LET THERE BE SYNERGY! BUT… HOW?

(Draft; please do not cite or circulate until published)

Note: This case was prepared to encourage classroom reflection and debate. Therefore, it does not assess the management decisions disclosed. The authors removed some names and information to safeguard the company's confidentiality. It may also include fictitious information for academic purposes.

> "Grupo Éxito acquires 50% of the voting rights of GPA (Grupo Pão de Açúcar) in Brazil, and 100% of the voting rights of Libertad in Argentina for USD 1.826 billion. The Company, upon consolidating its revenues from Brazil and Argentina, will become the South American retail leader, with sales over USD 33 billion or COP 67.2 trillion (2014), and is present in four countries: Brazil, Colombia, Argentina, and Uruguay, which cover 75% of the regional population" (Dinero, July 30, 2015)

When the Extraordinary General Meeting that approved the acquisition of GPA and Libertad ended, the Chairperson of Grupo Éxito gauged the challenge of being the top South American retailer[1] that was being faced, and although he celebrated the milestone, he also felt the burden of the commitment made to Casino and other shareholders of gaining USD 160 million in potential

[2] See Annex1.

synergies, such as recurring EBITDA[2], within a 5-year term. Because of his professional track record, he got acquainted with the difficulties involved in capturing synergies, particularly the issues related to the effects of uncertainty on human beings. He was certain that making synergies materialize was not an easy endeavor and called for the tight and respectful management of the acquired companies' personnel and organizational culture. He also recognized that Éxito's greatest asset was these companies' understanding of retail in each country, and therefore, it was paramount to maintain each company's identity, as well as to enhance them through joint management. The purpose was to avoid imposing Éxito's Colombian model and neglecting each company's strengths in each country. On the basis of experience in national acquisitions and the relationship with Casino, immediate action was required, which involved changing the organizational structure and defining specific projects to attain the goal.

GRUPO ÉXITO

On May 26, 1949, at the heart of Medellín, Colombia, Gustavo Toro, his brother Mario, and a friend opened a fabric shop named "*El Éxito*" (Mejía, 1999). In 1950, the Company was registered under the corporate name Gustavo Toro y Cía. Ltda. Almacenes Éxito, which was made up by the Toro Quintero brothers: "Gustavo was the manager, the finance expert, the one that set the guidelines; Mario was in charge of sales and then the branch; Leonardo dealt with the warehouse; Manuel was in charge of accounting; Darío fulfilled administrative tasks; Alberto maintained the stores; and Alfonso engaged in clothing. However, during high season, this division disappeared and everyone supported sellers" (Mejía, 1999, p. 26).

Venus was Éxito's garment brand; however, it did not only trade its own brand but also other brands. The highest financial income levels were always collected during Christmas season. Thanks to the high income and the trips made by Mario, in 1965, Éxito drastically changed its sales system to self-service, a system that had already been used by other Colombian competitors. Consequently, Grupo Éxito (hereinafter, the Company) broadened its product portfolio. In 1970, it launched Almacén Éxito in the middle of the building where Sears operated. This new store posed challenges that led to the decision of supplementing its portfolio of fabric, garments, and other accoutrements, and thus, the first supermarket was opened in 1972. That same year, the Toro

[3] Earnings before interest, taxes, depreciation, and amortization.

family assigned a percentage of the company's interest to its employees and other businesspeople. On its 25th anniversary, the second store was opened in another major neighborhood, and another store was opened in a municipality near Medellín 7 years later.

By 1989, 40 years after its creation, the Company took the leap: it opened a store in Bogotá, Colombia's capital. The Company's growth was focused on opening new stores in Bogotá and Medellín. In the 1990s, trade liberalization created challenges that led to more resources being sought out to boost growth. Thus, Almacenes Éxito S.A. went public in 1994. Shares were sold in the Colombian stock exchange for a value that was five times higher than that for which they were traded on the closed market. Taking the Company public changed Éxito's structure from a company comprising family and friends to a stock corporation with over 500 shareholders, including international mutual funds (Mejía, 1999). By issuing and selling shares on the market, the Company was provided with new resources to shift from an organic growth strategy to making acquisitions.

It first acquired 10% of Makro Colombia, a company created by a Dutch enterprise that was looking for Colombian partners. It then established a company with Cadenalco (its main Colombian competitor), Makro and the Polar Group (Venezuela), and various Colombian investors that created the Venezuelan chain Cativén. By February 1999, Almacenes Éxito acquired a controlling interest in Cadenalco, a decision that was grounded in the threat posed by the entry of French, Dutch, and Chilean companies into the Colombian market. In 2007, Éxito acquired 72.2% of the shares, thus gaining controlling interest over Carulla Vivero (Caracol, 2007). Carulla, a supermarket chain with a well-known brand in the Colombian premium segment, was organized by the Catalan José Carulla, in 1941. This company opened the first self-service store in Colombia in the supermarket located in Carrera 13 and Calle 13, Bogotá. It also innovated by offering the sale of "ready-to-take poultry" (Dinero, 2002). Carulla and Vivero merged in 2000 (Villegas-Cortés & Rojas-LaRota, 2014); Vivero was a well-known brand across the Caribbean region of Colombia.

Almacenes Éxito stopped being a Colombian retail chain in 2007, when the French chain Casino acquired a controlling interest; it thus prevented the Chilean company Cencosud from becoming Éxito's shareholder. The acquisition process began in 1999, when Casino bought 24% of Éxito's equity (ElTiempo, 1999a). By March 2019, Casino held 55.3% of the Group's equity

(Grupo-Éxito, 2019b). After the purchase of Cadenalco in 1999, and with the subsequent acquisitions, Éxito's directors started experimenting with the joint management of Colombian companies and businesses. Thus, they seized the synergies derived from distribution networks, information systems, transactions, and training programs to maximize financial income (ElTiempo, 1999b). Subsequently, in 2010, they made good use of Casino Group' gains in three main areas: training in their own brands' management, proximity formats, and the real estate business. An example of own brand management was when Éxito brought 200 references from Casino brands (Arias, 2010). Apart from that, the Company benefited from its relationship with Casino by making global food purchases in China and on top negotiations; that is, achieving discounts and additional value added by doing joint businesses with multinational brands known across the globe (Giraldo-Moreno, 2019). However, not all acquisitions fostered the materialization of synergies. As stated by Grupo Éxito's CEO, "we have been present in other countries for five years and nothing has happened in terms of synergies" (Giraldo-Moreno, 2019).

CASINO

Casino is a French retail group that has been in operation since 1860, when the Perrachon family created a food store in Saint-Etienne, which was acquired by Geoffroy Guichard in 1892. In 1898, it organized the Casino chain and it created its first own distribution brand in 1901. By 1920, it not only traded products but also produced some of its goods. During the post-war period, it adopted self-service technologies and cold chain systems, which were developed in the United States. In 1970, Casino opened its first 700 m^2 supermarket in Grenoble, France. Four other supermarkets were opened a few months later. That same year, Casino opened its first 16,000 m^2 hypermarket in Marseilles with a 400-seat café and a display of around 65,000 articles of clothing, home, and mainly food products.

In 1992, the company Rallye, owned by Jean-Charles Naouri, merged with Casino and provided the Group with 49 hypermarkets, 232 supermarkets, 29 self-service shops, 70 cafés, and six distribution warehouses, by which time Rallye held 29% of Casino's total capital stock. In 1996, Casino Group acquired Monoprix, a subsidiary of Galeries Lafayette. A year later, Monoprix purchased 21.6% of Prisunic's stores located across France. That same year, Casino Group acquired a controlling interest in Fanprix-Leader Price, which ensured its presence in discount stores, with 383 stores (Casino, 2019).

