Session Guidance

# Prep for Lecture – Topic outline

Use the following outline to focus on the parts in the text book that are absolutely necessary. The two exams will be solely based on these topic outlines, which are provided for every class with a lecture part.

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| ***Notes and additional information are provided in italics*. An asterisks symbol (\*) is placed against sections and subsections that need careful attention. Key concepts are highlighted in yellow.** |

**CH. 6 CORPORATE-LEVEL STRATEGY: CREATING VALUE THROUGH DIVERSIFICATION** *(Strategy spotlights and Executive interview in this chapter are optional reads. Read them only for further understanding of some of the concepts. No need to read the initial paras, go straight to the section below)*

**Making Diversification Work: An Overview** *(Focus only on understanding the concepts below within this sections. These concepts are shown in italics in the textbook so they should be easy to locate. Also, consider Exhibit 6.2: Creating Value through Related and Unrelated Diversification)*

Synergy

Related businesses

Horizontal relationships

Unrelated businesses

Hierarchical relationships

**Related Diversification: Economies of Scope and Revenue Enhancement** *(read the section in-depth)*

Economies of scope

**Leveraging Core Competencies\*\*\***

Core competencies

**Sharing Activities**

**Deriving Cost Savings**

**Enhancing Revenue and Differentiation** *(Read this section)*

**Related Diversification: Market Power** *(read the section indepth except for the parts that you can leave, as indicated below)*

**Pooled Negotiating Power\*\***

**Vertical Integration** *(read upto and including EXHIBIT 6.3: Benefits and Risks of Vertical Integration. No need to read the rest of the subsection)*

**Unrelated Diversification: Financial Synergies and Parenting**

Vertical (or hierarchical) relationships *(Pay attention to the difference between vertical integration and vertical relationship.)*

**Corporate Parenting and Restructuring** *(read this subsection indepth)*

**Parenting\*\***

Parenting advantage

**Restructuring**

Asset restructuring

Capital restructuring

Management restructuring

**Portfolio Management** *(Focus on understanding what portfolio management means, the concepts below, and EXHIBIT 6.4: The Boston Consulting Group (BCG) Portfolio Matrix)*

Stars

Question marks

Cash cows

Dogs

**Limitations***(Skim through this)*

**Caveat: Is Risk Reduction a Viable Goal of Diversification?** *(DO NOT read this subsection)*

**The Means to Achieve Diversification** *(DO NOT read this subsection)*

**How Managerial Motives Can Erode Value Creation** *(DO NOT read this subsection)*

# Discussion Preparation Guidance (NO case)

In preparation for the classroom discussion, please undertake the following exercise :

1. Read the relevant parts of the textbook as noted above.
2. Go through the lecture videos
3. Then revisit each of the following concepts one at a time:
   1. Horizontal relationships
      1. Economies of Scope;
         1. Core Competencies;
         2. Sharing Resources;
         3. Market Power
            1. Pooled Negotiation Power
            2. Vertical Integration
   2. Hierarchical relationship
      1. Parenting
      2. Restructuring
         1. Asset restructuring
         2. Capital restructuring
         3. Management restructuring
      3. Portfolio management (BCG Matrix):
         1. Stars
         2. Question marks
         3. Cash cows
         4. Dogs
4. Explain each concept using a real life company as an example. The example should be different from what is given in the lecture video
5. Do your best to understand the concepts/sub-concepts using the example you have chosen and be ready to share it in class.