EXPERT COMMENTARY

Add-ons, in a vacuum, don't create enduring value. The operational capabilities and related growth levers required for a successful buy-and-build should go beyond the scope of M&A, argue Audax Private Equity's Young Lee and Keith Palumbo

From buy-and-build to a holistic value agenda

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Every industry, assuming it endures, will see certain semantic shifts that mark its maturation. 'LBOs' became 'private equity', 'cost savings' became 'synergies' and 'employees' were recast as 'human capital'. M&A growth strategies, now ever-present, have also been broadly repositioned as a 'buy-and-build' approach, with a focus on value creation as a critical component to success.

This linguistic drift reflects more than just changes in terminology. The private equity industry has indeed evolved, significantly so over the past quarter century. The financial engineers have given way to the builders; key people have been overshadowed by teams and systematic processes; and persistence, over multiple vintages, demands a replicable approach to sustainable, long-term value creation.

Survivorship bias – in an industry that rewards repeatability of returns – has also seen the industry continuously borrow from the innovators. From the outside looking in, it can now be hard to distinguish between semantics and a truly differentiated approach to operations.

As practitioners, we're often asked how one approach to the 'buy-and-build' may differ from another. The answer, we've found, is that it's not the 'what' that defines the strategy, but rather the 'how' and the 'who'.

Parsing the buy and build

To be sure, the buy-and-build model, once a defining edge, has since become standard practice. In one 2024 study, published in the peer-reviewed *Sinergie Italian Journal of Management* ("Buy-and-build strategy: Evidence from a survey of private equity general partners") nearly 90 percent of private equity firms surveyed claimed to deploy some form of an add-on strategy. Another study, published in July 2025 by Gain.pro (*The Private Equity Value Creation Report: 2025*), found that active buy-and-build strategies, when done right, correlate to outperformance across three core value creation metrics: revenue growth, margin expansion, and multiple expansion.

While we agree, it has also been our experience that there's more to it. M&A is just one of many critical components comprising a far more comprehensive value agenda – an umbrella term characterising efforts to create, enable and protect value.

Our approach to advancing a value agenda, for instance, is neither dogmatic nor democratic. It's an evidence-based framework that leverages the buy-and-build capabilities developed over time. And this framework seeking growth, for each investment, is built in partnership with portfolio company management and is activated by a team of in-house functional specialists and practitioners.

As a case in point, our strategic resources group is now made up of more than 60 professionals, as of September 2025. Over the past 12 months, we've added resources around 'commercial excellence', generative AI, and portfolio insurance, in addition to expanding the geographic reach of our business development function, with the growth motivated by two determining factors: capability and capacity.

To help visualise this, we see the overarching value agenda as being buttressed by the three pillars of value creation, value enablement and value protection.

Value creation

Value creation initiatives might include the likes of business intelligence projects, pricing initiatives, salesforce enhancements and supply-chain optimisation, as well as AI initiatives that amplify human talent, support strategic decision-making and potentially create new revenue streams. M&A and post-merger integration also fall into this bucket.

These efforts, on their own, aren't necessarily novel. We believe the difference lies in the engagement model, dictating how in-house operational and strategic resources interact and collaborate with the deal teams and portfolio company management.

For instance, the specialists within our strategic resources group are embedded and work alongside our deal teams to play a key role at every stage of an investment. It's not the 'operating partner' approach or 'executive-in-residence' model that most are familiar with. The work of our strategic resources group also isn't billed back to our portfolio companies. This approach, we've observed, can incentivise operating partners to craft complex solutions to non-existent problems.

Deeper engagement and more effective collaboration, we believe, is achieved through bringing data, relationships and experience to arm management with a framework to zero in on what they believe is needed for strategic, compounding growth. It's a 'pull' versus 'push' approach, in which management draws on desired resources.

> *"A change is taking hold in which M&A alone feels like a first-generation tool"*

Another benefit of integrating the operations teams within the investment organisation is that sponsors that take this approach can expeditiously transition from the diagnosis phase of value creation to execution.

