

Growth options: Buy, build or partner?

	Pros	Cons	When to use
<p>M & A</p> <p>Buying another company</p>	<ul style="list-style-type: none"> • Fast - if you can find the right asset • Can add value to the overall company • Makes sense if 'money is cheap' • Useful if complex IP required 	<ul style="list-style-type: none"> • Might not be an available target • Can be expensive (depends on the deal) • Risk of breaking the target through culture clash ie ruining the asset over time • Target may have capabilities you don't need but have to pay for 	<ul style="list-style-type: none"> • If there is an attractive target, in the right markets with the right assets and customer base • If there are synergies between the businesses • If the combined strength of the 2 capabilities allows for new growth
<p>Organic</p> <p>Building the capability internally</p>	<ul style="list-style-type: none"> • Total control and ownership • Potentially more profitable in the long run 	<ul style="list-style-type: none"> • Can take a long time • Businesses can have unreasonable expectation on early returns • May lack right people, capabilities and culture to push through 	<ul style="list-style-type: none"> • If there is not an attractive target, in the right markets with the right assets and customer base; or no funds to invest • If internal capabilities map well into the new market • If there is long term commitment and drive to succeed
<p>Partnership</p> <p>/JV</p> <p>Collaborating with an informal or formal 3rd partner</p>	<ul style="list-style-type: none"> • Quicker than organic and less risky and costly than M&A 	<ul style="list-style-type: none"> • Less control than either of the other 2 options • Unlikely to gain full ownership of the IP • Cultures and objectives of the 2 businesses have to align well 	<ul style="list-style-type: none"> • If there is not an attractive target, in the right markets with the right assets and customer base; or no funds to invest • If there is an organisation with the right market access or capabilities and assets • When there is a non-competitive company interested in the same opportunity