

Corporate Strategy

Week 4: Corporate Headquarters

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Example of Corporate Headquarters

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HQ

Shared services

Electronics



Entertainment



Financial services

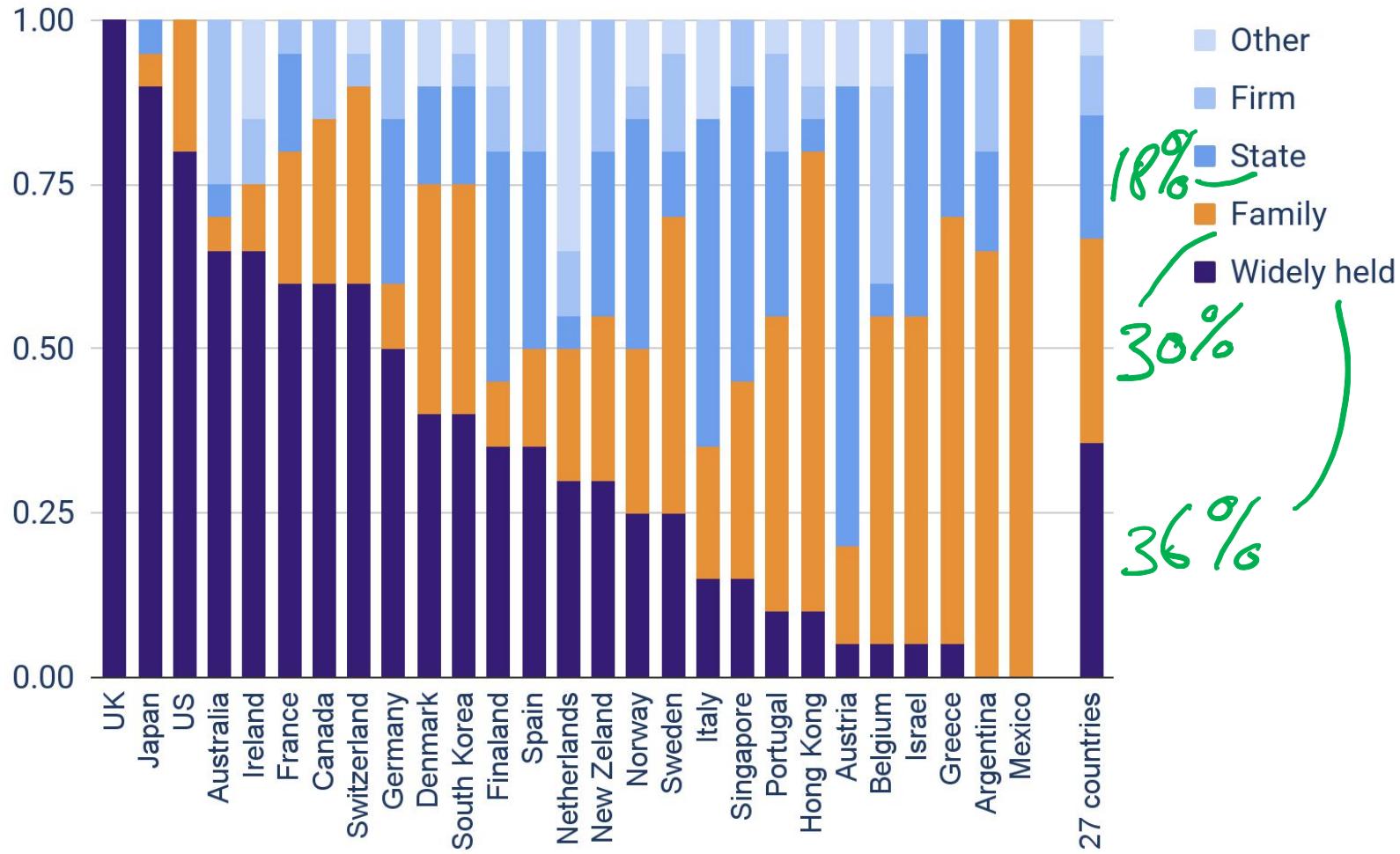


Who Controls Corporate Headquarters?

