

NEGATIVE SYNERGY: AN EVOLUTIONARY BLOCK TO EFFECTIVE GLOBAL MARKETING DECISION MAKING

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ABSTRACT

Presented is a paradigm shift in the effective global marketing decision making processes that evolves as a result of the effect of negative synergy on marketing decisions. The concept of negative synergy is introduced as a special case of synergy where the whole is less than the sum of its parts. Introduced are several examples of the effect of negative synergy on marketing decisions, then an emerging model of decision making under conditions of negative synergy is suggested, and finally introduced are suggested ways to reverse situations where decision making is sent into a destructive spiral due to the effects of negative synergy. Negative synergy presents an interesting new way to increase comprehension and an understanding how marketing groups may make more effective marketing decisions.

Keywords: negative synergy, marketing strategy, marketing decisions.

INTRODUCTION

Groups working together to make decisions, to arrive at conclusions, to make recommendations, and to derive policy have made spectacular progress in such diverse fields as medicine, engineering, finance, and business. The spectacular events and accomplishments seen since the Industrial Revolution and those decisions stand in silent tribute to the efficacy of managers capturing the positive aspects of synergy and synergistic relationships to advance goals and objectives of firms. (Buchholz & Roth, 1987) But sometimes things go wrong generating spectacular errors and colossal failures as weaknesses in decision making occur. (Kuhn & Poole, 2000) This paper will examine negative synergy as a proposed explanation for such events, will present a model of decision making under conditions of negative synergy, and will suggest some

countermeasures that might be used to improve the chances for future success under global marketing conditions exhibiting features of negative synergy.

BACKGROUND

Three topical areas are significant contributors to an investigation into the impact of negative synergy upon groups and the decision making process. Indicated first within this paper is a summary of major business decision making models in order to establish the environment which encompasses today's global marketing decision makers. Indicated second is a likewise review of the fundamentals of synergy and associated applications of synergy in various selected settings. Finally, the third area of discussion indicated is a review of the importance of negative synergy on the marketing decision making processes and protocols.

Classical Decision Making

There are four widely accepted models of business decision-making: the Rational or Classical Model, Simon's Bounded Rationality Model, Vroom and Yetton's Normative Model and the Intuitive or Heuristically based model. In addition, there are a number of protocols for enhancing group decision-making. This section of the paper will discuss the four decision models and various suggestions for improving the efficacy of group decision-making.

The Rational Model has been the dominate model of decision making since WWII (Prusak, 2005). The model is based on the following eight steps:

- 1) identification of the problem
- 2) identification of the decision criteria
- 3) allocation of weights to criteria
- 4) development of alternatives
- 5) analysis of alternatives
- 6) selection of an alternative
- 7) implantation of the alternative
- 8) evaluation of the decision effectiveness (Robbins and Coulter, 2005)

The model, however, has inherent flaws. For instance, it assumes that the exact problem to be dealt with can be clearly identified. So, for example, according to the Rational Model, if the manager sees there is a problem with turnover in the organization, the model assumes that turnover is the problem to be solved, not, perhaps, a symptom of a larger problem in the organization. Possible errors in the identification of the problem can, obviously, lead to problems with the rest of the model since the original assumption in the eight step process may be erroneous. Other problems with the model lie in its assumptions of rationality; that , for instance, there is only one single-well defined goal to be obtained; all alternatives and consequences can be known; preferences are always clear and those preferences remain constant; there is unlimited time and monies available and that the final decision can be an optimal decision. (Robbins and Coulter, 2005)

The Bounded Rationality Model evolved as problems with the Rational Model, led some, like Herbert Simon, a political scientist, to explore the limits of rationality in the model. Simon suggested, in his investigation of the model, that the Rational Model “leaves no room for regrets, second thoughts or ‘weakness of will’.” (Simon, 1986) He suggested, instead, that business decisions are made under conditions of “bounded rationality.” (Simon, 1947). In this model of Bounded Rationality, the inherent flaws of the Rational Model are taken into consideration in the decision making process and suggests that managers make decisions rationally, but are “bounded” by their inability to process the information required to make an optimal decision. Simon coined the term ”satisfice” (Simon, 1947) to mean that managers, because of their limitations to process information, are not able to make an optimal decision, but merely a satisfactory and sufficient decision. (Robbins and Coulter, 2005).