THE INTERNATIONALIZATION OF GRUPO ÉXITO

In 2019, Grupo Éxito is described as "a multi-Latin company and a leader in South America's retail market. It operates in Colombia as Grupo Éxito; in Brazil with the Pão de Açúcar Group; in Uruguay with the Disco and Devoto Groups; and in Argentina with Libertad" (Grupo-Éxito, 2019a). It became a multi-Latin company by purchasing stores in Uruguay and then by purchasing the investments held by Casino Group in South America. Uruguay was the first country where Grupo Éxito performed international acquisitions. In 2011, the Group acquired 53 Disco, Devoto, and Géant stores—retail market leaders with a 43% market share and a considerable advantage over its main competitor. To finance this growth strategy, Éxito issued shares and Casino contributed half of the investment (El Tiempo, 2011). Éxito's leadership in Uruguay was consolidated in 2013 with the purchase of the La Cabaña hypermarket (Giraldo, 2013). During the first 6 months of 2015, the negotiations between Casino and Éxito began so that the latter could acquire the investments of the former in Brazil and Argentina. This negotiation was characterized by Casino's control over Éxito. Since Casino did not own 100% of the equity, the interest held by minority shareholders had to be properly protected.

On July 30, 2015, Éxito's website disclosed the relevant decisions made at the Board of Directors' Meeting held on July 29 regarding the opportunity to become the top South American retailer. This meeting, in which the representatives of Casino Guichard Perrachon S.A (Casino) refrained from participating, discussed the manner in which the transaction would be conducted. Table 1 discloses the main characteristics of the companies acquired:

Table 1

Characteristics of the Companies Acquired in Brazil and Argentina

Characteristics	Companhia Brasileira de Distribuição (GPA)	Libertad S.A
Country and Geographic Area	21 of 27 regions in Brazil	Córdoba, Argentina
Trademarks	Pão de Açúcar, Extra Supermercado, Ponto Frio, Casa Bahia and Assaí, among others	Libertad

Market Position	26% market share. Top Brazilian retailer in food, furniture, and electrical appliances, and second retailer under the Cash & Carry system	15.2% market share in the areas where it is present
No. of Stores	2,143	27
Square Meters of Commercial Areas	2.8 million	289,650
Employees	160,000	2,800

Source: *Prepared by the Authors Based on* (Grupo-Éxito, 2015a, 2015c, 2015e)

GPA's negotiation was thus presented by Grupo Éxito:

> The investment in GPA would consist of acquiring 50% of the equity interest held by the French company Ségisor, which indirectly controls 99.9% of GPA's shares entitled to vote. Hence, Éxito would be exposed to 50% of GPA's shares entitled to vote, equal to 18.8% of GPA's capital stock. The total investment would amount to USD 1,536,338,022. Éxito would buy Ségisor's shares from Casino, Éxito's majority shareholder and the current sole owner of Ségisor's shares. Casino would maintain the remaining 50% of Ségisor's shares. Éxito would be entitled to special rights and would thus be able to consolidate GPA's financial statements (Grupo-Éxito, 2015a).

The negotiation of Libertad was described as follows:

> The investment would consist of Casino's indirect acquisition of Libertad's shares for USD 270 million, plus cash as of the closing date estimated at potentially USD 20 million. Éxito would be the controlling company of Libertad (Grupo-Éxito, 2015a)

Both transactions would be financed with Éxito's resources amounting to COP 1 trillion, loans from local banks for COP 3.5 trillion, and loans from international banks amounting to USD 400 million. Given the size of the negotiation and the potential conflicts of interest, the Board of Directors' Meeting decided to submit the approval of the transaction for consideration by the

Shareholders' General Meeting (Grupo-Éxito, 2015c). The directors of Grupo Éxito provided the Shareholders' General Meeting with the following documents so that the attendees could make an informed decision (Grupo-Éxito, 2015a):

> main characteristics of the transaction; corporate governance procedures; strategic justification of the transaction and its financial and tax effects; approval from Bank of America Merill Lynch (BAML); copy of the requirement made by the Colombian Financial Regulatory Agency with filing No. 2015078547 - 01 and related response; and the valuation report prepared by Rothschild. (Grupo-Éxito, 2015a)

To determine the price of both transactions, the Company hired the firm Rothschild & Co that valued and structured the transaction. The price range was established by using the discounted cash flow (DCF) method. This method was supplemented with other mechanisms, such as valuation multiples, target pricing, and share performance analysis over the past 6 and 3 rolling months in the case of GPA. The price range of the transaction was thus validated. This price range was used as the starting point of the negotiation, to arrive at the agreed-upon price. This price was validated by Bank of America Merrill Lynch, which also issued its fairness opinion (Grupo-Éxito, 2015b).

The transaction amount was reported on August 20 through a press release:

> Today we performed the closing and thus transferred the shares in favor of Almacenes Éxito S.A. for the acquisition of 50% of the capital stock held by the French company Ségisor, the indirect owner of 99.9% of GPA's shares entitled to vote, which is a company domiciled in Brazil, for USD 1,536,338,022, as well as 100% of the shares of Libertad, a company domiciled in Argentina, for USD 292,655,077, which includes cash for USD 22,655,077 as of July 31, 2015 (Grupo-Éxito, 2015a).

The estimated potential synergies of the transactions carried out between Éxito, GPA, and Libertad was one of the strategic reasons for the transaction, which would add to the synergies generated by the transactions between Colombia and Uruguay. A French consulting company in charge of assessing the companies to be acquired during this pre-acquisition stage estimated that the potential synergies of this negotiation stood at USD 160 million (Monsalve, 2019a). The potential synergies identified in the final document issued by Casino and FHF were commercial synergies for boost in sales and increased revenues; synergies for the purchase of merchandise and nonmerchandise; and synergies for lower marketing, management, and IT costs.

ACQUIRED COMPANIES: GPA, LIBERTAD, DISCO, DEVOTO, AND GÉANT

The three groups acquired in Brazil, Argentina, and Uruguay were companies located on the market with specific characteristics from a strategic standpoint and its organization process.

GRUPO PÃO DE AÇÚCAR (GPA)

GPA was organized in 1948, when the Portuguese Valentim dos Santos Diniz opened a candy store in São Paulo. It had two subsidiaries by 1952 and opened its first supermarket in 1959. It acquired the Sirva chain that same year and reached 11 stores in São Paulo. In 1965, it opened its first store in another region in Brazil and went international when it opened stores in Portugal, Angola, and Spain in 1968. It diversified its portfolio by acquiring Eletroradiobraz, a chain of electronic equipment and appliance stores, in 1970. It bought the hypermarkets Jumbo in Brazil in 1971 and others, namely, Superbom, Peg-Pag, and Mercantil in 1978. A series of acquisitions and internal undertakings were conducted. In 1981, all the companies were merged under the name Compañía Brasilera de Distribución-Grupo Pão de Açúcar (GPA).

In 1996, consequent to the differences between the Diniz family members, the group's founders, and main shareholders, 25% of the group was sold to Casino. The French group acquired 50% of GPA's shares and thus exercises control over the Company. In 2009, GPA acquired Pontofrío network and joined Casas Bahia, thus becoming the largest distribution group across Latin America (UOL.com.br, 2013).

LIBERTAD

In 1989, Libertad opened the first self-service wholesale outlet in Córdoba, Argentina, with a surface area of 2,500 m^2. This company was created in 1986 as a transportation and sugar fractionation company. It had three employees and traded 130 products. A year later, Libertad already traded over 1000 different products and employed 150 people. In 1993, it opened its first hypermarket in Tucumán, which paved the way for its becoming the first hypermarket chain in the interior of Argentina. Libertad was acquired by Casino Group in 1998. It continued growing, and in 2008, it opened two commercial galleries: Paseo Rivera Indarte and Paseo Villa María. They are both premium commercial centers based on a new concept of the Libertad hypermarket as an anchor store. In 2010, Paseo Rafaela was also opened following the same concept, and it already has 15 galleries as of June 2019.

DISCO, DEVOTO, AND GÉANT

Casino Group's investment in the retail sector was represented by two major local supermarket companies: Disco and Devoto. Disco began operating in 1960, and Devoto began in 1962 (Muñoz, 2019). In addition, a joint venture between Disco and Casino, Géant hypermarkets, was conducted. With a surface area of 11,000 m^2, this hypermarket was a business event across the country (Géant, 2018). For Uruguayans, Disco represented the arrival of the supermarket as a new business phenomenon that also resulted in a self-service store, different products within a store, and low prices. This chain was born in 1960 and had 11 stores across Montevideo by 1970. In 1977, four stores were opened in Mar del Plata to take advantage of the tourism boom. In 1991, Disco participated in the construction of a mall and opened its biggest store focused on perishable products known as "Disco Natural." In 1996, Disco was acquired by Casino Group (Disco, 2019). A total of 96% of the supermarkets owned by the Devoto brothers was acquired by Disco, and then, they took over The Exxel Group in 2000. This integration meant the concentration of 60% of the large store market by control over 20 Disco supermarkets, Géant hypermarket, and 21 Devoto supermarkets (LaRed21, 2000).

