

## **Organizational Synergy**

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The word synergy is derived from the Greek word synergos, which means, “working together”. Synergy is a word that is easy to find in discussions about business, sports, and elsewhere. What does it really mean in a business environment? How do we create and measure it? Is Synergy really meaningful for business in terms of profits, productivity, and competitive strategy?

Harvard Business Professor, Michael Porter, uses the term value chain to describe the value or synergy that is created when various parts of an organization work well together. He groups all of an organization’s actions into primary activities and supporting activities. Dr. Porter also discusses the need to identify sub-activities (in both the primary and support areas of an organization).

An example of a simple activity link is the connection between Human Resources hiring and increased production in your firm’s operations. An example of a more complex link is Apple’s product ecosystem. The software platforms for the iPod, iPhone, iPad, and computers have been designed to create synergy between the various products they support. Add the Apple Watch, Apple TV, and Apple CarPlay and you have created synergy and competitive advantage resulting in a company worth over \$545B (\$60B in 2006).

Organizational Synergy and value creation focuses on sharing know-how and resources while coordinating strategies across the organization. Successful synergy creation adds value and improves competitive advantage. How well do your managers of support activities such as human resources or procurement understand their relation to your organization’s competitive position?

One of the first steps to creating synergy is to identify and understand all activities occurring in your organization. Next, your company should understand the connections or links between the activities and sub-activities you have identified in your value chain. These connections and the value they add are the keys to creating synergy and increasing competitive advantage.

Communication and knowledge sharing is also a critical component for creating synergy. If your organization is doing well in this area you have formal processes for communicating and knowledge sharing across organizational boundaries. Does your organization share resources or are you utilizing redundant resources and systems? Finally, does your organization do a good job of coordinating strategic initiatives? For instance, is a support activity shrinking while one or more of the primary activities being supported are growing?

Change Management strategies can facilitate “win-win” processes that produce synergy. It’s never too early to start taking full advantage of the synergy embedded in the connections of your organizational activities!

### **Questions?**

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