

Meeting The Talent Challenge: Growth by Acquisition

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Partners, business owners, managers and directors know that growing a business is essential to long term survival. Given this fact, rarely do you hear architectural/engineering/construction firm owners say that their goal is to remain small and less competitive. Business growth is a way firm owners can maximize their hard work resulting in that return on investment that they all seek.

With those thoughts in mind, companies put programs and initiatives in place to find new customers, keep current customers happy, expand services, increase productivity and efficiencies and more. That's a very traditional approach to business growth and something that all architects, engineers and construction professionals learn in business management 101.

When A/E/C firms ponder the question of growth the focus turns to finding new customers, new projects and more business from current customers. Growing in this fashion works but can be slow and can be influenced by many factors outside of a firm's direct control. The growth can be much slower when there is such a tight market for employees like the one that exists in the A/E/C industry today. A firm can't grow without the employees to provide the additional billable hours.

While all of these notions are key components of growth and a successful firm, there is shortcut to firm growth: Growth by acquisition.

Growth through acquisition is just not for the big firms. Acquisition can be very appropriate for small to medium size companies wanting to accelerate business growth.

There is no secret that in order for a firm to grow organically (internally) additional human capital is needed. Organic growth refers to internal activities pursued by companies to increase their scale. Organic growth can

include: expanding product/services and geographic footprint with people and services already in place, increasing sales and marketing activities and other internal investments used to increase the overall sales of the business. These are great traditional approaches to increasing revenue; however, the amount of capital required to achieve that kind of success can be extensive, if not overwhelming. Organic growth demands a considerable amount of time and patience and still may not generate the desired results.

Growth through acquisition, on the other hand, can be a much faster and often more cost effective means of expanding a business. Organic growth, mentioned above requires lots of time and patience with no guarantee for the desired results. For many firm owners and partners considering retirement, they do not have the time, or the patience, to consider organic growth from within.

Companies wanting faster regional or national growth will find it less expensive to buy an existing business than to expand internally and attempt to grow organically.

Pursuing a merger or acquisition usually carries with it the hopes that a combination will spur growth more than organic customer growth. An acquisition success is the result of combining services, people and client relationships, taking a business to whole new levels.

A new set of people challenges can arise as a newly combined company is formed but the greatest efforts of collaboration and people working together will yield the full potential and full value of a merger/acquisition.

Its no secret that as economies pick up, as budget money is released, as projects are renewed at a greater pace, people to deliver and produce will get tougher to get. Acquisitions fill that people need while at the same time providing more benefits.

Companies coming together in a merger/acquisition, with additional people, stand to reap benefits quickly. Immediate benefits show up in the form of improved customers service, positive employee morale, new organization

structure, more projects, bigger projects, new skill sets to offer clients and to win more contracts, new perspectives and ideas and new successes.

With new staff comes additional and different skill sets. People coming with an acquisition may have more knowledge of your industry, customers or other business dynamics that the acquiring company might not otherwise have.

The key to growing by acquisition is finding and taking advantage of synergies. Its often described that a successful acquisition is like $1+1=3$ (or 4, 5, 6 or more).

Aside from being a quicker, cheaper way to grow, acquisition can also be a far less risky path to growth than those methods previously mentioned.

There are many areas of growth that a company wants when pursuing an acquisition. Some firms want to expand geographically; serve current or new clients in different geographical areas. Some firms want to diversify their service offerings by adding new service areas. Usually any of these benefits make a company more competitive in the market place, making acquisitions even more desirable. Becoming more and more popular, especially as economies improve and more money is being spent on projects, is acquisition to get people. That's right, there are firms right now that have lots of business or lots of business opportunity if they just had more resources, with the primary resource meaning, people.

Acquisitions can often serve to access new markets and new sources of revenues and earnings. Other benefits of acquisitions include: increased employee capabilities and resources, reduced competition, increased market share, increased geographic reach, increased strategic alliances, greater economies of scale and new products or services.

Often, architectural/engineering/construction firms seek an opportunity to increase project scope and leverage, by becoming a larger organization. A larger size can act as the base and a means for increased market share, increased and diverse service offering, and distinct competitive advantages.

More and more companies are becoming challenged with finding the necessary people for expanded projects, new capacity and growth that is available. Acquisitions of people that come with acquiring another business helps to solve this and meet that challenge head on.

Having enough of the right people on board is critical for business growth.

Adding people allows firms to compete with larger businesses. It's not always the company with the most money that wins contracts and business. The company with the right talent usually comes out on top.

Those that have successfully acquired companies will state that it is typically less expensive and much quicker to buy a business than to build business from scratch. Additionally, a firm that has a specific need like needing a PE or an architect with experience in a specific area or needing to have an office in a specific geography to serve clients more effectively, can get exactly what they need fairly quickly by looking for and acquiring a firm that has what they need. And as a bonus, they will get new clients, a backlog of work, and a consistent revenue stream. This is clearly a win-win situation.

Growth through acquisition also is an opportunity for an acquiring company to make key employees at an acquired company part of the team by offering ownership, partnership or other "golden handcuff" benefits and opportunities.

With an acquisition comes an opportunity to shape the right organization with growth in mind, creating more firm value in the long run and even in the short-medium term.

Call these strategic drivers or acquisition perks. The bottom line is growth, benefits and increased firm value. Are you ready for fast growth?

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