The third widely accepted model of decision making in the business literature is the Intuitive or Heuristically based model. The Intuitive model also points to problems in the Rational model. For instance, Nutt said that when manager’s use the Rational model to make decision they “struggle to reach the 50% success mark.” (Sinclair, Ashkanasy, 2005). The literature (Wally and Baum, 1994, Tomer, 1996, Kuo, 1998 an Agor, 1984) suggests that the Rational model is being replaced by a more “holistic model” (Sinclair, Ashkansy) model that takes into account the threat of high decision costs, increased time constraints and more ambiguous, dynamic environments. The Intuitive model suggests that manager’s make “gut” decisions or decisions based on past experiences so they can “act quickly with what appears to be limited information.” (Robbins and Coulter, 2005). One study “revealed that almost one-third of (them) emphasized ‘gut’ feelings over cognitive problem solving and decision-making.” (Robbins and Coulter, 2005),

Whichever the model followed, the individual decision maker is emphasized. Vroom and Yetton’s Normative Model is one of the few business decision making models that emphasizes consultation and group dynamics. (Vroom and Yetton, 1973). Vroom and Yetton based their group decision making model on the ideas that situational factors cause “almost unpredictable leader behavior.” (faculty.css.edu, 2006)). The authors explain that five different decision procedures are followed: two autocratic, two consultative and one totally group based:

- A1: Leader takes known information and then decides alone
- A2: Leader gets information from followers, and then decides alone
- C1: Leader shares problem with followers individually, listens to ideas and then decides alone.
- C2: Leader shares problem with followers as a group, listens to ideas and then decides alone
- G2: Leader shares problems with followers as a group and then seeks and accepts consensus agreement.

Vroom and Yetton assumes that participation of those involved in the decision making process increases acceptance of the decision and that increased acceptance increases commitment to the decision (Vroom and Yetton, 1973).

But even with the increased attention to participation by others in the decision making process, there are factors that suggest that the results of group decision making are different than individual decision making. For instance, there “are some decisions which employees simply accept because they are indifferent to them.” (Hoy, Tarter and John, 1993). In addition, if there is little group commitment to a decision, then participation in the decision making process should be limited because it may impact the direction in which the decision maker wishes the solution to turn. (Hoy, Tarter and John, 1993).

In order to increase the efficacy of group decision making there are several suggested conditions. For instance, giving groups “task –relevant information that simplifies...their tasks..., more cohesive groups tend generally to be more productive, group norms that favor productivity...” (Kerr, Tindale, 2004), group commitment to organizational goals and tasks and group expertise all enhance the quality of group decision making. In fact, even seemingly simplistic suggestions like larger groups allow for more diverse input, having an odd number of people in the group helps to avoid stalemates and having a group large enough to allow for members to “shift roles” but small enough for “quieter members to participate” (Robbins and Coulter, 2005) all enhance the group decision making process.

FORMS OF SYNERGY

Synergy is usually thought of only as a positive force in systems. However, as will be seen, negative forms may exist as well.

Synergy

Usually synergy, or specifically positive synergy, is thought of as getting more done with less. (Francis & Young, 1979). In reality, synergy is found abundantly in a variety of natural systems. The idea that the whole is somehow greater than the sum of the subsets of a system and the concept is divergently applied universally across such disciplines as engineering, medicine, chemistry, business, leadership, psychology, and social work. The benefits of shared energies are apparent. For example: a monkey and a gorilla stand under a banana tree each hungry for a piece of ripe fruit. Neither can reach high enough to gather it in. But, if the monkey stands on the shoulders of the gorilla, they can accomplish together what neither of them could have accomplished alone.

Doctors know that certain medications are useful in treating diseases. A person who is diabetic may reduce the risk of death through damage to their heart, liver, eyes, nerves and kidneys by taking insulin injections. Or the patient may reduce the risk of death through blood clots which can induce strokes and heart attacks by simply taking a children’s strength dose of aspirin every day. But when both are taken together, the risk of death is dramatically reduced to levels that greatly enhance longevity.

A business that has a potential advertising budget of two million dollars might spend the entire amount on magazine ads and expect to gain an additional five million dollars in

revenue. Or they may elect to apply the increase to their personal selling budget by that amount and obtain a four million dollar increase in revenue. But the more powerful result might be to apply one and a half million to advertising and the other half million to personal selling with a resultant increase of revenue of twelve million dollars. Why? The marketing manager would say that each promotion method reinforces the other. But, in reality, this is but an excellent example of synergy. The whole is greater than the sum of the parts.

