

Jim Schleckser

Three Ways to Grow: Build, Partner, Or Buy



There are three tactics to achieve your growth strategy: Build, Partner, or Buy.

Every year, I speak with nearly a thousand CEOs in detail about their companies. One of the key topics that I talk to all those CEOs about is their **strategy for achieving future growth**. Whether that's expanding a business geographically, or even by entering new emerging markets, every CEO has a choice about how to achieve that goal of growth.

It turns out, regardless of what your growth goal is, you have three options to get there: Build, Partner, or Buy.

Let me explain what I mean by each of these options.

1. Build.

Your first option when it comes to implementing your growth strategy is to launch the new project yourself by investing your own resources and talent to build it. Building also involves learning, as there are certainly things you don't understand about the new space and you will be learning on the job. Building has several key advantages, including the ability to have total control. There is also the fact that whatever gains you accrue through your growth are all yours to collect. That's not to say that deciding to build doesn't

come with some risk as well. It generally takes more time than the other options, it is possible to make big mistakes due to the lack of knowledge I referenced and you have to invest all the capital, so it isn't cheap.

A great example of a company that pulled off a successful Build growth strategy is **Loctite**, the adhesives company. Several years ago, the company decided that its growth goal was to double its sales. And to do that, the company made the decision to double its sales-force. In other words, they chose to invest in building their growth by hiring, training, and investing in new sales people that doubled their sales force - which is what created a lot of risk until that new sales team started to become productive. But in the end, it proved to be a wise investment as the company more than doubled its sales in just a few years.

2. Partner.

A second option when it comes to putting your growth strategy in motion is to find another **company to partner with** who can help you reach your goal. In his popular book, **Blueprint To A Billion**, author David Thomson analyzed the seven factors that enabled companies to reach a billion dollars in annual revenue. And almost all the companies Thomson studied had what he calls a "big brother" partner,

meaning a larger more-established company that helped them get into places and markets they couldn't reach on their own. The best partnerships also leverage the different strengths each partner brings to the table, such as resources, talent, or market access.

A classic example of a Partner strategy like this paying off in a big way is when a then-scrappy startup called **Microsoft** partnered with computer giant IBM to sell the MS-DOS operating system on its PCs. IBM put MS-DOS on every single PC the sold. Microsoft, which had the best technology to offer, found a partner who helped it spread that technology through its vast distribution system all over the world - something little Microsoft could never have done at the time. Obviously, we know what happened after the created that beachhead on millions of PCs.

One downside of partnering, however, is that no matter how successful you are you still need to split the gains with your partner. There is also the issue of sharing decision-making and control with your partner - which is a dynamic that some organizations handle better than others.

3. Acquire.

Your third option in putting your growth strategy into place is to acquire a business in the area you want to expand into. The upside of this approach is that it's typically a fast way to enter new markets and to acquire new expertise. But there is also potential downside, especially if you don't know which questions to ask about whether your acquisition target is a good fit with your organization or not. As we know, many acquisitions fail to live up to their financial or performance expectations because the acquiring company hasn't done its proper homework.

I was working with a fast-growing company in the credit and collections market. They worked with large multi-unit housing complexes to help collect overdue rent from tenants. But the company wanted to grow even faster, so it looked at acquisitions to reach their goals more quickly. The first deal they did was to buy a medical collections firm - which was something far outside their own area of expertise. While their intention to diversify into a new market made sense on paper, the company soon recognized that the acquisition was a mistake because they didn't know enough about the medical collections industry. Fortunately for them, the company course corrected and recognized that if they were going to acquire, it should be in the housing collections market, where they could strive to be the best in the industry. They ultimately did this and found great success.

The mistake they made was to believe that acquisition was a strategy rather than a tactic to achieve the longer-term goal of growth. In their case, growth in their core market with bolt-on acquisitions.

So, when it comes time for your organization to think about how it needs to grow to meet its long-term goals, choose carefully when it comes to which tactic: build, partner, or buy. Any of these three options might be the answer to helping you reach your goal, just be sure you're asking the

right questions before you pull the trigger - just don't confuse a tactic for a strategy.

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About the Author

Jim helps leaders grow companies. He specializes in the issues that fast growth firms experience in their business models, talent, processes and systems as they reach higher levels of performance. Jim and his team at the **Inc. CEO Project** work with over 100 CEOs of high growth companies to identify and obliterate the things that stand between them and continued organizational success.

With 30 years of leadership in business strategy, technology businesses, process improvement, organizational development, mergers and acquisitions, engineering, sales and marketing, he brings experience in leading global organizations in both public and private environments across many functional areas to the table. Jim has been quoted in *The New York Times*, *Time*, *The Huffington Post* and *National Public Radio*. His ideas have been translated into 9 languages and he has done business in over 26 countries. Jim Schleckser is the author of "Great CEOs are Lazy", detailing the behaviours that make the difference in CEO performance. You can order at Amazon.com

He is also a popular **columnist on Inc.com**, writing on issues that affect CEOs and entrepreneurs.

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