

THE GLOBE AND MAIL 

Bruno Cloutier, founder and president of Momentum Technologies, at company office in Montreal.

GRAHAM HUGHES FOR THE GLOBE AND MAIL

THE CHALLENGE

Growth path: Open new office or make acquisition?

BRYAN BORZYKOWSKI

Special to Globe and Mail Update

Published Wednesday, Mar. 28, 2012 6:00AM EDT

Every week, we will seek out expert advice to help a small or medium-sized company overcome a key issue it is facing in its business.

Bruno Cloutier thinks it's time to take his business beyond Quebec's borders. How he will do that is still up for debate: Open a new office or make an acquisition?

Mr. Cloutier, the founder and president of Quebec City-based [Momentum Technologies](#), has been seeing his information technology consulting firm grow at an annual 30-per-cent clip to 120 employees and \$12-million in revenue last year.

However, he believes that if he stays confined to Quebec, that growth will slow in the next few years, so he wants to expand into Ottawa, Calgary and Toronto.

Though the company can do some work for non-Quebec-based clients from head office, Mr. Cloutier believes that, to develop customer relationships, he needs teams in these locations.

He opened a new office once before, in 2008 in Montreal, but found it frustrating. It took too much time to get it off the ground, he says, and he had to hire staff and find clients; he was, essentially, starting from scratch.

“Opening a new territory with an organic approach is very close to starting a new business from nothing,” he says. “It requires a lot of energy.”

But it eventually worked out. The Montreal office accounts for 28 per cent of revenue; growing this way was also cheaper and gave him more control over company culture.

This time, he’s leaning slightly toward acquiring a business, because it’s a faster way to growth. He’d like to buy an IT company, similar to his, generating \$1-million to \$3-million in annual revenue, with 15 to 25 employees. He wants to spend between \$1-million and \$2-million in a combination of cash and debt.

While acquiring would give him immediate existing clients and contacts, it’s a more expensive and riskier way to go; if it doesn’t work out, he’s got a big upfront investment to lose.

And that’s the rub.

“We’re not sure what to do,” he says. “I need help comparing the pros and cons.”

The Challenge: How should Momentum expand its business – through acquisition or by opening a new office in a new location?

THE EXPERTS WEIGH IN

Marc Tétrault, partner at [KPMG Enterprise](#), Montreal

If they don’t have the expertise with acquisition, it can be very risky. They can buy a company this year, but, if something goes wrong next year and the cash flows aren’t coming in, they could lose a lot of money. If they can get that expertise, then it might be interesting to acquire, but if they can’t, then they should grow organically.

It may have been slow, but they were successful with that in Montreal. They know how to do it, so the risk is less. The organic growth can also be quicker than last time because they know the recipe.

Steve Letovsky, senior partner at Montreal-based [LBC Consulting Services](#)

The only way I would start a business and expect [high year-over-year growth] is if I was selling a niche product that isn’t available in that market. If he has a unique selling proposition, then organic growth could work.

But I think he should acquire. He has almost no clients outside of Quebec so, if he wants to grow in another province, he should just go and buy a client list. If he thinks what worked in Quebec can work elsewhere and that it’s a cookie-cutter approach, then he should just buy a business and hit the ground running. He can just pick up and start something. Besides buying a client list, he’s buying a culture, a hopefully positive reputation and he can get that growth right away.

Donald Clarke, Montreal-based owner of Gunité Investments Inc., who has acquired and grown companies organically

I've always preferred to grow through acquisition for three reasons. The first is that it gives you a customer base to start out with. The second is that you have a core of people who trained in your area, and if it's not exactly the same skill set, you at least have base you can grow from and you can train them. Third, it makes venturing into a new location that much easier because you have a good company. You also have the existing company's good will.

Each way has its trials and tribulations, but if he's tried organic growth and he hasn't enjoyed that experience very much, then he should consider trying something else. The issues he encountered in Montreal, which probably included finding the right people, bringing in new business and making the office profitable, will always be there.

THREE FACTORS TO HELP MOMENTUM DECIDE ITS STRATEGY

Acquisition expertise

Acquiring is risky and complicated. It helps if a company can access someone who's had experience buying a company before. If they can't, organic growth may be the way to go.

Client list

One reason people buy a business is to get access to the client list. If clients are wanted immediately, acquisition may be the way to go.

Competition

If the market is saturated with other players, acquiring will make it much easier to compete. If competition is minimal, time can be spent growing a clientele.

Special to The Globe and Mail

Facing a challenge? If your company could use expert help, please contact us at smallbusiness@globeandmail.com

Join The Globe's Small Business LinkedIn group to network with other entrepreneurs and to discuss topical issues: <http://linkd.in/jWWdzT>

Our free weekly small-business newsletter is now available. Every Friday a team of editors selects the top picks from our blog posts, features, multimedia and columnists, and delivers them to your inbox. If you have registered for The Globe's website, you can [sign up here](#). Click on the Small Business Briefing checkbox and hit 'save changes.' If you need to register for the site, [click here](#).

© 2012 The Globe and Mail Inc. All Rights Reserved.