Synergies

Chapter 2

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Who benefits from sinergies?

- Synergies can be one sided and two sided
- One sided if only one business has benefits; two sided is both businesses benefits.
- $V(S)=V(A)+V(B)>0$.
- One-sided: $V(A)>0$; $V(B)<0$
- Two-sided: $V(A)>0$; $V(B)>0$
- They must estimated separately
- To be both sided there must be agreements on sided payments: passing some benefits to other business

Do negative sinergies exists?

- This happens when the total value is lower than expected or negative: e.g. organizational excess of complexity; brand diluition; cost of bureaucracy (Dilbert costs)

Other notes

- Cost sinergies: joint costs are lower than single business costs
- Revenue sinergies: more valuable output
- Horizzontal acquisition: in the same business
- Vertical acquisition: subsequent businesses
- Conglomerate acquisition: no relationships of both two types.
- Internal capital market: funding from the corporate HQ instead of external sources

Readings to prepare for next lessons

- Baysinger, B., & Hoskisson, R. E. (1989). Diversification strategy and R&D intensity in multiproduct firms. Academy of Management journal, 32(2), 310-332.
- Chan Kim, W., Hwang, P., & Burgers, W. P. (1989). Global diversification strategy and corporate profit performance. Strategic management journal, 10(1), 45-57.