GRUPO ÉXITO AS A MULTI-LATIN GROUP

By October 2015, the consolidated figures of Grupo Éxito showed USD 33.766 billion in sales; an EBITDA of USD 2.720 billion; 2,527 stores; and over 210,000 employees. The Group had a solid competitive position in the four countries where it did business: Colombia (42%), Uruguay (44%), Brazil (26%), and Argentina (15.2% market share in Córdoba). After the international acquisitions, Grupo Éxito started competing in different formats, that is, by employing different methods to cater to customers with specific needs (see Table 2).

Table 3

Formats per Country

Formatos	Colombia	Uruguay	Brasil	Argentina	Consolidado
Hipermercado	82 éxito	2 Geant	137 extra	15 Libertad	236
Supermercado	83 éxito	52 Disco-Devoto	207 extra		342
Premium	70 Carulla		181 PaodeAcucar		
E-commerce	éxito.com Carulla.com Cdiscount.com	Devoto.net	Cnova		
Conveniencia	103 Carulla y Éxito	7 Devoto	256 minimercado extra y minuto PaodeAcucar	12 mini Libertad	378
Cash & Carry /descuento	199 Superinter y Surtimax		84 Assaí		238
No alimentos			1037 Pontofrío y Bahia		1037

Source: (Grupo-Éxito, 2015c)

Formatos: Formats

Brasil: Brazil

Consolidado: Consolidated

Hipermercado: Hypermarket

Supermercado: Supermarket

Conveniencia: Convenience Store

Cash & Carry/descuento: Cash & Carry/Discount Store

No alimentos: Nonfood

Carulla y Éxito: 103 Carulla and Éxito

Superinter y Surtimax: 199 Superinter and Surtimax

256 minimercado extra y minuto PaodeAcucar: 256 minimercado extra and minuto Pão de Açúcar

1037 Pontofrío y Bahia: 1037 Ponto Frio and Bahia

After the purchase transaction was completed in Brazil and Argentina, Grupo Éxito's CEO proposed in the Board of Directors' Meeting held on September 1, 2015, that the Group's organizational structure be amended to manage it as a multi-Latin company. Thus, a Chief of Retail Operations was appointed in Colombia and the Vice-Presidency (VP) for International Business was created. The VP for Sales & Transactions and the Business VP were also changed. Once the management team was assembled, the main challenge was to capture potential synergies, but how? The VP of International Business was entrusted with this responsibility.

CAPTURE OF SYNERGIES: MASTER PROJECT

Identifying the method of achieving the USD 160 million in potential synergies calculated by the French consulting company was a challenge not only for the VP of International Businesses but also for Grupo Éxito's board of directors and top management. This was so mainly due to the commitment to minority shareholders. During and after the Shareholders' General Meeting, these shareholders raised their concerns about the potential benefits for Éxito from this investment in Brazil and Argentina.

In October and November 2015, an engagement team was assembled to validate the value of synergy opportunities or initiatives between GPA and Éxito under the advisory services of the consulting firm that was entrusted with rendering advisory services on how to capture synergies in the post-acquisition integration stage. The sources of value, the scope of the opportunity, the investment (capital investments and nonrecurring operating expenses), the expected benefits, and the implementation plan were estimated for each opportunity identified. Each synergy opportunity had an engagement team constituting the following roles: a single sponsor, a point person per country involved in the synergy, and in the case of synergies of joint purchases of merchandise, there was a point person in Casino's International Merchandise Directorate (DIM), with the sponsor located in the company in which the greatest potential synergy to be captured was identified (Monsalve, 2019b).

On November 18, 2015, the teams took as the starting point the initiatives identified as potential synergies, each classified as one of those related to increased revenues; driven by purchases; and related to selling, general, and administrative expenses (SG&A) (see Table 3). Since the teams were constituted by people residing in different countries that spoke different languages (Spanish, French, and Portuguese), it was agreed that the presentations and texts be drafted in English, the language of business.

Table 1

Synergy Opportunities in November 2015

		Opportunity	Description
Increased Revenues	1A	Textile development in Brazil	Development of the textile model in Brazil
	1B	Textile development in Argentina	Development of the textile model in Argentina
	1C	Premium format cross fertilization	Cross fertilization to enrich premium formats (for example: Carulla Fresh Market)
	1E	Cash & Carry Development in Colombia	Development of Cash & Carry for wholesale buyers (for example: Surtimayorista)
	1F	Proximity Improvement in GPA	Improvement of the proximity store format in GPA
	1D	Customer Base Sales	Sales to the customer base
	1G	Financial & Other services	Financial services and others
	1J	Loyalty expertise	Expertise in loyalty programs
Purchasing	2X	Food Purchasing	Food purchases
	2Y	Non- food purchasing	Nonfood purchases
SG&A	3A	HQ and administrative expenses	Head office and administrative expenses
	3C	CAPEX	Capital costs
	3D	IT Costs	IT costs

Source: (Grupo-Éxito, 2015d)

The teams engaged in each opportunity used the EBITDA as of year No. 6 as the main financial measure to compare opportunities between them. In addition, each team had to calculate other financial measures for their cash flows, such as the net present value (NPV), internal rate of return (IRR), and payback period (PB). The information about business performance forecasting, such as sales and margins, was provided by GPA's and Éxito's corporate control areas in keeping with the 2016 strategic plan. Other general assumptions and relevant data, such as exchange rates and weighted average cost of capital (WACC), were calculated centrally by corporate control areas. In addition, assumptions such as increased sales and lower costs were estimated by each team with the support of the consulting firm specialized in synergies.

The experience gained from the acquisitions of Colombian retail companies facilitated the creation, first, of Project Arizona and then the Master Project. Arizona was aimed at capturing synergies from the transactions conducted between Colombia, Uruguay, and Argentina, with an estimated potential of USD 8.2 million as from year No. 4, and three types of synergies were considered: purchase-driven, commercial synergies in textile, and administrative costs. The Master Project was devised to supplement Project Arizona, with the integration of the investment made in Brazil, with expected synergies of USD 154 million as from year No. 4.

The Master Project teams analyzed the synergy opportunities identified to establish their potential materialization. To that end, the types of initiatives were considered to analyze aspects such as market, processes, costs, and performance metrics, among others (see Table 4).

Table 1

Analysis per Synergy Initiative

Type of Analysis			**Type of Opportunity or Initiative**		
Activity	**Question**	**Description or Example**	**Increased Revenues**	**Purchases**	**SG&A**
Market Mapping	How is the external environment perceived?	Customers, suppliers, and competitors	**X**		
Current State (As Is)	How are transactions conducted at present?	Current state process	**X**		

Performance Metrics	What are the relevant metrics for this opportunity?	Gross sales, profit margin, price reduction	**X**		**X**
View at the End of the Playing-to-Win Strategy	What is the opportunity value proposition?	Winning aspiration, where to play, how to win	**X**		
Scope	What detailed scope will the team focus on?	Categories, brands, stores, and banners	**X**	**X**	**X**
Sources of Value	What are the sources of value?	Economies of scale and scope	**X**	**X**	**X**
Value Levers	How do sources of value impact value levers?	Supply, processes, communication, IT	**X**	**X**	**X**
Synergy Quantification	What is the cash flow of the opportunity?	Total EBITDA and variance before and after the Master Project	**X**	**X**	**X**
Cost Breakdown	Why is capital investment and/or nonrecurring operating expenses needed?	CapEx OpEx	**X**	**X**	**X**

Project Organization	What are the main activities and resources needed?	Interdependencies, stakeholders, government	**X**	**X**	**X**
Risk Mapping	What are the inherent risks in the opportunity?	Risks, probability, impact, mitigation	**X**	**X**	**X**
Potential Implementation Models	What are the potential implementation alternatives?				**X**
Immediate Actions	What should happen in the first two months after implementing the initiative project?			**X**	**X**

Source: Prepared by the authors

As shown in Table 4, the initiatives that had the potential of generating new revenues were those that required greater analysis, particularly of the market: customers, suppliers, and competitors. To identify each opportunity's possibility of creating value, the teams had to agree on the sources of value. Therefore, assisted by the consulting firm, they defined six major categories of sources of value: economies of scale, economies of scope, cross-selling, technology and skills transfer, backward integration, and forward integration. Table 5 includes the agreed-upon definitions for each category and some examples.