Synergy has an important place in all aspects of systems theory and its application to science, medicine, and business. Understanding when and how to apply synergistic relationships may be a key success factor for implementing strategic, tactical and operational planning at all levels and functions throughout a firm.

Negative Synergy

Negative synergy may be thought of as the logical opposite of synergy. (Phillips, 2001) What is often not as well recognized nor appreciated is this reverse effect: represents a condition where the sum of the subsets of a system is less than the sum of the whole. But this negative synergy concept, too, has widespread but under recognized applications. For example, the loss of a right eye has serious consequences. The beholder may lose peripheral vision, there may be a loss of depth perception, and some disfigurement may exist. Likewise the loss of a left eye may result in similar serious consequences: the beholder may lose peripheral vision, there may be a loss of depth perception, and some disfigurement may exist. Either eye is obviously a subset of the whole vision system. The loss of either subset is not desirable. But now consider the loss of both eyes. The consequences are much more severe than the loss of either subset alone. The combined loss and concurrent resulting total blindness then has a negative synergistic effect that is much more adverse to the total visionary system than that experienced by the loss of either individual subsystem.

In the Sudan, relief efforts are frustrated for years. The region is characterized by overpopulation, too many people. Additionally, pool soil conditions coupled with low annual rainfall; result in overgrazing by the animal population to the point that herdsmen loose a significant number of animals each year due to malnutrition and drought. Likewise, the region will not provide enough surface crops to sustain the number of people living in there. An epic surge of HIV/AIDS related deaths has left entire generations of children without any surviving parents or home life of any form. Any of these issues would be difficult to overcome but the sum of all is devastating. The cumulative effect of negative synergy is so overwhelming that the solution to the situation in the Sudan is almost beyond human comprehension or understanding. The result of the effect of negative synergy leaves policymakers without a clue as to how to best proceed. (Mathews, 2006)

Negative synergy is a force to be reckoned with. Managers must be aware of its potential impact. They must be as aware of the possibility negative synergy appearing in relationships as they are of the occurrence of the effects of positive synergy.

GROUP MANIFESTATIONS OF NEGATIVE SYNERGY

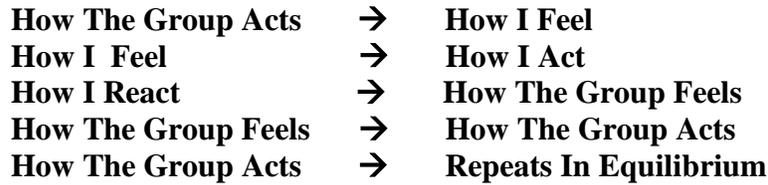
When someone is involved in making decisions in a group setting, the possibility exists that the group or team may come to a better decision than any one individual. This approach using the concept of synergy underlies the models previously discussed. But none address the effect of negative synergy. Almost all have some time experienced negative synergy. As one observant manager noted, anyone who has ever served on a committee has probably experienced it one time or another. As he continued, after all a camel is a horse probably designed by a committee. I have some experience with negative synergy. This, and its ramifications, will be discussed in a setting roughly based upon the popular communications model, the JoHari Window (Luft and Ingham, 1955)

The JoHari Window is, “a model named after its creators, Joseph Luft and Harry Ingham (hence Joe/Harry...), and is a way of describing how we give and receive information about ourselves and others”. (Team Building Tips, 2006) The metaphorical model is a tool that is used to help people better understand relationships in groups and is used primarily as a heuristic exercise. (Chapman, 2006) The model has been adapted into many forms (e.g.; NoHari (Hase, Davies and Dick; 1999) and JoHari (Luft and Klett, 1972).

Figure 1, titled Negative Synergy Group Decision Model, shows one variation that has been developed to facilitate discussions of negative synergy in group decision making settings. Four quadrants are used to categorize the relationships among self and groups on two dimensions – action and feelings.. Hence, the four quadrants may be described as follows:

- How I Act. This quadrant is where I project myself to the group. It is the outward set of clues as to my identifiable, open communications in either verbal or nonverbal form. If I am attentive, open, strong, secure and engage in imaginative solutions to problems then that message is sent to the group.
- How the Group Feels. The second quadrant shows how the group reacts inwardly to the actions that I have processed. Such a reaction might be feelings of being conceptually supportive, seeking inward concurrence, striving to remain engaged, or identifying areas of future discourse. The reaction is inward with no outward manifestation of the secret internal process.
- How the Group Acts. This quadrant gives the external or public response to the internalization that has taken place within the group (minus me). The result might be to convey sympathy of concurrence. Or the group might convey confusion or a need for clarification. Again, this quadrant represents a public manifestation of the secret internalization that has taken place.
- How I Feel. Finally, it is here that I process the communications from the group. Inwardly I may either accept or reject an interim decision. I may feel confused and ask for clarification or I may accept a degree of finality towards a decision.

