'We Just Babbled About It': Why Synergies Get Lost Pre-acquisition

Capturing the elusive value of synergies in mergers and acquisitions

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Mergers and acquisitions are often justified by *synergies*: the promise that two firms together create more value than apart. Yet two-thirds of executives admit to overestimating them, and the gap is widely blamed for failed deals. This master's thesis shows that for occasional acquirers, the answer lies less in better valuation models than in structuring the synergy discussion itself.

Research on synergies has largely focused on how they are *calculated* - through valuation models and cash-flow forecasts. Much less is known about the organisational process behind them: how synergies are identified, evaluated and communicated inside the acquiring firm. The gap is widest for smaller, privately-held firms without a dedicated M&A function.

THE CASE STUDY

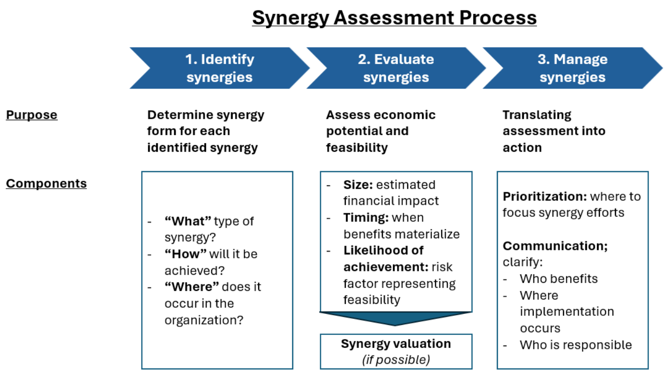
This thesis explores the question at Sandberg Development, a family-owned Swedish investment company shifting from early-stage venture investing toward more frequent acquisitions of mature companies. Two acquisitions form the empirical basis: the completed acquisition of Italian dishwasher manufacturer Silanos, and an ongoing acquisition of "Company X". The data comes from 20 interviews, internal documents, and a synergy workshop with key decision-makers.

FINDINGS

At Sandberg Development, synergies emerge organically from existing business relationships rather than from any structured search. They are discussed informally, rarely documented, almost never quantified, and seldom assigned to a clear owner. In the Silanos case, synergy realisation was delayed by one and a half to two years - partly because the synergies had been discussed but never written down, prioritised or assigned to anyone. Two classic pitfalls explain the pattern: the *mirage*, where optimistic assumptions go unchallenged, and the *gravity-hill*, where the difficulty of actually realising synergies is underestimated. A subtler problem: relationship-driven deals focus attention on synergies already visible through prior collaboration, while other sources of value slip through the cracks.

A FRAMEWORK IN THREE STEPS

Building on these findings, the thesis extends Garzella and Fiorentino's (2017) Synergy Value Assessment framework into a three-phase model: *identify*, *evaluate* and *manage*. Each synergy is first articulated by answering what type it is, how value is created, and where in the organisation it occurs. It is then assessed by expected size, timing and likelihood of achievement. Finally, synergies are prioritised, ownership is assigned, and stakeholder communication is prepared. The framework was tested in a two-hour workshop on the ongoing Company X acquisition. It surfaced synergies that had previously only existed in informal conversation, prompted a more disciplined discussion about which were truly important, and showed that even rough quantification - with size anchored in gross profit impact - adds meaningful structure without overreaching the firm's M&A maturity.



The proposed three-phase framework for assessing operational synergies.

TAKEAWAY

For firms without a dedicated M&A function, the main challenge is not *identifying* synergies - they surface naturally in everyday conversations. The challenge is giving those conversations a shared structure: writing the synergies down, estimating their value creation potential, prioritising them, and deciding who is accountable. A simple, disciplined process goes a long way - without becoming bureaucratic, and without replacing the intuitive judgement that has historically driven such firms. As occasional acquirers accelerate acquisitions of mature companies, this kind of structure becomes increasingly important if the synergy promise is ever to translate into realised value.