Table 3

Sources of value

Categories	Definition	Examples
Economies of Scale	Benefits gained from diluting fixed costs in a higher number of units sold due to a larger production volume. This scale is used to reap higher value from centralized purchasing.	Joint purchases from international suppliers
Economies of Scope	Benefits from gaining access to new distribution channels, markets, or customers.	Export own brands
Cross-Selling	Benefits obtained by two companies when they sell own products to each other through existing sales channels or forces.	Boost sales of own brands
Skill or Technology Transfer	Benefits from gaining access to new skills or technologies.	Sales strategies in each category
Backward Integration	Benefits from adding value upon acquiring resources or assets in a prior stage of the value chain.	Joint development of agreements with suppliers
Forward Integration	Benefits from adding value by acquiring resources and assets in a subsequent stage of the value chain.	

Source: Adapted from (Grupo-Éxito, 2015d)

In addition to identifying the sources of value, it was important to recognize the effect of value levers as to whether they enhanced or decreased key performance indicators, such as increased revenues, lower costs, and higher inventory turnover. It was also necessary to classify each initiative on the basis of the type of work required to reap the benefit. In some cases, work merely involved directly capturing the benefits identified, as in the case of cash & carry, while, in other, more complex, cases, it meant drafting a business plan, such as loyalty, or refining and implementing the operating model, as in the case of Textile Brazil or Argentina. Other initiatives required greater examination on the value of synergies and investments, as in the case of nonfood purchasing. These initiatives were implemented simultaneously because the challenge required that the plans related to each initiative be implemented to capture, as soon as possible, the synergies, such as recurring EBITDA.

The first major obstacle arose from the teams' valuation of the 13 opportunities listed in Table 3. In contrast with the USD 160 million in synergies initially valued and committed to the market, only USD 127 million could be accurately identified, i.e., 73% of the expected amount. In this scenario, the Company sought advisory services in synergy capture provided by the consulting firm. The aim was to ensure that the teams could identify new opportunities to reach the USD 160 million target within 5 years. The first of the recommendations of the consulting firm during this second stage were as follows: launching initiatives and designing specific projects to address the more complex opportunities and those that require more detailed work; beginning the process to quantify new initiatives as conducted during the first stage; and adopting the governance model, initially, in the Brazilian and Colombian integration offices so that they may conduct an immediate follow-up of the synergies identified, quantify new synergies, and manage change. Integration offices were then opened in Argentina and Uruguay.

These recommendations reflected the urgent need for the identification of new opportunities, as well as for reaping the benefits of all the initiatives. The consulting firm emphasized the need to establish integration offices because of the importance of coordinating multiple workflows; following up and consolidating gains; controlling the total execution of tasks and commitments; managing conflicts; maintaining open communications; and managing change. Moreover, the integration offices had to promote the identification of new sources of value and coordinate new workflows. These centralized offices had to work full time during the entire synergy materialization process, a responsibility of the Master Project. A governance model was designed to ensure that the USD 160 million target in synergies was met. Although the directors highly valued the consulting firm's involvement, internal teams assumed direct and prompt management of each initiative (Loaiza, 2019).

GOVERNANCE MODEL

The governance model, as defined, stipulated that in addition to establishing integration offices in both countries, these offices would be supported, with follow-up, through the Synergy and Steering Committees. The Synergy Committee was the most important in the hierarchy because it was made up of the CEOs and top managers of Grupo Éxito and GPA (Brazil). This committee met once a month and engaged in defining the guidelines, setting the objectives, making decisions, and validating the work consolidated in the integration offices. This meeting was highly valued by initiative teams and integration office heads because the participants of each initiative gained visibility and got management support (Loaiza, 2019; Monsalve, 2019a). The Steering Committee was made up of Grupo Éxito's VP of International Business, who was in charge of the synergies in Colombia, Argentina, and Uruguay, and the Executive Director of Synergies in Brazil (Monsalve, 2019a). These directors met once a week and were in charge of monitoring progress; making important changes concerning time and value adjustments in a timely manner; resolving conflicts; overcoming obstacles; and visibilizing the Synergy Committee.

Once the integration office was formalized, the following roles were assigned: synergy management, planning, and monitoring, change management, and searching for new synergy opportunities. Synergy management covers the definition of baseline standards (starting point) and profit indicators (finish line); the definition of tools and processes to conduct a financial follow-up of the initiatives; result consolidation; and budget management. In terms of planning and monitoring, the tasks to be performed were as follows: following up on execution; mapping topics, risks, and action plans; supporting the quantification of the new sources of value; and managing or escalating conflicts. Change management involved following up on key impacts, making timely communications, and designing and adjusting the incentive plan for synergy initiative teams. When searching for new synergy opportunities, it was important to support teams in planning the resources required, mobilizing and launching new opportunities, and supporting the quantification of new opportunities.

Colombia's integration office comprised, at first, a leader who worked full time for the Master Project. In 2016, another person joined the integration office. In 2018, a third person was hired. In addition, the financial sector continued to actively participate in the meetings held by the integration office. Brazil's integration office has been headed by several employees; it was staffed with three people in 2019. The Colombian integration office conducted three types of meetings:

check-in meetings for each synergy initiative; the integration offices' meetings (meeting with Brazil); and the internal meetings of Colombia's integration office. The latter two meetings were aimed at following up on the progress of initiatives and preparing the information to be submitted to the Steering and Synergy Committees. As stated by this office's head in 2019, "to make sure that the opportunities were met and visible, it was necessary to create a structured work schedule that facilitated drive and coordination between each committee" (Monsalve, 2019b). Thus, the integration office spent most of its time in planning, supporting, and drafting the check-in meeting minutes, a success factor in achieving the synergies of the Master Project. Check-in meetings, attended by the sponsors of each initiative and the integration office, did not have to last more than 30 minutes and had to be held weekly or fortnightly, according to each initiative's team. These meetings were also aimed at updating the tool for following up on the initiative (see Annex 2).

THE COLOMBIAN TEXTILE MODEL LANDS IN ARGENTINA: AN EXAMPLE OF THE SYNERGIES OF THE MASTER PROJECT

For Grupo Éxito's CEO, the Master Project did not have to limit itself to seeking out operating synergies; it had to focus on synergies that do not rely on geographical proximity but rather on "exploring business models that are successful in each country and that may work in other countries" (Giraldo-Moreno, 2019). A clear example of a business model used to bring the synergies toward materialization was the initiative to boost textile sales in Argentina on the basis of the implementation of the Colombian textile model. Table 6 shows the analysis made by the team in charge of this initiative, and Annex 2 includes an example of the tracker provided in one of the first follow-up meetings.

Table 5

2015 Analysis of the Initiative to Boost Textile Sales in Argentina (1B as per Table 3): Some Examples

Activity	Éxito	Libertad
Market Mapping: Customers	No customer resistance to buy clothes in hypermarkets, including basics and fashion clothing, low-end and high-end products.	Resistance to buy fashion clothes in hypermarkets. 4.8% textile market share in hypermarkets.

	Most customers are middle-aged multicultural women considering Éxito’s presence in several locations and climates Loyalty program with over 5.3 million customers monitored and 3.1 million customers of the textile segment (58% penetration) broken down as follows: middle-class (49%), price sensitive (25%), and quality sensitive (18%) customers. Most textile customers are middle-class consumers or stratum 3 (41%), and 65% are women	Preference to buy clothes in fashion stores (Falabella) and/or boutiques in malls. Preference to buy basics such as underwear and socks. High penetration in middle and lower middle classes. 48% customers belong to Club Libertad.
Market Mapping: Suppliers	Fragmented supplier database (more than 150 active suppliers). Own production through Didetexto (22% of purchases) with more than 100 subcontractors. 9% of sales are imported. 10 strong local high-quality suppliers and brand positioning (41.5% of textile sales). Most of them are experienced exporters. Exclusive suppliers for the proprietary brand designed by Éxito, with whom the Group has long-term agreements.	Fragmented supplier database (61 suppliers). 100% Argentine products. Common suppliers with Falabella, Zara, Carrefour, and WM, among others. Small- and medium-sized local industry.

