



Affinity Maker™



## Weighing up business growth options - Build, Buy or Partner?

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*Marguerite McGinlay, Chief Executive Officer of Affinity Maker™ steers you through the initial thinking process when evaluating whether to follow a business growth path of build, buy or partner. This article will provide you with insight into where each strategy is applicable and the potential advantages and challenges associated with each of these business growth options.*



*The Game has Changed!*

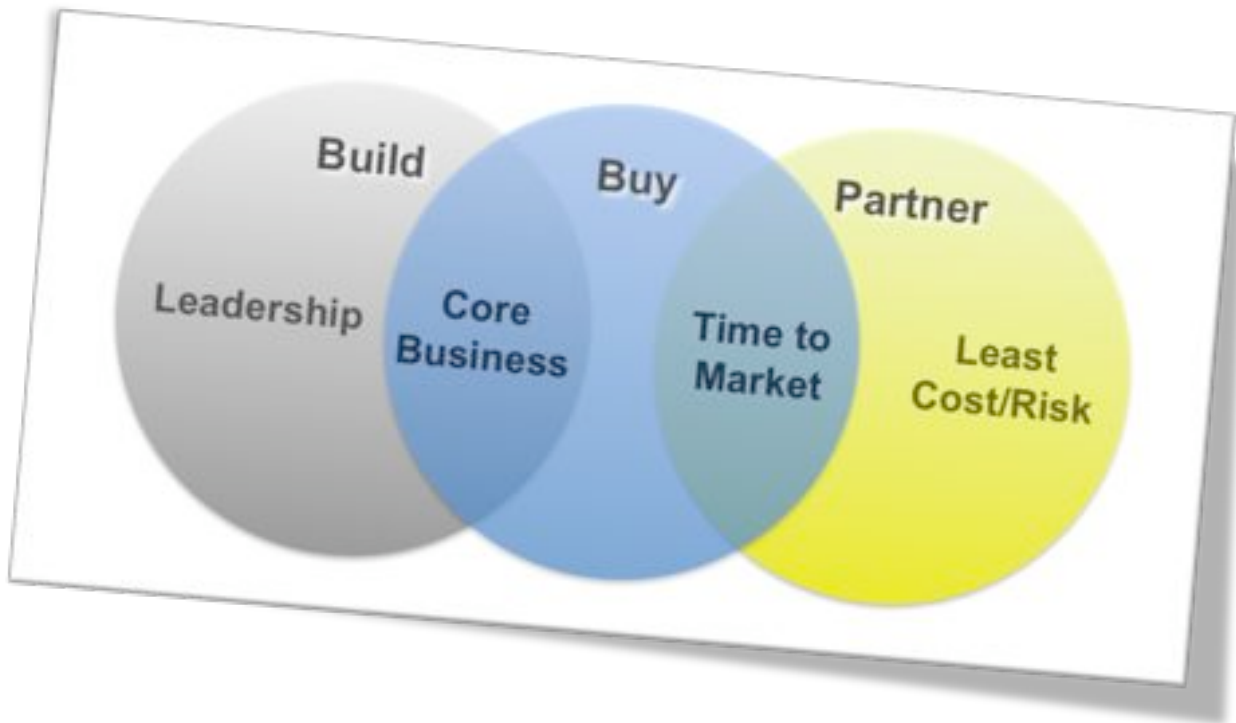
Innovation has always been about connecting the right ideas with the right technologies and capabilities but now the rules of the game have changed. There is a compelling global shift from closed industrial silos to an increasing reliance on external resources and capabilities.

No one company (or economy) can do it alone – we must

look outside for new products and technologies and to find new opportunities for growth.

Three ways to grow your business are:

- Organically: Build
- Acquisition: Buy
- Alliances: Partner



## How To Best Maintain and Develop Your Business Relationships?

Loyal customers have stayed with you because they can rely on your expertise and ability to provide them with specific solutions. As their business grows or the market changes they will need more than you can currently offer. Planning to meet their needs is essential before they decide to seek a provider with broader capabilities.

If your customers are already asking you to provide them with expertise or services you do not have or are beyond your core capabilities; the best approach is to choose a strategy that will best support your customer's needs without conflicting your business objectives.

- Buy Capabilities Externally** - Purchasing capabilities from another company can help you to quickly meet your customers' needs; and may be expand your customer base. However, finding the right supplier will require time, human resources, and will have specific financial requirements.
- Build Capabilities Internally** - Building your own capabilities can be costly and time consuming. It requires researching new technologies, methods or processes; consulting experts, building the team that will handle the new assignment (this includes hiring new staff and/or training your existing staff); and buying/renting resources needed to provide the service to your customers. All to compete with more experienced companies in the same business solution.
- Partner with Another Organisation** - Teaming up with another organisation whose capabilities complement, but don't compete with your own, will allow you to grow without the risks of buying or building the capabilities you seek. However, with this solution you will need a collaboration management system both you and your partners can mutually accept and agree to follow.