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Control of large public firms



Agnelli – Exor (Italy)

Ermirio de Moraes – Votorantim Group (Brazil)

Lee – Samsung (South Korea)

Li – CK Hutchison (Hong Kong)

Tata – Tata (India)

Wallenberg – Investor AB (Sweden)

Walton – Walmart (USA)

Zobel de Ayala – Ayala Corporation (Philippines)

Parent

Private

Public

L'ORÉAL™	Ayala™
 ALDI SÜD™	bhartí™

Private

Public

Businesses

How to Control More than You Own

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100%

Family Firm

80%

Parent Company

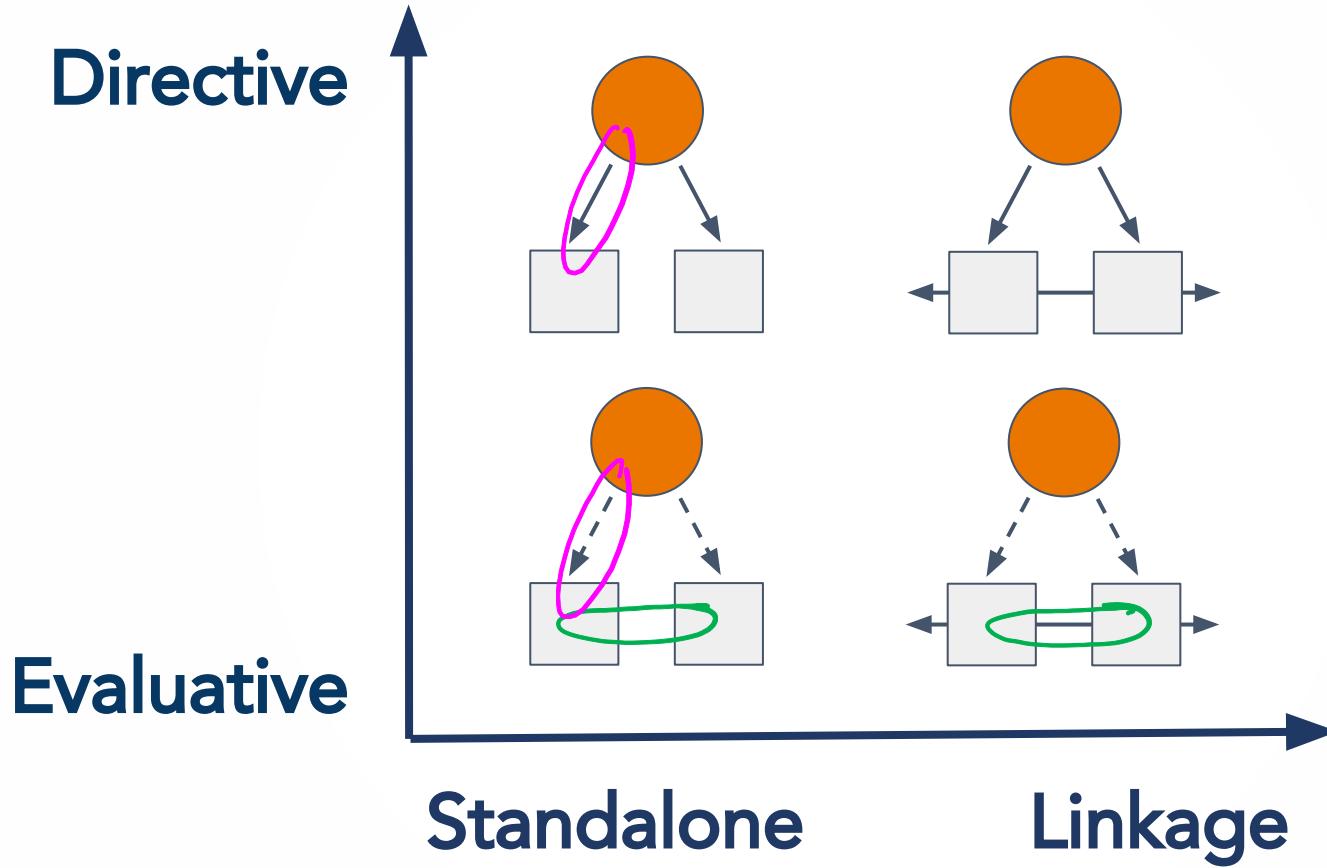
40%

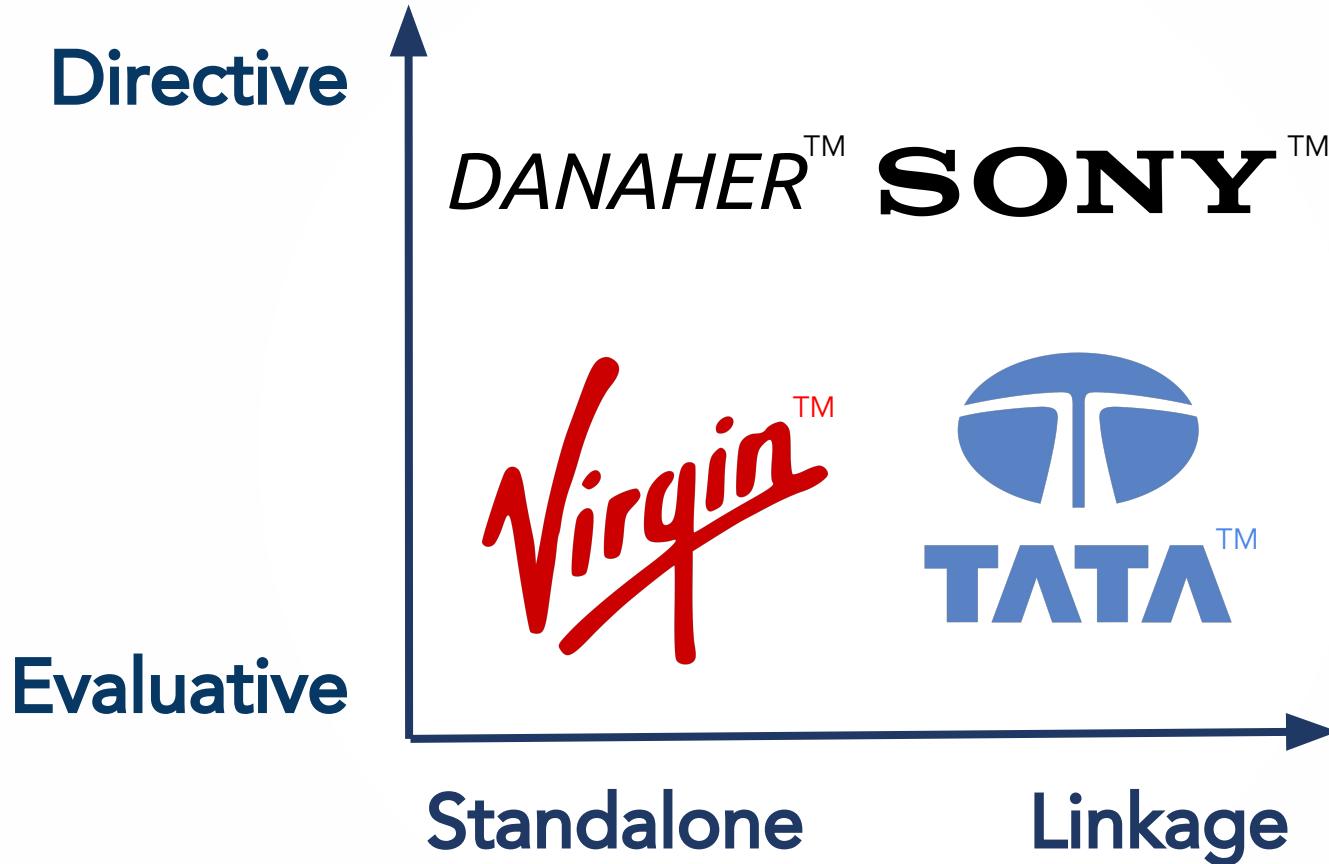
Business

Understanding HQ Influence Models

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Understanding the Financial Perspective