	Strong local suppliers in knitting, underwear, and jeans.	
Market Mapping: Competitors	Grupo Éxito's textile market has a 69.1% market share. The main competitor is Falabella (not through Nielsen), but the number of big clothing stores has dramatically increased over the past 3 years, so new competitors are expected (Forever 21 and H&M). International competitors that use local suppliers: Inditex stores (Zara, Bershka, Stradivarius, Pull&Bear) with affordable prices. Many well-positioned local brands. Informal market with low prices.	Low presence in Argentina of big clothing stores, which only exist in Buenos Aires (for example, Falabella and Zara). The main competitors are small stores that do not have exclusive brands in Libertad's malls. Carrefour's (hypermarket) textile market share stands at 3.7% and has its own brand (Tex). Walmart's (hypermarket) textile market share stands at 8%, and it has its own brands for men, women, and children. Jumbo's (hypermarket) textile market share stands at 6%, and it has its own brands for men, women, and children. The main competitor is Walmart. There is no market information available about Nielsen. Strong informal market (street fairs).

Process Mapping (As Is):	Textile's share in the Company’s total sales is 9%. The main categories include the following (% of textile sales): underwear (36%); women’s clothing (23%); and baby clothes (22%). Éxito buys from local and international suppliers, but it also has its own production (Didetexco). Own quality laboratory that ensures quality and compliance with standards. Its own brand accounts for 34% of total sales and is considered to be a high value-added product. 57% of sales are basic products, and 43% are sales of fashion products. Medium- and long-term suppliers’ model. A total of 300,000-circulation textile magazines are published per year. Monthly guidelines for displaying seasonal products.	Textile share over total sales stands at 2.6% (with Home Textile, 3.6%). The main categories are as follows: underwear and socks for women, men, kids, and babies. Libertad purchases from local suppliers exclusively with no branded products. Two seasons: spring/summer (September–February) and fall/winter (March–August). 30% to 60% discounts are offered twice a year. Club Libertad’s penetration is 48%.
KPI Mapping	KPIs are related to revenues, costs, and working capital. Revenues are measured on the basis of sales, margins, net profit, and average price. Cost is measured on the basis of the average cost per unit, discounts, and shortage costs. Working capital is measured on the basis of days sales of inventory (DSI). Éxito also measures the penetration of its own brand and working capital, as well as the accounts payable turnover ratio and the gross margin return on investment (GMROI).	
View at the End of the	Winning aspiration: To double shares in the textile categories in Argentina, reaching 6% within 2 years.	

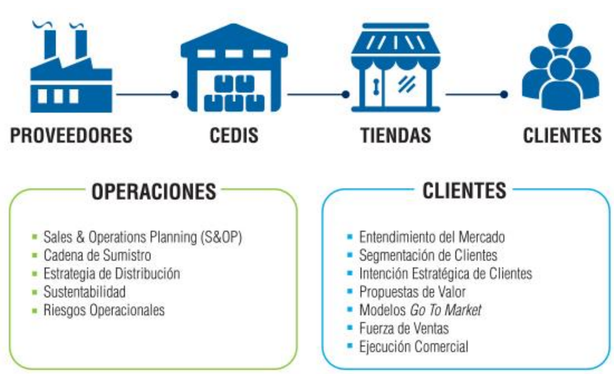
Playing-to-Win Strategy	Where to play: Women's, men's, and kid's clothing, as well as fashion garments for women, babies, and kids. Design own brands to sell in and out of stores. How to win: Focus on clothing purchase processes on the advice of the Colombian group and supported by the performance capacity of the stores.
Team Scope	Categories: Basics in hypermarkets, underwear, fashion clothes in independent stores, kid, and baby products with a strong potential for growing, and well-positioned brands. Trademarks: Bronzini, Arkitect, Coqui. Stores/banners: Libertad (main focus) and malls (secondary focus). Negotiation: Negotiate for national brands; conduct joint international purchases to reduce costs; lower Didetexco's production costs by increasing the number of units produced; improve service levels and delivery times to boost sales; and facilitate licensing negotiations. Processes: Replicate Éxito's retro-planning process; implement the know-how on in-store displays; support marketing processes by sharing photographs, models, and general expenses; replicate the school of textiles to commit the employees to the textile strategy; encourage own brand development.
Sources of Value	Economies of scale: Joint purchases from international suppliers; lower production costs (Didetexco); reduce delivery times; opportunity in homewear; share marketing expenses, and brand positioning. Economies of scope: Import Éxito's own brand model to Argentina; global brand positioning (Arkitect, Bronzini, and Coqui); align fashion forecasting processes and brand development; consolidate quality certifications.

	Cross-selling: Increase own brands' share; develop own brands in independent stores in malls. Skill and technology transfer: Improve negotiation skills; import knowledge on execution in stores; align pricing strategies; import Sinerproveedor model. Backward integration: Medium- and long-term development of local suppliers (Sinerproveedor) and fashion forecasting.
Value Levers	Boost revenues; increase operating profit margins; improve inventory turnover; reduce inventory levels; reduce capital costs; and minimize operating expenses.
Synergy Quantification	The accounts are quantified before and after the Master Project as follows: total revenues; changes in revenues; gross profit; SG&A; total EBITDA; changes in EBITDA; changes in working capital; capital expenditure (CapEx); nonrecurring operating expenses (OpEx); EBITDA + changes in working capital + investment. The weighted average cost of capital (WACC), net present value (NPV), and internal rate of return (IRR) are also calculated.
Cost Breakdown	Capital expenditure and operating expenses are needed in the project to renew store layout, train personnel, launch the project, incur marketing costs to gain a reputation in the textile industry, and gain Colombia's support to execute the project.
Project Organization	A detailed schedule from September 2015 to October 2016 is considered. There are interdependencies between the economic and the political contexts (import policies), for example, the Department of Commerce. Stakeholders: Commercial, marketing, operating, technical, financial, and supply chain teams. Also, the marketing agency, Éxito's commercial team, the Department of Commerce, and the synergy team.

	Governance: It will be led by the commercial team with the support of the management control team.
Immediate Actions	Gaining the approval for the synergy plan; defining the products to be imported; filing the import plan with the Department of Commerce; and defining the store layout model, among other things.
Risk Mapping	High probability and impact: Change in the political and economic context (strong depreciation and slower economic growth). Medium Medium probability and high impact: No approval of the import plan; pressure exerted by national producers. Medium probability and impact: Change in the Argentine context, such as trade liberalization; arrival of international brands and foreign retailers; Argentina's rejection of the textile model in hypermarkets.

Source: *Prepared by the Authors Based on* Grupo-Éxito (2015d)

Annex 1. Sample Retail Chain Flow



Source: (SintecConsulting, 2015

Proveedores: Suppliers

CEDIS: Distribution centers

Tiendas: Stores

Clientes: Customers

Operaciones: Transactions

Cadena de suministro: Supply Chain

Estrategia de distribución: Distribution Strategy

Sustentabilidad: Sustainability

Riesgos operacionales: Operating Risks

Entendimiento del mercado: Market Knowledge

Segmentación de clientes: Customer Segmentation

Intención estratégica de clientes: Customers' Strategic Intent

Propuestas de valor: Value Propositions

Modelos go to market: Go-to-Market (GTM) Strategies

Fuerza de ventas: Sales Force

Ejecución comercial: Commercial Execution

Annex 3. Tracker of the Initiative to Boost Textile Sales in Argentina.

