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Unit of One

EDITED BY ANNA MUOIO



IS BIGGER BETTER?

IT'S IN THE HEADLINES NEARLY EVERY MORNING: the urge to merge. Each day heralds a new marriage between colossal companies—creating a merger-and-acquisition frenzy unrivaled in history. This year we've seen a grand total of 10,401 worldwide deals, with a price tag of \$1.3 trillion, which raises an interesting question: Is bigger really better?

Conventional wisdom explains these deals in terms of strategy, scale, and globalization—and stops there. We invited 12 influential thinkers and leaders to peel back the merger issue by answering three different questions: Will these megacorporations really work and succeed over time? Who will want to work with them? And will they work for us—what does this new cast of corporations mean for business and society? After you've considered these leaders' answers to the meaning of mergers, ask yourself, Is bigger really better?

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It is hard to deny that most big mergers are motivated by short-term financial gain for a small group of people. America is the short-term-thinking capital of the world. Our entire financial structure—with markets driven on a quarterly basis—is geared toward the short-term, and this fact heavily influences our thinking. Because we live in a big country, we tend to focus on an obvious characteristic: size. But smart businesses recognize a more important characteristic: structure. When the hierarchies of behemoths merge, they discover that they buy inefficiency through size—and then try to become more efficient. In contrast, the networks of effective organizations achieve scale through efficient structures.

The effectiveness of networks is apparent in another species of big mergers: companies that merge to create babies. These little offspring can tolerate big risk. They are agile

and adaptive. Look at the merger between Shell and Mobil that spawned Acra Energy—an autonomous, creative, and highly profitable amalgamation of the two giants. A big part of Acra's success is a result of the careful extraction of the right DNA from both parents and the creation of a separate, effective network.

Networks succeed by being highly adaptive and agile. They learn to disperse innovation through autonomous subsidiaries. They're constantly stirring things up, moving people around, and cross-training their executives. Behemoths, on the other hand, tend to inbreed. They create separate silos that compete against and eventually cannibalize each other. But this giantism is a short-lived phenomenon. In another five years, we'll be riding the wave of their demergers.

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