FIGURE 1
Negative Synergy Group Decision Model



When a group is in a state of equilibrium in their decision making processes, synergy remains stable. How I feel or react is appropriate to how the group has acted. My actions are proportional to how I reacted. The group properly reads my external messages and reacts accordingly. Finally the group endeavors to continue the decision making process and working towards an eventual decision.

However a different reaction occurs when positive synergy is a factor in the decision process. A new element has resulted in a new dynamic that is better than that seen before. A new advertising slogan has been suggested or a new line of products proposed. The key here is that the cumulative effect of the decision making process was as expected. The whole increased over its initial position. However, the shift does not continue indefinitely since such an action is resource constrained. Finite reality serves as a buffer or limit on unbounded increases due to a synergistic effect and such a model is beyond the scope of this paper

However, there exists a third possibility – that of negative synergy. If How I Feel is smug or cynical or inflexible or unethical. That reaction is not positive. How I Act then adds to the unfavorable situation. My actions may be loud or cowardly or aloof or insensitive. And those actions will not be well received. The group might react in unimaginative or impatient or callous or insecure ways. And that reaction could be shown through group actions that are selfish or loud or lethargic or cruel. But negative synergy does not stop here. How the group acted affects how I react and the cycle continues over and over again. A spiral of negative synergy may set in and the group decision making process spirals inward and inward till the system decomposes into absolute failure.

There is a popular model of group decision making gone awry, such as that described in Irving Janis' Groupthink. (Janis, 1977) Janis describes how too much group cohesion can result in limited alternatives being considered in group decision making behavior and could result in the incorrect decision being made. But, if Groupthink is but a special case of negative synergy, at least the concept of Groupthink gives cause to consider the possibility for remedies under conditions or situations where negative synergy has resulted in a downward spiral in the decision making process.

WHEN THINGS GO BADLY

Marketing decision makers are not immune to the effects of negative synergy. In almost every real world situation, marketing managers working groups arrive at decisions about various tactics and strategies to be used for products. Hindsight is always beneficial but mistakes in decision-making are usually made in dynamic environments and so a view of the past may not be helpful in solving problems and hang in a changing environment. The stakes are practically inevitable in decision-making and can be categorized as mistakes of omissions or as mistakes of commissions.

Omissions and Commissions

Mistakes of omission appear to be benign and not as obvious because they include situations where no action was taken and the group was satisfied with the status quo. Although the cost of mistakes of omission may be difficult to analyze and may not be terribly obvious, they do not usually involved tumultuous upheavals; rather, the company slowly fades until stodgy management finally realizes that mistakes have been allowed to happen. Mistakes of commission on the other hand are often accompanied by tumultuous upheaval and are likely to be much more spectacular. Furthermore, errors of commission are often fully evident. For example: Euro Disney lost nearly \$1 billion. Maytag's overseas Hoover Division had to absorb the cost of an incredibly bungled sales promotion of nearly \$200 million. And of course one can point to the reckless purchase a Snapple by Quaker Oats for \$1.7 billion and the subsequent sale of the product less than three years later for only \$300 million.

Organizations that are able to harness the power of synergy are more likely to recognize looming problems quickly; they carefully determine the causes of problems at the encounter; actions are contemplated in conjunction with the inherent strengths, weaknesses, opportunities, and threats of the firm; and corrective action is prompt, ruthless, and to the point. Fast food restaurants such as Burger King, Wendy's, and McDonald's recognized that McDonald's had dominated the fast food industry for decades. Recognizing the unutilized capacity resulted in opening a whole new frontier for the fast food industry when the locations began offering breakfast menus. Pepsi and Coca-Cola have struggled for market dominance for years and neither could afford to let their guard down. Now a trend toward noncarbonated drinks is swinging the momentum toward Pepsi as reward for their early entry into this emerging market. A string of blunders by Boeing has resulted in a loss of market share to aggressive Airbus who finally wrestled their way into the number one position. Nike and Reebok are major competitors in the athletic footwear market. Nike was overtaken by Reebok in the late 1980s but now Nike dominates the market. Ford Explorers equipped with Firestone tires were involved in over 200 deaths resulting from tire failures and vehicle rollovers. The ensuing legal battles, a host of lawsuits and staggering settlements resulted in damages to the images of both corporations. Bottled waters with traces of undesirable chemicals resulted in a worldwide loss of demand for plastic drinking bottles (Hartley),