Opportunity: 1B - Textile development in Argentina
S: Gerardo Tortorella (taking over from Daniela Trombatore); FPCO: Juan Esteban Valencia

✔ Completed
On track
At risk
Delayed
Not started

Date of update	Jan 25, 2016
Overall status	● (Delayed)

KPIs	Expected value	Value To Date
KPI 1	N/A	N/A
KPI 2	N/A	N/A

Current activities (Due in next ~2 weeks)	Due date	Status
Plan – Get approval for required CAPEX	Nov 2015	●
Assortment – Define product prices from Colombia to Argentina	Nov 2015	●
Assortment – Develop Colombia brand kit (communication, pricing, strategy, etc.)	Nov 2015	●
Assortment – Define products to be imported	Nov 2015	●
Assortment – Request government approval for the imported products	Nov 2015	●
People – Assign Éxito textile team person to lead project in Argentina	Nov 2015	●
Lay out – Define and approve lay out	Nov 2015	●

Financials (1st year)	Expected	To Date
Investment (LC)	ARS 4.9 M	
Investment (USD)	0.5 M	
Benefit (LC)	ARS 0.05 M	
Benefit (USD)	5 K	

Major milestones

- Pilot store (Lugones) Go-Live – March 2016
- Three other Córdoba stores Go-Live – June 2016

Accomplishments since last meeting

- Colombian textile team visited Argentina for market research (January)

Issues/concerns/roadblocks/decisions needed

- Delay in plan (approximately 3 to 4 months). Pilot store go-live from March to July or August
- CAPEX not yet approved
- Argentina team waiting for information from Colombia (prices, brand kit, textile team person assignment to Argentina)

Proposed solutions / next steps

- Steering Committee to press on CAPEX approval
- José Loaiza to lead Éxito textile person assignment to Argentina
- Éxito textile team to send product and brand kit information to Argentina
- Sponsor to prepare change request and work plan

53

REFERENCES

Arias F. 2 De junio de 2010). *La marca Casino llegó al Éxito*. *El Colombiano*. https://www.elcolombiano.com/historico/la_marca_casino_llego_al_exito-EVec_91894; 2010.

Caracol. Almacenes Éxito es el nuevo dueño de Carulla Vivero. https://caracol.com.co/radio/2007/02/19/economia/1171884240_392876.html; 2007.

Casino G. Groupe casino presentation. Groupe Casino 2019.

Dinero. 22 De marzo de 2002;2002). La herencia de Carulla. *Dinero*.

Disco. Supermercados Disco Uruguay. https://institucional.disco.com.uy/index.php/rr-hh; 2019.

ElTiempo. Casino protocoliza la compra del Éxito. *El Tiempo*; 1999a.

ElTiempo. Éxito se tomó a Cadenalco. *El Tiempo*. https://www.eltiempo.com/archivo/documento/MAM-882063; 1999b.

ElTiempo. 30 De septiembre de 2011). *Éxito concreta compra de supermercados uruguayos*. *ElTiempo*; 2011.

Géant. Hipermercado géant. [Los inicios]. https://www.geant.com.uy/la-empresa; 2018.

Giraldo C. 12 De julio de 2013). *Con la compra de La Cabaña, Éxito se consolida como el más fuerte de Uruguay*. *LaRepública*; 2013.

Giraldo-Moreno C. *5 de junio de* 2019) *Entrevista/Interviewer: L. M. Rivas Montoya*. Envigado:

\Grupo-Éxito; 2019:(2015a). Decisiones relevantes de la junta directiva de Almacenes Éxito en relación con la oportunidad de convertirse en el retailer líder de Sur América [Press release].

Grupo-Éxito; 2015b. *Decisiones relevantes de la junta directiva de Álmacenes Éxito en relación con la oportunidad de convertirse en el retailer líder de Sur América* [press release].

Grupo-Éxito; 2015c. Grupo Éxito Presentación Corporativa octubre 2015 [press release].

Grupo-Éxito. 2015d. *Project Maestro*. Retrieved from Envigado.

Grupo-Éxito. 2015e. *Proposal for the Adoption of a Regional Transaction Expansion*. Retrieved from Envigado.

Grupo-Éxito. Página web-nosotros. https://www.grupoexito.com.co/es/nosotros; 2019a.

Grupo-Éxito. Principales accionistas a 31 de marzo de 2019.

LaRed. *LaRed*. https://www.grupoexito.com.co/es/accionistas-e-inversionistas/relacion-con-inversionistas/principales-accionistas. http://www.lr21.com.uy/economia/12306-disco-compro-el-96-de-la-cadena-devoto-hnos; 2019b21. (2000). Disco compró el 96% de la cadena Devoto Hnos:21.

Loaiza J. *30 de abril de* 2019) *Entrevista/Interviewer*. Envigado: L. M. Rivas Montoya; 2019.

Mejía JL. *50 años Exito*. Medellín: Almacenes Exito; 1999.

Monsalve J. *1 de febrero de* 2019) *Entrevista/Interviewer: L. M. Rivas Montoya & D. Londoño-Correa*. Envigado; 2019a.

Monsalve J 2019b. Informe de gestión sinergias internacionales 2015-2018. *Informe de gestión*. Envigado: Grupo-Éxito.

Muñoz M. *21 de junio de* 2019) *Historia de compañías en Uruguay/Interviewer: J. Monsalve*. Uruguay; 2019.

SintecConsulting. Retail 2.0 – la nueva cara de retailing en los países latinos. https://sintec.com/wp-content/uploads/2015/03/PInnovador_Retail2.0_espa%C3%B1ol5_560.jpg; 2015.

UOL.com.br. Pao de Acucar completa 65 anos, sem Diniz no comando; veja história. https://economia.uol.com.br/noticias/redacao/2013/09/07/pao-de-acucar-completa-65-anos-sem-diniz-no-comando-veja-historia-do-grupo.htm; 2013. UOL.

Villegas-Cortés A, Rojas-LaRota L. La fusión Carulla-Vivero, ¿Creó Valor? Rev Civil Empresa Oecon 2014;5:93-109.

LET THERE BE SYNERGY! BUT… HOW?

TEACHING NOTE[3]

This teaching note outlines a case-based lesson plan. It presents the learning goals and describes the situation before, during, and after class, as well as the suggested evaluation methods. This note is for the exclusive use of the professor and therefore should not be distributed to students.

This case was designed to be employed in MBA strategy courses or for advanced undergraduate students in management or related fields. It can also be used in human management courses, projects, or operations dealing with synergies.

CASE SUMMARY

The promise of synergy is the main reason for the existence of multi-business companies (Ahuja & Novelli, 2017), and the question that remains constant in corporate strategy literature and concerns senior management teams is as follows: How do we capture synergies? Based on this concern, the case "Let there be synergy! But… how?" was written. It focuses on capturing synergies in Grupo Éxito, a leading retail company in Latin America (2018). The pressure to capture synergies in Grupo Éxito intensified in 2015 after acquiring the controlling interest of Grupo Pão de Açúcar de Brasil (GPA) and the entire equity of Libertad in Argentina. It should be noted that this operation was conducted between companies already controlled by the French group Casino. Grupo Éxito undertook the capturing of the potential synergies identified during the pre-acquisition stage, amounting to USD 160 million in recurring EBITDA from the fourth year. The pressure exerted by Casino, minority shareholders, the stock market, and the financial sector made the USD 160 million figure an unavoidable challenge.

This case describes ways in which Grupo Éxito managed to capture the promised synergies; notably, they accomplished it two years earlier than expected. The case details the Master Project designed to capture synergies from a variety of initiatives involving not only newly acquired

[3] *The information used as basis for this case is part of a qualitative research that is being conducted in Grupo Éxito during 2019, to identify the practices that facilitate the materialization of synergies. Upon writing this case, 40 meetings of the teams participating in the Master Project had been observed, more than 20 senior managers and project participants had been interviewed, and related documents had been reviewed. We would like to thank the managers and people related to Grupo Éxito for their time and information provided. This teaching case has been already used in Strategy I MBA Course in Medellin and Bogota, Colombia, around 65 students.*

companies but also the operations that Grupo Éxito had long ago in Uruguay. This case describes each of the companies involved in capturing synergies and the analysis performed to select the 28 initiatives, as well as the governance model and the way to implement the Master Project. Finally, it refers to the Colombian textile model that was implemented in Argentina as an initiative that allowed capturing synergies through the generation of higher income because it was a new business model for that country.