## How Partnering Can Benefit Both You and Your Customers

Working in partnership enables you to offer a greater range of solutions that will not only serve your existing customers but will attract new ones. By providing a one-stop-shop with a better-integrated solution you will benefit your customers by saving them time and money, they will not have to search for additional providers. This will help your business relationships grow stronger.

Integrated solutions have become a ‘must have’ if a business wants to compete for a share in the market. This opens great opportunities for partners to pool their skills and pair capabilities to offer better-integrated solutions cost-effectively without having to carry the cost or risk of setting up or buying the entire infrastructure.

	<b>BUY</b>	<b>BUILD</b>	<b>PARTNER</b>
	Purchase complementary skills or products from a vendor and integrate	Recruit new resources, expand skills, or open a new office or subsidiary	Partner with other organisations to deliver full-service offerings
<b>Potential Advantages</b>	<ol style="list-style-type: none"> <li>1) Grow business and add skills quickly</li> <li>2) Strong local connection</li> <li>3) Vendor competition for your business</li> </ol>	<ol style="list-style-type: none"> <li>1) Easier to manage</li> <li>2) More gradual approach</li> <li>3) Integrated with existing business</li> </ol>	<ol style="list-style-type: none"> <li>1) Low cost</li> <li>2) Faster to market</li> <li>3) Strong local connection</li> <li>4) Shared risk</li> </ol>
<b>Challenges</b>	<ol style="list-style-type: none"> <li>1) Cash outlay</li> <li>2) Learning curve</li> <li>3) Integration process</li> <li>4) Assume all risk</li> </ol>	<ol style="list-style-type: none"> <li>1) Cash outlay</li> <li>2) Slow process with limited scalability</li> <li>3) Disruption of existing business</li> <li>4) Assume all risk</li> </ol>	<ol style="list-style-type: none"> <li>1) Finding the right partner</li> <li>2) Less control of ownership</li> <li>3) Organisational alignment</li> </ol>
<b>Skills Required</b>	In-house capabilities to stand alone	Organisational agility and competency to invent	Communication and collaboration

*Partner Program, Microsoft Corporation*

## Creating Alliances is no bed of roses

Every day in the headlines, we read about people and organisations forming alliances in pursuit of success. In business, companies unite to compete through mergers, acquisitions, and partnerships. Even in reality television, we see the power of alliances as competitors strike deals in hopes of surviving the contest—and ultimately winning the game. We know that partnerships can get

the job done. That is why, in the United States alone, 64 percent of executives say that they plan to increase their use of strategic alliances over the next two years, and why 52 percent say that they plan to enter into more joint ventures. ("KPMG: Joint Ventures, Strategic Alliances to Increase." May 2005).



In dramatic contrast, we also know that partnerships will predictably fail, and often do. Indeed, 70 percent of partnerships do not deliver the results intended.

Numerous surveys say 50 percent to 70 percent of strategic alliances in every industry don't meet expectations. (Michael D. Lam, "Why Alliances Fail," Pharmaceutical Executive, June 2004).

Before setting up a partnership, organisations will be seeking to beat the odds and make their partnership a success. However, most are not equipped with the knowledge and implementation experience of using partnering best practices to make their partnerships a success. Further their partnership management skills are lacking.

Some causes of failure reported by senior executives involved in establishing and managing partnerships include:

- We weren't properly prepared
- We had the wrong partnering strategy
- We chose the wrong partner
- We had the right partner, but we couldn't deliver what we promised
- Right partner, but they couldn't deliver what they claimed or what we expected
- Wrong deal; poor negotiation
- Wrong structure
  - Management
  - Legal
- Process failure
  - Poor project management
  - Naïve budgeting

The result on each occasion is wasted time, money and opportunity. Implementation is often where partnerships fail.

Fortunately, help is at hand. Why step into an unknown and potentially risky venture unprepared when you could arm your organisation with a series of tools and techniques, coupled with years of experience from a team of alliancing and partnering specialists that would ensure the greatest likelihood of success.



*“Insufficient attention to post-deal alliance management can ruin a promising relationship.” (Alliances and risk: security a place in the victory parade - Gomes-Casseres)*

# Affinity Engine™

The Affinity Engine™ was designed to aid organisations who fall into two categories: those looking to establish new partnerships or alliances to grow revenue, introduce innovative products or services or reduce costs. And secondly those that have a partnership or alliance at any stage, from concept through to full functioning and are experiencing challenges to get it to function optimally. Making Partnerships and Alliances Work is all we do. Why step into an unknown and potentially risky venture unprepared when you could arm your organization with a series of tools and techniques that would ensure the greatest likelihood of success.

Affinity Maker™ is an international boutique consulting company that helps clients create new partnerships and alliances and make existing ones work better.

To find out more about our services or to start using the Affinity Engine™ visit our web site [www.affinitymaker.com](http://www.affinitymaker.com)



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