April 23rd has been designated by Quirky Marketing as Marketing Mistakes Day (Mooney) for it was on that day in 1985 that New Coke debuted. The failed attempt to grab a larger market share and remove Pepsi totally backfired. Customers do not like the New Coke and have said so with their wallets. As sales dropped and dropped. Coca-Cola switched back to Classic Coke. In 2009 NBC became known for their Lenovian when they put the Jay Leno show on at 10 PM with a commensurate 28% drop in ratings. In 2007 Hershey Candy Company started selling Ice Breakers placing the product in small, clear-plastic envelopes filled with a white powder made from breath mints. The product presented numerous identification problems for parents, educators and law enforcement as the powder resembled several illegal substances. Ford Motor Company spent more than \$400 million to develop the Edsel, a car with features that the public did not want. In 2009 The ChiaObama made it to Walgreens before customers complained that the novelty item was racist. Yet YouTube repeatedly carried video advertising for the politically incorrect product with considerable success. Contrary to conventional wisdom not all press is good press as one sees what happened when Johnson and Johnson sued the American Red Cross over the use of the world wide familiar Red Cross symbol.

Maybe one of the best examples of the emergence of negative synergy in a situation expecting the best positive effects of synergy is seen in a campaign by KFC when they paid Oprah Winfrey to discuss their new grilled chicken product line on her show. The audience got to do a live taste test with instant favorable results and home viewers were directed to a website where they could download for up to four free two-piece chicken meals with two sides and a biscuit. And that's when the chicken hit the fan. KFC stores around the country were swamped and as a result refused to honor the coupons. (Mooney)

All of these examples barely scratch the surface of examples of how the desired effects of group synergy are lost as negative synergy turns good intentions into bad results.

WHAT TO DO ABOUT IT

An examination of the four quadrants in figure 1 quickly reveals that three of the four represent states beyond “my” control. The only quadrant that I can effectively influence is How I Act.

How should I act? Avoid situations that increase the probability of increased, unwarranted risk. At least avoid giving an impression of being overly optimistic as to the outcome when, in fact, it is not nearly as certain as it is being presented by the group. Act with caution to defuse risky adventures. Be aware of warning signs. Don't let the groups actions discredit or rationalize away those warning signs for prudent action. The advice to take a deep breath before going forward may be a simple heuristic that might give time to reflect on assumptions made in the decision process. Evaluate assumptions to determine if they really are as true as they were assumed to be initially. Be careful that the moral actions proposed by the group are indeed also ethical. It is easy for the ethical

opinions of individuals to become confused and even accepted as equal to the external ethical standards of a group. Raise the moral criteria to an appropriate group standard.

It is important to not underestimate the competition and the competitive atmosphere that surrounds a firm in decision making. Don't let the group lead you to the assumption that your team is invincible. You probably aren't. Also don't let the group persuade you that expressing an opposing viewpoint represents disloyalty to the group process. In reality the reverse is true. Giving a good counter argument is a very effective way to turn aside a cycle of negative synergy. In the same regard, don't let your silence be misread as concurrence with the action by the group. Shift the focus. Don't let the group encourage complacency. If you not concur with the signals sent by the group's actions, stop the spiral.

The only element of negative synergy that you can influence is how you act. Therefore each action must send a clear signal as to where you see actions going. Otherwise, only you can reverse the effects of negative synergy. You must make the choice.

SUMMARY

Presented here has been a small step proposed to advance the decision making paradigm by expanding the original conditions assumed in major models to incorporate negative synergy into the dynamics of conventional approaches. This paper has not attempt to derive proofs for the new model but instead only proposes a paradigm shift that would accommodate negative synergistic effects within the framework of the existing body of knowledge. It advances only the concept.

A new challenge in the group decision making process is the addition of electronic meetings. According to a study done by Price Waterhouse Coopers, cited in Fortune (Fisher, 2004), 45 % of "lucrative" ideas come from employees via email and chat sessions; to stimulate that "in-house" gold mine of ideas is a new frontier for managers concerned with decision making. No work is known to exist examining the effect of negative synergy in such an environment. Therefore a large balance of the work remains yet to be done in subsequent expanded versions of the material presented here.

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