B) IMD-3-1138.

However, the B case **should not be distributed in advance**. Please make copies and keep for me to distribute.

Professor Campbell **Readings**

All spreadsheets will be emailed to the class.

The following are provided in digital form and do not need copyright permission:

* “Performance Metrics” (short article by Tim Campbell)
* “Mezz Finance” (short case by Tim Campbell)
* “Passion Capital”

The following need to be ordered from HBS:

* Case assignment: Term Sheet Negotiations for Trendsetter, Inc, HBS #9-801-358
* Background: “A Note on Private Equity Securities”, Lerner and Hardymon, HBS #9-200-027
* “The Basic Venture Capital Formula”, Sahlman, HBS #9-804-042
* “Risk and Reward in Venture Capital”, Sahlman, HBS #N9-811-036
* HCA (A) HBS #9-207-276, HCA (B) HBS #9-208-070