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Chimera



	Beauty	Health	Home
Requested	60	60	60
NPV	25	5	15
<i>Allocated</i>			

Budget available: 100

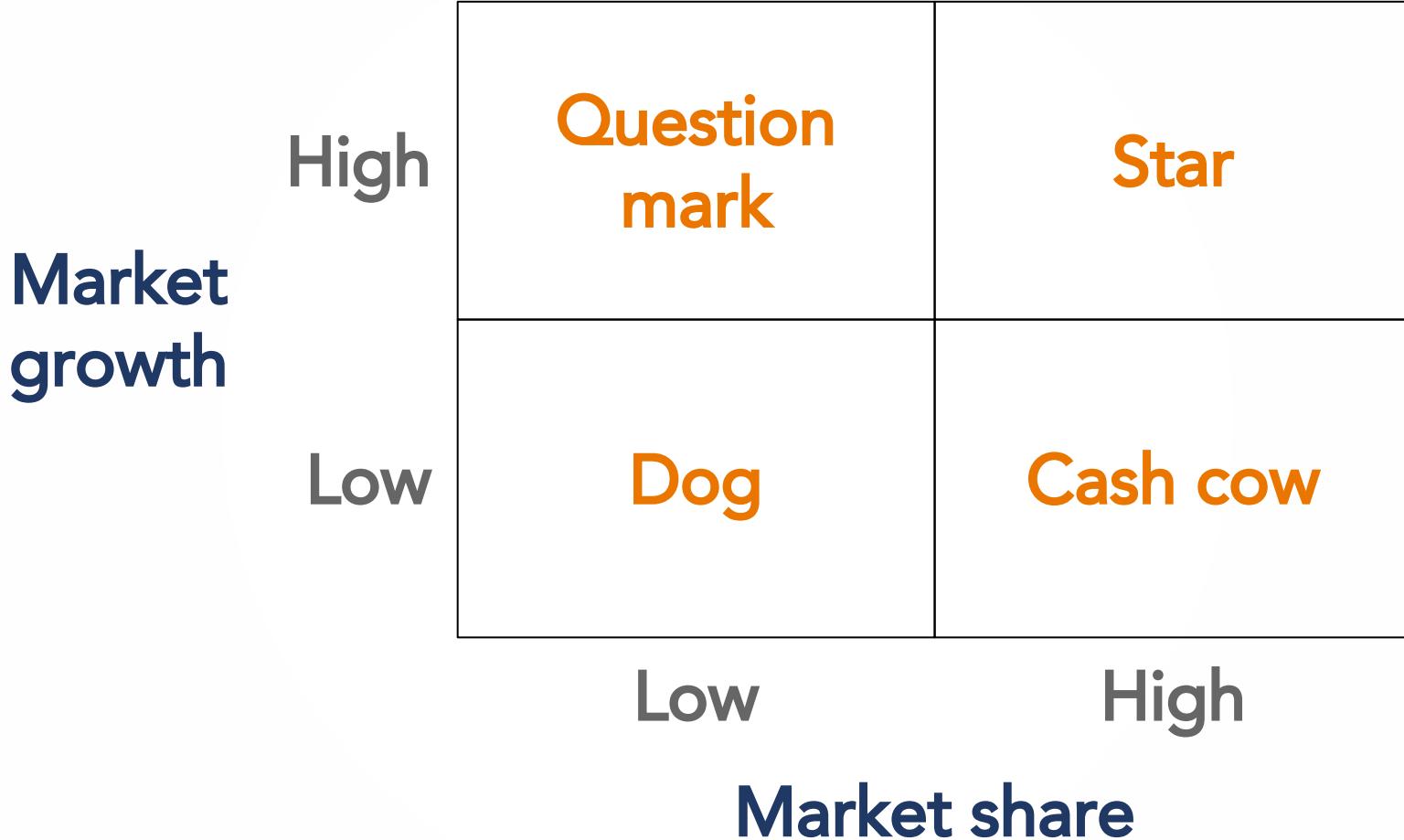
Understanding the Uncertainty Perspective

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	Beauty	Health	Home
Requested	60	60	60
NPV	25	5	?
Allocated			

