

A Salomon Smith



Brand: Mehta Solutions

Product Code: case247

Weight: 0.00kg

Price: Rs500

Short Description

A Salomon Smith

Description

A Salomon Smith CAST STUDY solution

Read the following paragraphs and answer the 20 questions given at the end

. Strategies to Gain New Business at Wall Street Investment Banking Firms: Ethical or Unethical ?

A Salomon Smith Barney (a subsidiary of Citigroup), Credit Suisse First Boston (CSFB) and Goldman Sachs (three of the world's most prominent investment banking companies), part of the strategy for securing the investment banking business of large corporate clients (to handle the sale of new stock issues or new bond issues or J . 20 advise on mergers and acquisitions) involved (1) hyping the stocks of companies that were actual or prospective customers of their investment banking services, and (2) allocating hard-to-get shares of hot new Initial public Offerings (IPOs) to select Executives and Directors of existing and potential client companies, who then made millions of dollars in profits when the stocks went up once public trading began. Former WorldCom CEO Bernie Ebbers reportedly made more than \$100 million in trading profits over a four-year period on shares of IPOs received from Salomon Smith Barney; Salomon served as WorldCom's investment banker on a variety of deals during this period. Jack Grubman, Salomon's top-paid research analyst at the time, enthusiastically touted WorldCom stock and was regarded as the company's biggest cheerleader on Wall Street. To help draw in business from new or existing corporate clients, CSFB established brokerage accounts for corporate executives who steered their company's investment banking business to CSFB. Apparently, CSFB's strategy for acquiring more business involved promising the CEO and/or CFO of companies about to go public for the first time or needing to issue new long-term bonds that if CSFB was chosen to handle their company's new initial public offering of common stock or a new bond issue, then CSFB would ensure they would be allocated shares at the initial offering price of all subsequent IPOs in which CSFB was a participant' During Tggg-2000, it was common for the stock of a hot new IPO to rise 100 to 500 percent above the initial offering price in the first few days or weeks of public trading; the shares allocated to these executives were then sold for a tidy profit over the initial offering price. According to investigative sources, CSFB increased the number of companies whose executives were allowed to participate in its IPO offerings from 26 companies in January 1999 to 160 companies in early 2000; executives received anywhere from 200 to 1,000 shares each of every IPO in which CSFB was a participant in 2000. CSFB's accounts for these executives reportedly generated profits of about \$80 million for the participants. Apparently, it was CSFB's practice to curtail access to IPOs for some executives if their companies did not come through with additional securities business for CSFB or if CSFB concluded that other securities offerings by these companies would be unlikely. Goldman Sachs also used an IPO-allocation scheme to attract investment banking business, giving shares to executives

at 21 companies among the participants were the CEOs of eBay, Yahoo, and Ford Motor Company. eBay's CEO 7. 20 was a participant in over 100 IPOs managed by Goldman during the 1996-2000 period and was on Goldman's board of directors part of this time; eBay paid Goldman Sachs \$8 million in fees for services during the 1996-2001 period.

QUESTIONS TO CONSIDER.

(a) If you were a top executive at Salomon Smith Barney CSFB, or Goldman Sachs. How would you justify your company's actions ?

(b) Would you want to step forward and take credit for having been a part of the group who designed or approved of the strategy for raising new business at any of these three firms ?

7. Read the illustration given below and answer the questions at the end

, Interactive innovation in the energy industry
Roux and Bourgeois (2002) investigated innovation activity in the energy production industries and found that in the period between 1985 and 1998, paradoxically, as the R&D spending of the main oil and electricity production companies went down, there was a simultaneous overall increase in the production of knowledge in these sectors (measured in terms of number of patents granted). This was explained by the change in these sectors towards more interactive based innovation processes, where the level of collaboration in innovation activity between the main oil and electricity production companies and equipment suppliers increase markedly. During the period examined significant changes had occurred in these sectors which encouraged the main producers to reduce their R&D spending. Primarily, deregulation and privatization, combined with a process of globalization in these industrial sectors, significantly increased the pressure on the main oil and electricity production companies to focus on short-term economic performance, which encouraged them to reduce their levels of R&D spending. Simultaneously, these companies started developing innovation partnerships with equipment suppliers as a way to sustain their R&D efforts and outputs. Prior to this, the main oil and electricity production companies had undertaken virtually all their R&D activity totally in-house. Thus the strategy change undertaken by the main oil and electricity production companies resulted in the level of interaction between users and suppliers during innovation activities increasing significantly, and with equipment suppliers playing a greater role in such activities than had historically been traditional. These changes were visible in the evolving number of patents granted to these companies, with the patent activity of the main oil and electricity production companies declining, while the number of patents granted to equipment suppliers increased significantly. While these changes gave

equipment suppliers a more important role in innovation activities a power asymmetry still existed which favoured the main oil and electricity producers. This was related to both their size (they were typically large multinational companies), and also their ability to be able to switch their business to different equipment suppliers if so desired.

(a) What diverse factors in your opinion are most important in making innovation process more interactive ?

(b) Explain what kind of asymmetry exist in the innovation practices followed by energy industry. –o

Details

1. Case study solved answers

2. pdf/word in 24-48 hrs

3. Fully Solved with answers