As can be seen in the case, the potential synergies estimated by the consulting firm that made the initial assessment was not achievable with the 13 initiatives proposed. Therefore, the challenge for students will be to help identify new synergy initiatives that will allow Grupo Éxito to go from USD 123 million to the promised USD 160 million. To capture synergies, students must propose an action plan and a governance model based on the description of the activities conducted by Grupo Éxito to capture the expected synergies.

Keywords: synergies, capturing synergies, Grupo Éxito

CASE SUBJECT: CAPTURING SYNERGY

Synergy is the greatest economic value generated by a multi-business company as opposed to the value that each business would produce independently (Ansoff, 1965; Goold & Luchs, 2003). A multi-business company is the result of the growth search of a business from the creation or the acquisition of other businesses that are administered jointly (Rivas & Londoño-Correa, 2017). Concern for joint management in multi-business companies, and in particular, for the way value is created, is a matter addressed by the subfield of corporate strategy (Ahuja & Novelli, 2017; Menz, Kunisch, & Collis, 2015).

Potential synergies are identified in the pre-acquisition stage, while they are captured at the stage of integration or coordination of activities between the businesses grouped together by the multi-business company. In the pre-adjustment stage, synergies are understood as the greatest value assigned by the market to the target company due to the potential to generate greater wealth when jointly managed. In the second stage, synergy arises as a result of joint management, based on collaboration between businesses, mobilization of the asset and resource base, integration of value chain activities, and/or alignment of value proposals (De Wit & Meyer, 2010). In this coordination stage, synergies have proved to be difficult to capture, and this has been reflected in the literature (Ahuja & Novelli, 2017; Eisenhardt & Galunic, 2000).

LEARNING GOALS

Overall learning goal: Design an action plan and governance model to capture synergies in Grupo Éxito so that they can accomplish the USD 160-million challenge.

Specific learning goal:

1. Identify types of possible synergies to be captured (increased revenues, purchases or selling and administrative expenses, or propose an appropriate classification).
2. Evaluate possible alternatives to capture synergies, and select the one with the greatest potential.
3. Propose a step-by-step action plan to capture synergies from one of the alternatives, specifically within the term deemed relevant.
4. Propose a governance model that enables capturing the proposed synergies.

PLANNING ACTIVITIES

Below is the description of the activities conducted before, during, and after the class.

Before the class

The professor will have to define the activities considered relevant for better development of the class in which the case will be discussed, as well as the rules of the game that will be shared with the students. To such end, the teacher must consider the number of students; the duration of the activity; the previous activities to be performed by the students; the characteristics of the classroom where the class will be held; the technological tools that will be required; the method of working (individually or in groups); the questions that will guide the development of the case (opening, middle, and closing); the boards where the discussions will be recorded, and the students' contributions will be consolidated; the durations that will be assigned to each activity; and the evaluation.

Further, a plan is proposed to develop the case into a corporate strategy class that will address the issue of capturing synergies.

a. The case is designed for a group of 30 students.
b. The activity lasts for 4 hours.
c. Previous reading: Students should read the entire case before going to class, and if the professor deems it appropriate, further reading on the subject may be assigned (see suggested bibliography). In addition, it is recommended that each student, after reading the case, solves the following questions and hands the answer sheet to the professor.

1. What situation does the case describe?
2. Name the parties that are involved in the case.

Source: Based on Austin and Kelley (2012)

d. Tools: Students should have access to the Internet, as well as laptops, tablets, or smart phones should be made available to them so that they can raise their queries and prepare for their final presentation.
e. Working method: (combined, individually, and in teams) The case preparation and the resolution of Questions 1 and 2 is performed at an individual level. The analysis and solution of the case is performed in teams within class.
f. Team formation: The professor decides ways in which the teams are formed; however, the students participate in the teams of their choice. The number of participants per team is 5 or 6; it is desirable that they have diverse perspectives and interests so that the analysis is enriched. In this case, it is especially important for some students to represent businesses, and others should represent the corporate level.
g. Questions for the class: (Opening, middle, and closing questions) (see Table 1).

Table 2

Questions for case analysis

Opening	Middle	Closing
What is the situation described in the case?	What are three examples of potential synergies that could be captured?	What are the challenges of managing synergies across different countries that are geographically apart and have a different language and culture?
Name the parties that are involved?	Assess the options and choose one to be captured.	Refer to at least three of the most relevant lessons learned from the case.
What issues could arise between the goals of Grupo Éxito and GPA in Brazil and Libertad in Argentina?	Suggest an action plan and governance model so that Grupo Éxito can capture the chosen synergy.	

h. Board plan: The use of the board is key in the knowledge co-creation process because it allows the recognition of diverse perspectives and promotes discussion among students. In addition, it helps preserve and share the summary that is achieved from the case analysis. The following three boards are suggested to start the activity, namely, individual exercise, group exercise (for the summary of presentations), and closing activity (see Figure 1).

Board 1. Class opening and individual participation (15 minutes)

4. Challenges faced by Grupo Éxito to capture synergies

1. Situation described in the case	2. Parties	3. Parties' goals

Board 2. Summary of presentations

Team	Type of synergy proposed	Action plan	Governance model
1			
2			
n			

Board 3. Closing activity

Challenges to capture the synergy

Figure 1. Board Plan

During the class

1. Upon arrival in the class, the professor introduces the activity by asking the questions that the students have to answer individually when reading the case. The professor randomly chooses a student to present the answers to the opening questions. The professor takes notes of the main ideas raised (see Table 1) and encourages the participation of others to validate, object to, or supplement the answers of the student speaker. This activity can last for 20 minutes.

2. Working teams are assembled, where some of the students play the role of business directors and others of the corporate center. This activity can last for 10 minutes.
3. Teamwork: Answering the middle and closing questions, preparing a powerpoint presentation (or similar) on the action plan and governance model designed to capture synergies, and send the presentation to the professor. This activity can last for 1 hour and 20 minutes.
4. During teamwork, the professor should visit the working groups to validate whether the learning goals have been met.
5. Closing plenary session: The professor downloads all the presentations sent by the teams on a computer. Each team makes the presentation while the professor takes notes on Board 2. The time allotted for this activity is 10 minutes for each team presentation. The total time for the presentation is 60 minutes.
6. Closing session: Final thoughts and lessons learned are presented. This activity can last for 40 minutes.
7. Sample timesheet for a 4-hour class from 8 a.m. to 12 p.m. (see Table 2).

Table 3

Table of class timesheet

Activity	Duration	Time
Introduction	20	8:00–8:20
Team formation	10	8:30–8:40
Teamwork	1 hour and 20 minutes	8:40–10:00
Break	20	10:00–10:20
Presentations: 10 minutes per team	60	10:20–11:20
Closing thoughts	40	11:20–12:00

8. After the class, the students finalize the presentation and send it to the professor within two days at the max for the final group mark.

CASE EVALUATION

One of the biggest challenges for the professor who uses the case method in class is the evaluation. For this reason, Table 3 offers different alternatives for conducting the evaluation and subsequently gives a suggestion for evaluating the case *Let there be synergy! But… how?*

Table 4

Evaluation Possibilities

	Before class	**During class**	**After class**
Individually and orally	Class preparation and Questions given in advance (warm calls)	Class discussion and cold and warm calls	Thoughts and oral exam
Individually and written	Case preparation workshop and Short assignments	Short writing tasks and online information gathering (Google Docs)	Exam and written work's evaluation
Teamwork and orally	Prepare presentations	Teamwork in class with presentation	Case analysis with group presentation
Teamwork and written	Workshop prepared by the team	Teamwork	Written teamwork and test to be completed at home

Source: Self-prepared based on Andersen and Schiano (2014) and Ellet (2007)

As explained in class preparation, the evaluation of this case is suggested at all three segments of the class, and students know in advance the ways in which they will be evaluated. The professor will provide feedback to the students and teams throughout the class. The grade (grade assignment) is based on the final presentation delivered by the teams after the class.

Before class: Questions 1 and 2 are assigned as an individual writing task.

During class:

- In the introduction of the class, an oral discussion with individual participation occurs to share the answers for Questions 1 and 2. The professor randomly chooses a student who will then begin his/her task (warm call).
- At the end of the class, when sharing the final thoughts, the professor builds Board 2 to summarize the case and generally gives feedback for the team presentations. Table 4 suggests a rubric that makes it easier for the professor to evaluate the oral presentations.

