



# Taking Stock of Synergy

## *A Framework for Assessing Linkages Between Businesses*

**Michael Goold and Andrew Campbell**

This article provides a framework for companies that wish to conduct an audit of how well their approach to synergy management is working. The framework, which has been used successfully by several companies, provides a practical and systematic way of pinpointing unrealized opportunities and creating an agenda of initiatives for addressing them. A detailed illustrative example shows how the framework was used in a specific company. © 2000 Elsevier Science Ltd. All rights reserved.

“Are we doing all we could to promote synergies across the businesses we own?” Whether the synergies are between different local units within a multinational enterprise or different businesses in a diversified group, this is a question that we have found more and more chief executives and senior managers are anxious to address.

After a decade during which many companies de-emphasised synergy, in the belief that a clear focus on individual business performance paid off better, the pressure to make two and two add up to more than four is back. Management experts from Michael Porter to Sumantra Ghoshal<sup>1</sup> claim that corporate strategies that do not stress synergy are out of date and hard to justify. Investors press for the break-up of groups in which there are no evident synergies between the constituent parts.<sup>2</sup> Business managers grumble if they feel that they are getting too little help in achieving their targets from their sister units. As a result, corporate managers are increasingly concerned about the quality of synergy management in their companies.

But a vague sense that synergy opportunities are being

Michael Goold is a director of the Ashridge Strategic Management Centre. He was previously a director of the Boston Consulting Group. Corresponding address: The Ashridge Strategic Management Centre, 17 Portland Place, London W1N 3AF, UK.

Andrew Campbell is also a director of the Ashridge Strategic Management Centre, and a visiting professor at City University Business School. Previously he was a Fellow in the Centre for Business Strategy at the London Business School where he managed research into the strategic decision-making processes of large UK companies.

missed is not actionable. And a generalised campaign to invest more time and effort in synergies is usually wasteful, counter-productive and frustrating. What is needed is a means of taking stock of how well the current approach to synergy is working, from which senior management can draw up an action agenda of specific initiatives that are worth considering. Based on ten years of research and consulting on synergy issues,<sup>3</sup> we have devised a new framework for conducting such a review. The framework provides a systematic but practical and time-effective means of auditing synergy management, and has been used to good effect by several companies, including one which we describe in detail in this article.

### **A framework for a review**

Our review framework is shown in Figure 1. The value of the framework is that it obliges companies to address some fundamental questions:

- What do we believe are the main synergy opportunities in our portfolio, and how fully are we grasping them?
- What is our current attitude to co-ordination between our business units, and how do we go about managing it?
- How well suited is our current approach, including structures, processes and staff support, to the opportunities we believe are on offer?
- What current synergy initiatives should we drop, what new opportunities should we go for, and what changes in processes and mechanisms should we consider?

Although the framework provides a systematic means of tackling these questions, it should not be treated as either a straitjacket or a panacea. The emphasis of a review should depend on the concerns that prompted it. Is it primarily a matter of fine-tuning the current mechanisms and processes to work more smoothly, or are we more concerned with the underlying philosophy or structure of the company? Did we get into the review to beat the bushes to create a wide agenda of all possible new opportunities, or was it really a means of legitimising a fresh look at one or two specific issues? With different motivations for the review, the weight given to different areas of analysis will vary, the order in which activities take place will be different, and the level of effort and speed of the review will change.

### **Synergy opportunities**

The first step in the review involves developing a list of major synergy opportunities and judging how fully they are being re-

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