WHO STOLE MY SYNERGY?

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Whether it's a marriage or a merger, there's no experience of success without synergy. If synergy is the same as cooperation and vitality in service of common goals, then simplifying logistics, cutting costs, reorganizing functions and markets, on the assumption that these will produce synergy, is both wrong and misdirected. None of that has any necessary relationship to synergy. Synergy comes from how people relate to each other. Any reorganization of physical circumstances does not increase cooperation, vitality and coordinated action unless people change the attitude, tone and essence of how they have been with each other. In many mergers and acquisitions, actual behavior doesn't change much.

Over the ten years, there were business problems that did not improve much or at all. Each change in ownership had been justified, in part, as a solution to these problems.

These problems included; product quality, turnover in engineers and successful salespeople, projects delivered well past schedule, product innovation behind domestic and Japanese competition, deteriorating relationships with customers, unsuccessful attempts to open markets in India, China and South America.

Synergy, in a merger, is the Holy Grail. It is usually defined as "Synergy Benefits" arising out of the merged entity. Synergy benefits become a goal in themselves. Teams are always set up to look for such benefits .e.g. a global purchasing organization to buy things cheaper or assuming the combined sales force could triple the lucrative parts business of one of the parties to the merger.

People get very creative about labeling things as "Synergies." This is often forced. It's sort of a conspiracy to get brownie points, plus the top executive is already on the hook with the board to realize the benefits. But, the synergies are rarely seen going to the bottom line. For example, " the 150,000,000 savings we just asserted can't be located on an operating statement or balance sheet." People seem to get beguiled by mass synergies or other apparent synergies that promise to drive the whole thing.

A friend and CEO of a Fortune 500 company told me, “From my perspective, the real problem is that the original estimates of savings are never realistic as the assumptions upon which they are based are typically faulty for a variety of reasons. What’s missing—a realistic assumptions as to the real world and what could go wrong. Remember that the people that put these numbers together want the acquisition to happen and have a mind set of selling the deal, rather than critically analyzing the transaction. More in depth oversight is usually required. All assumptions must be clearly articulated and challenged by an independent group such as the board. Also too often the cultures do not fit well together, and the anticipated changes just do not happen or do not happen in a timely manner.

Another friend and middle manager in a recently merged company said: “ Of greater interest are the soft issues. Some senior managers will not empathize with the new course and be obstructive. Some just don’t encourage or require "responsibility". There are lots of figureheads but leadership is always someplace else. Cultural changes are pushed through too fast, beyond the reality of managers and employees real acceptance. What happens, all too often, is that actual practices stay the same and they think that by saying "work together," things will turn out.

It also appears that simple human nature works against achieving “synergy benefits.” What usually doesn’t change is what the people involved actually care about and do This includes having stable, successful lives, protecting families, achieving sales and cost numbers, protecting one’s own turf, not rocking the boat, being polite to employees and colleagues, advancing one’s career or maintaining one’s position, controlling agendas with subordinates, avoiding conflict with superiors, looking good in public, bad mouthing other business units in private, bad mouthing current president in private, avoiding genuine and mutually vulnerable relationships, avoiding genuine inquiry and co-invention in mixed or large groups, avoiding conflict, avoiding a search for common ground, and avoiding public conversations about deeply felt values and principles.

So, given all of this, it’s no surprise that in 1998, a record 10,700 merger and acquisition deals were valued at 16.5 billion dollars. 6,000 of the 10,700 happened. Of the remaining 4,700, two thirds were failures. Of the remaining 2,000, maybe 900 returned the cost of capital. And 83% of 700 cross border deals in 1998/99, involving 107 companies had no added value after 12 months.

In general, conventional approaches to achieving synergy benefits focus on savings and efficiencies derived from eliminating or integrating functions. The poor results show that this is not enough. *"Synergy" itself; the behaviors, attitudes and actions which actually produce desired benefits are ignored or given weak attention. These are less commonly discussed and are a much more reliable and effective predictor of merger success.*

What’s needed, therefore, is a management process that acts directly on synergy, itself. While we can’t expect to change human nature or executives’ motives in seeking mergers and acquisitions, we can invent a better way to act on the true cause of financial synergy benefits, i.e. the phenomenon of synergy.

Synergy is the amount of available physical, mental, emotional and spiritual energy in a merged organization, or any part of it. Synergy is always evident in peoples' spontaneous willingness to cooperate. You know it's there when you are in the presence of trust and curiosity, permeability and ambiguity, spontaneity and connectivity, and tenacity and simultaneity. There is a minimum amount of Synergy critical to the successful outcome of any merger. Synergy is always there, potentially, but not readily available, when two things intersect.

Through a long term study of why things work and why they don't, we say that "Synergy Planning" is a management process that makes synergy benefits and savings happen, and increase the chances that a merger will be successful. Synergy planning begins with dialogue, and a "contract" between all parties, that establishes frameworks, uncharacteristic measures and best practices that deal explicitly with the relational, cultural and business aspects of a merger in a balanced and committed way. We call this contract, an "Avalon Merger." The Synergy planning process needs to be held in an atmosphere of commitment, inquiry, straight speaking, generous listening, intent to align, safety and challenge. There are no issues that cannot be tabled.

Uncharacteristic Measures and Best Practices are necessary to allow people to beyond past ways of operating, historical cultural limitations, and pressure of circumstances. Such measures and practices are necessary with respect to Performance, Alignment, Relationships, Inventiveness, Shared Values and Constructive Resolution of Differences. Characteristic measures assure only characteristic results. Uncharacteristic measures reveal the new realities necessary for success. *And Best Merger Practices are models for attitudes and behaviour that generate the critical amount of synergy required for an outstanding merger culture and synergy benefits.*

Epilogue

This paper is based thirty years of international experience and research into why things work and why they don't in business. Through this history we have learned an enormous amount about how to make relationships work, including the highly complex. We have practiced the art of integrating transformation and business focus. We are teachers, consultants, coaches and analysts who will pledge ourselves to your fulfillment of your merger commitments.