Budget available: 100



Understanding the Synergy Perspective

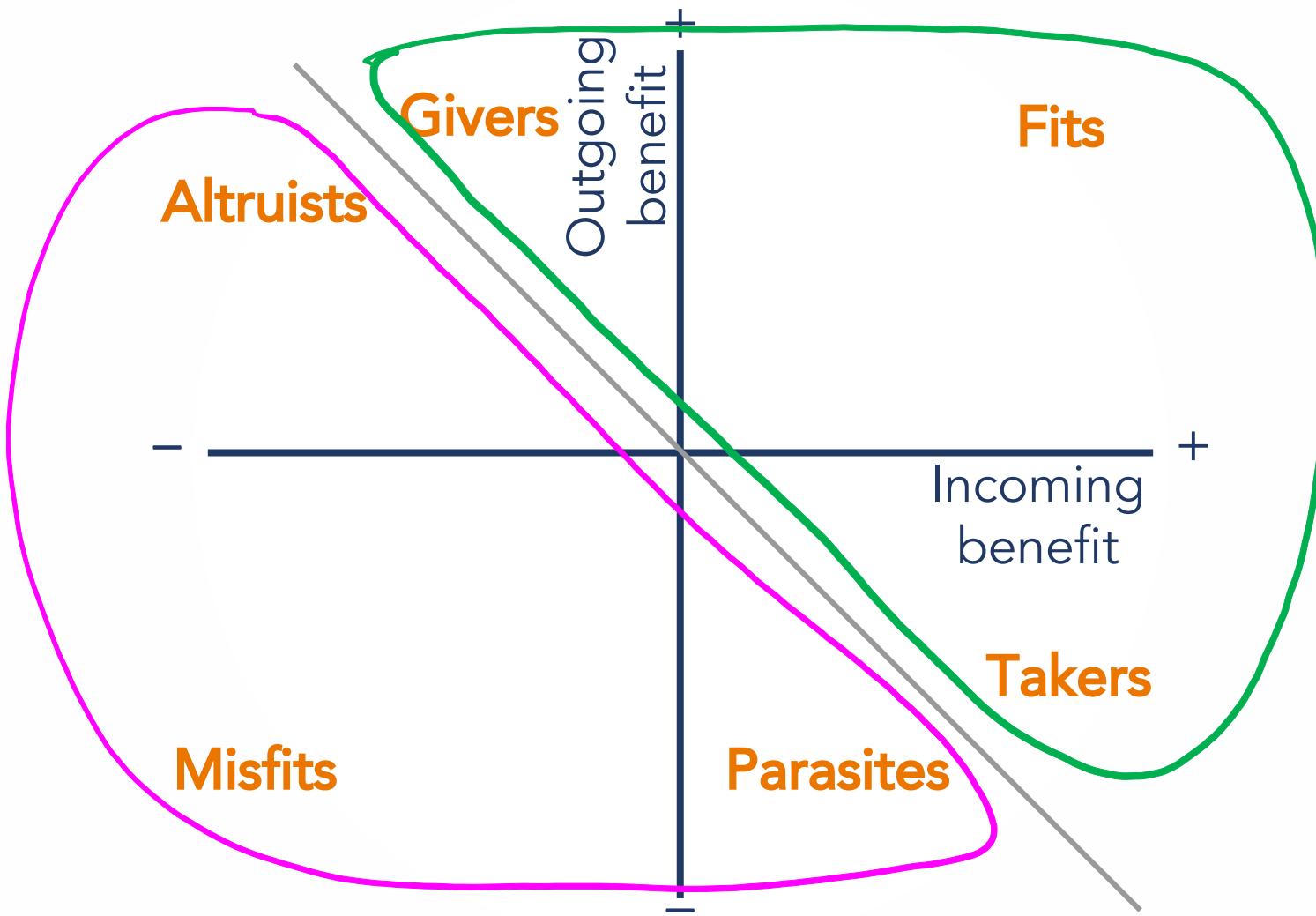
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	Beauty	Health	Home
Requested	60	60	60
NPV	0 or 25*	5	15
Allocated			

* 0 if Health allocation is less than 10,
 25 if Health allocation is at least 10.