Table 5

Rubric to evaluate oral presentations

		Performance levels			
	Aspects to be evaluated	**Unacceptable (1.0−2.5)**	**Regular (2.6–3.4)**	**Good (3.5–4.4)**	**Excellent (4.5–5.0)**
Criteria to give feedback to the teams' presentations	**1. Teamwork cohesion**	Each student presents a topic without coordinatingwith the team and without coherence with the topic.	Each student presents a topic in a coherent manner but without coordinating with the team.	Each student presents a section of the work and consistency is observed in the topic but is partially articulated with the team members.	Each student presents a section of the work, and there is consistency in the topic and a high level of coordination with the team.

2. Body language	Body language shows no respect for the audience (clothes, greeting, eye contact, and attitude).	Body language shows partial respect for the audience expressed through clothes but without any greetings or making eye contact, and thus, the attitude fails to arouse interest.	Body language shows partial respect for the audience expressed through clothes and greeting, without making any eye contact when speaking; this attitude fails to arouse interest.	Body language shows respect for the audience (greeting and making eye contact when speaking, thus arousing interest).
3. Visual tool support	Visual tools do not help understand the topic presented.	Visual tools help understand the topic presented.	Visual tools help understand the topic presented, but do not clarify the decisions made by the team.	Visual tools help understand the topic presented and clarify the decisions made by the team.
4. Use of administrative language	The student uses common language in the presentation, but	The student uses administrative language to	The student uses administrative language to	The student uses administrative language with

	it does not aid in understanding the topic.	introduce the topic, but it does not help in understanding the decisions made by the team.	introduce the topic that aids in understanding the decisions made by the team.	an emphasis on strategy, and it helps understand the decisions made by the team.
5. Interest of the audience in the topic presented	The student presents the topic in a way that fails to get the interest of the audience throughout the presentation.	The student presents the topic in a way that gets the partial interest of the audience throughout the presentation.	The student presents the topic in a way that gets the interest of the audience throughout the presentation.	The student presents the topic in a way that excites the audience.

Source: Self-made

After class: After-school assessments consist of two aspects, namely, the grading of students' work and self-evaluation by the professor on the achievement of the students' learning objectives and class development.

1. Student evaluation: To grade the presentations by the teams, the professor must first prepare a rubric describing the aspects to be evaluated and the levels of expected performance. This rubric must be known in advance to the students so that they know how they will be graded (see Table 5).

Table 6

Rubric to grade the presentation by the teams

	Performance levels

Aspects to be evaluated	Unacceptable (1.0–2.5)	Regular (2.6–3.4)	Good (3.5–4.4)	Excellent (4.5–5.0)
Potential synergies evaluation (40%)	The team does not explain the selection of the synergy analyzed.	The team uses irrelevant evaluation criteria to capture synergies.	The team defines evaluation criteria that allow them to select a synergy opportunity.	The team defines evaluation criteria that allow them to select the greatest potential synergy opportunity.
Action plan (30%)	The team fails to identify a new synergy to be captured.	The team presents several potential synergies and proposes a general plan of how to capture them.	The team presents a synergy to be captured and proposes a detailed plan of how to capture them.	The team proposes several alternatives for potential synergies and prioritizes one based on a valid criterion. It also proposes a detailed plan to capture it.
Governance model (30%)	The team does not define the interaction spaces needed to capture synergies.	The team defines the interaction spaces needed to monitor progress and make the decisions necessary to	The team defines the interaction spaces needed to monitor progress, promote collaboration, and make the decisions	The team defines the multi-level and multi-business interaction spaces needed to monitor progress, promote collaboration, and make decisions.

	capture synergies.	necessary to capture synergies.

Source: self-made

2. Evaluation by the professor: the professor should consider whether students achieved the learning goals. In addition, it is useful to review the relevance of the activities carried out in class, as well as to rethink planning in the light of the previous points. The professor should also make a self-evaluation of the capacity to facilitate case analysis.

In the annex there is an example of the activity description given to the students.

Suggested bibliography for synergies

Ahuja, G., & Novelli, E. (2017). Redirecting research efforts on the diversification-performance linkage: the search for synergy. *Academy of Management Annals*, *11*(1), 342–390.

Eisenhardt, K., & Galunic, C. (2000). Coevolving. at last, a way to make synergies work. *Harvard Business Review*, *78*(1), 91–101.

Menz, M., Kunisch, S., & Collis, D. (2015). The corporate headquarters in the contemporary corporation: advancing a multimarket firm perspective. *Academy of Management Annals*, *9*(1), 633-714. doi:10.1080/19416520.2015.1027050

Rivas, L. M., & Londoño-Correa, D. (2017). Review of the issue of corporate synergies: origin, results and beneficiaries. *Management studies*, *33*, 153–162. doi:http://dx.doi.org/10.1016/j.estger.2017.04.004

Suggested bibliography for the case method

Andersen, E., & Schiano, B. (2014). *Teaching with Cases. A practical Guide*. Boston, Massachusetts: Harvard Business School Publishing.

Austin, R., & Kelley, R. (Producer). (2012). Case analysis coach. Retrieved from https://hbsp.harvard.edu/product/4380-HTM-ENG?Ntt=Case+Analysis+Coach&itemFindingMethod=Search

Ellet, W. (2007). The case study handbook: how to read, discuss, and write persuasively about cases. *Harvard business school press books*, 288.

Annex

DESCRIPTION OF LEARNING ACTIVITIES

Case on corporate strategy

Course name		**Professor's name**	

Title *What are you going to do?*	Let there be synergy! But… how?
Purpose *What is your intention with the activity?*	To evaluate potential synergies, select one with the greatest potential and design an action plan and governance model to capture synergies in Grupo Éxito so that they can achieve the USD 160-million challenge within 5 years.
Description *How is the student going to do it?*	1. Identify types of possible synergies to be captured (increased revenues, purchases or selling and administrative expenses, or propose an appropriate classification). 2. Evaluate possible alternatives to capture synergies. 3. Propose a step-by-step action plan to capture synergies from one of the particular alternatives within the time frame considered relevant. 4. Propose a governance model that helps capture the proposed synergies.
Duration *What is the duration of this activity?*	4 hours (see Table 1)

Deliverable *What does the student deliver?*	A powerpoint presentation made by his/her respective teams.
Evaluation *How will you evaluate it? What technique will you use? What instrument will you use?*	The evaluation technique is the case method based on the powerpoint presentation made by the team in class and evaluated based on the criteria detailed in the attached evaluation rubric (Table 2).

The questions each student prepared prior to class are the following:

1. What is the situation described in the case?
2. Name the parties that are involved?

Table 7

Table of class times

Activity	Duration	Time
Introduction	20	8:00–8:20
Teams formation	10	8:30–8:40
Teamwork	1 hour and 20 minutes	8:40–10:00
Break	20	10:00–10:20

Presentations: 10 minutes per team	60	10:20–11:20
Closing thoughts	40	11:20– 12:00

Table 8

Rubric to evaluate the case analysis included in the powerpoint presentation

			Performance levels			
		Aspects to be evaluated	**Unacceptable (1.0–2.5)**	**Regular (2.6–3.4)**	**Good (3.5–4.4)**	**Excellent (4.5–5.0)**
Evaluation of the presentation given	**Action plan (70%)**	The team fails to identify a new synergy to be captured.	The team presents potential synergies and proposes general ideas of how to capture them.	The team presents several potential synergies and proposes a general plan of how to capture them.	The team presents a synergy to be captured and proposes a detailed plan of how to capture them.	The team proposes several alternatives for potential synergies and prioritizes one based on valid criteria. It also proposes a detailed plan to capture it.
	Governance model (30%)	The team does not define the interaction spaces needed to capture	The team defines the interaction spaces needed to monitor progress.	The team defines the interaction spaces needed to monitor progress and	The team defines the interaction spaces needed to monitor progress, promote	The team defines the multi-level and multi-business interaction spaces needed to monitor progress, promote collaboration, and

	synergies .	make the decisions necessary to capture synergies.	collaboration, and make the decisions necessary to capture synergies.	make decisions. It also questions the model adopted by Grupo Éxito and suggests a coherent alternative.