

Meyer's Management Models

8. 11C Synergy Model

How can I organize synergies across business units in my company?

Key Definitions

Larger companies are often divided into business units, each with a measure of autonomy to tailor their approach to the competitive dynamics in their specific market. At the same time, these companies will seek to benefit from having two or more business units by pursuing *synergies* – added value by leveraging their resources (e.g. knowledge, money), activities (e.g. operations, sales) and/or value propositions (e.g. products, brands) across business units.

These corporate synergies need to be organized. This is tricky, as working together to achieve synergies undermines the autonomy business units need to be responsive to the specific demands of their market. This is called the *paradox of synergy and responsiveness*.

Conceptual Model

The 11C Synergy Model challenges the broadly held assumption that synergy is achieved by centralization, while responsiveness requires decentralization. Framing the balancing act of synergy and responsiveness as ‘centralization-decentralization’ negates the fact that there are five other ways of organizing synergies besides centralization.

		Synergy Driver (Who)	
		Control Top-Down	Cooperation Horizontal
Synergy Mechanism (How)	Concentration One Unit	Centralization	Combination
	Coordination On-Going Alignment	Connector	Community
	Coalition Temporary Team	Catalyst	Cross-Unit Project

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Key Elements

The 11C Synergy Model is a 3X2 matrix with the following axes:

- A. **Synergy mechanism.** This axis distinguishes three different methods by which business units can work together. It is an answer to the question ‘how is added value created?’:
 - a. *Concentration.* When resources and/or activities are brought together into a single organizational entity (one unit), they are concentrated.

- b. *Coordination*. When resources and/or activities split between business units are continuously orchestrated (on-going alignment), they are coordinated.
 - c. *Coalition*. When resources and/or activities split between business units are aligned on a project basis (temporary team), a coalition is formed.
- B. **Synergy driver**. This axis distinguishes who has the power to get the business units to work together. It is an answer to the question ‘who owns added value creation?’:
- a. *Control*. This is when working together is initiated at the corporate center and enforced on the basis of formal hierarchy (top-down) .
 - b. *Cooperation*. This is when working together is initiated by the business units and achieved by mutual consent (horizontal).

Put together, these two axes create the six different ways of organizing synergies:

1. **Centralization**. Activities can be taken away from the business units and folded into one unit reporting to the corporate center (e.g. corporate sales team),
2. **Combination**. Business units can voluntarily bring activities together into one unit, which reports to them jointly (e.g. joint sales team).
3. **Connector**. A corporate manager can be given the formal power to enforce ongoing alignment between business units (e.g. corporate key account manager).
4. **Community**. Business units can voluntarily share information and align their activities by building cooperative networks (e.g. key account communities).
5. **Catalyst**. A corporate manager can be given the formal power to drive a multi-business-unit project (e.g. corporate sales project).
6. **Cross-Unit Project**. Business units can voluntarily band together in a temporary team to achieve a joint project (e.g. joint sales project).

Key Insights

- **Synergy doesn’t equal centralization**. Too often the corporate balancing act between synergy and responsiveness is framed as a centralization-decentralization issue, whereby centralization is seen as the only way to achieve synergy. This is too simplistic.
- **Synergy doesn’t equal top-down**. Too often synergy is seen as the responsibility of the corporate center, while the business units need to guard their autonomy. But half of the ways of creating synergy depends on the business units taking ownership of synergy initiatives.
- **Six ways to organize synergies**. There are six different ways to organize synergies, each with their own advantages and disadvantages. Centralization is the most far-reaching of the six, having the highest negative impact on business unit responsiveness. The options lower down and to the right undermine responsiveness much less. Therefore, all five other options need to be considered before resorting to the heaviest medicine.
- **Organizing doesn’t equal structuring**. Only centralization and connectors will typically show up on an org chart, which is probably why people think of them first. The other four options are less ‘structural’ ways of organizing synergies and therefore won’t come up if only org charts are used for thinking about corporate organization.
- **Using 11C Synergy Model as map**. The 11C model can be used to map how synergies are currently organized and how they could be organized differently in future. As thinking frame, this avoids the danger of the central-decentral pitfall inherent in using an org chart.

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Publication Schedule

<i>July 2019</i>	<i>Mind the Gap Model</i>	<i>Change Management</i>
<i>August 2019</i>	<i>Digital Platform Map</i>	<i>Digital Strategy</i>
<i>September 2019</i>	<i>Interaction Pressure Gauge</i>	<i>Interpersonal Interaction</i>
<i>October 2019</i>	<i>Revenue Model Framework</i>	<i>Revenue Model Typology</i>
<i>November 2019</i>	<i>House of Engagement</i>	<i>Organizational Engagement</i>
<i>December 2019</i>	<i>Confidence Quotient</i>	<i>Trust Building</i>
<i>January 2020</i>	<i>Competition Tornado</i>	<i>Competitive Strategy</i>
<i>February 2020</i>	<i>11C Synergy Model</i>	<i>Corporate Synergy Management</i>
March 2020	Leadership Fairness Framework	Leadership-Follower Interaction
April 2020	Strategic Agility Model	Strategy Process Approach
May 2020	The Control Panel	Corporate Control Dimensions
June 2020	Rising Star Framework	Talent Management
July 2020	Strategy Development Cycle	Strategy Process Steps
August 2020	71 Roles of the Corporate Center	Corporate Organization
September 2020	Deft Dialogue Model	Interpersonal Communication
October 2020	Digital Business Model Dials	Digital Strategy
November 2020	Fruits & Nuts Matrix	Priority-Setting
December 2020	Story-Telling Scripts	Leadership Communication
January 2021	Corporate Value Creation Model	Corporate Level Strategy