Budget available: 100



	Enterprise value of business			Enterprise value of rest of portfolio			
Business	Before spin-off	After spin-off	Incoming benefit	Before spin-off	After spin-off	Outgoing benefit	Classification
A	150	- 100	= 50	830	- 600	= 230	Fit
B	180	- 160	= 20	800	- 810	= -10	TAKER
C	110	- 160	= -50	870	- 890	= -20	MISFIT

Understanding the Social Perspective

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	Beauty	Health	Home
Requested	60	60	60
NPV	25	5	15
Allocated	60	0	40

Budget available: 100

	Beauty	Health	Home
Requested	60	60	60
NPV	25 ^a	5 ^b	15 ^c
<i>Allocated</i>			

^a -10 if Beauty allocation is less than 20

^b -10 if Health allocation is less than 20

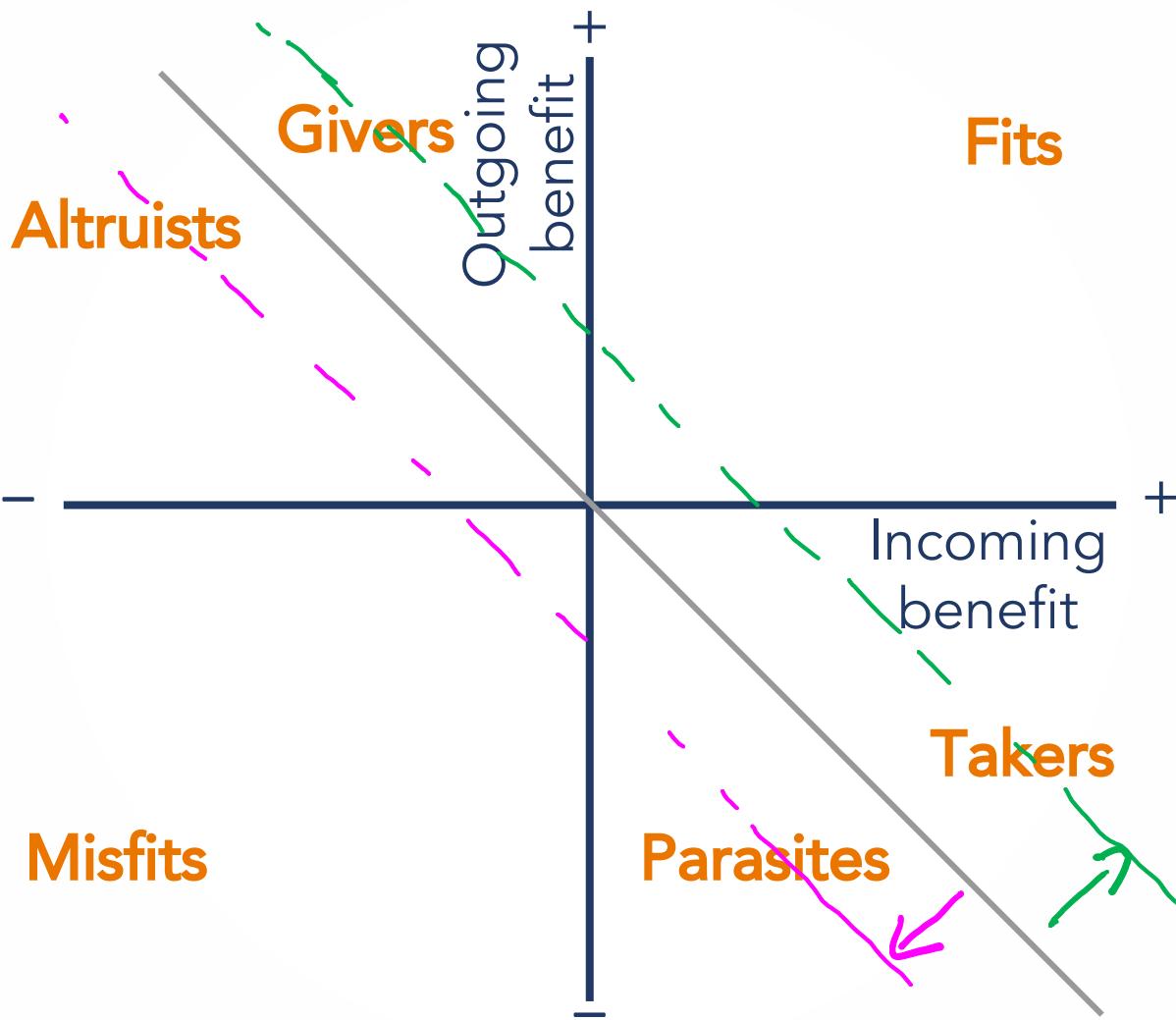
^c -10 if Home allocation is less than 20

Budget available: 100

Using the Synergistic Portfolio Framework

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Credits

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