In some cases, operating partners can complement these capabilities, but in our experience, dedicated, ongoing support from capital markets, business development, analytics, market intelligence, legal and tax and other specialties have become core competencies to our version of the buy-and-build strategy.

Value enablement

These skillsets, we believe, are table stakes to execute an effective buy-and-build strategy. But in addition to value creation initiatives, efforts around value enablement are critical to instil operational excellence and clear a path for strategic growth. Said another way, value enablement can help ensure the pieces are in place for value creation initiatives to take hold and stick.

Within the context of a broader value agenda, value enablement can entail everything from ERP and CRM implementations and technology buildouts across key functions, to operational roadmaps and development. Generally, for mid-market companies looking to accelerate growth, the technological and digital underpinning should resemble companies three or four times their size.

A similar approach can be applied to talent. For instance, we have sought to institutionalise the 'talent to value' framework developed by Sandy Ogg and Sumeet Salwan. This demands an entire team dedicated to portfolio company recruitment, a database of more than 45,000 executives to quickly source, onboard and develop talent, and a global delivery model – the goal being not to reduce costs or relocate existing roles, but to pre-emptively eliminate barriers to growth such as talent shortages in key functions or certain geographies. Again, the objective should be to make accessible the talent and leadership that's otherwise out of reach for smaller, non-public companies.

More holistically, it's not a 'talent-first' approach; it starts with a shared objective and then equips management with the resources to identify the right people and appropriate tools to pursue it.

Value protection

The three components of a value agenda – value creation, enablement and protection – are often depicted sequentially, one after another. In practice, though, it's best characterised as a careful cascade of long-term initiatives and targeted shorter-term projects. And value protection efforts, in particular, should blanket the entire lifecycle of an investment.

Financial due diligence, for instance, may begin months before an acquisition, while expansive reporting capabilities should be implemented at the very onset of an investment. From there, value protection efforts should manage and address risk throughout a hold (eg, tariff exposure, cybersecurity, liquidity management and recession readiness.)

It can also be hard to categorise certain initiatives. Efforts to refine go-to-market strategies, for instance, are as much about determining a path for growth as they are about trying to guard against potential margin degradation. Moreover, comprehensive risk management should be embedded into the DNA of portfolio management. Trying to predict the next black swan event, to cite another example, is not only unproductive, it introduces uncertainty and doubt.

"The financial engineers have given way to the builders"

By implementing rigorous systems and processes that deliver a true evidence-based framework, business leaders can respond quickly and decisively when unforeseen shocks do occur.

Stabilising relentless reinvention

The focus on building operational capabilities in-house in order to effect a value agenda is not about eliminating the need for outside partners or consultants.

Paradoxically, in-sourcing key functions can enhance collaboration with third parties, while also instilling a lens specific to each firm's approach that encourages alignment, facilitates communication and inspires deference for disparate views.

This respect for cross-functional expertise and reflexive collaboration, we believe, helps to safeguard against blind spots and groupthink. It also fuels creativity and enables investments conceived through a value agenda and powered by a buy-and-build approach.

Consider carve-out transactions. The operational lift of these investments often wouldn't be feasible without a force-multiplying team of embedded functional specialists. These investments typically require recruiting an entire C-suite, creating standalone infrastructure, reimagining a go-to-market strategy, and then investing in the team and capabilities.

To execute within a traditional PE timeline, GPs effectively have to lay the tracks while the train is in motion, demanding precise coordination and agility to go after perceived white space, while addressing obstacles along the way.

If all of this sounds easy or achievable through a playbook, it's important not to overlook the value of relationships. For instance, we'd argue that it's our trust in each other, our partners, our management teams, and in a shared vision for growth that allows us to act as a cohesive unit, adapt to environmental conditions, and pursue bold, ambitious goals.

In short, the buy-and-build model has helped the industry evolve from financial engineering to an asset class premised around creating value. In the context of what's required today to build a better competitive alternative – namely operational excellence, foresight and strategic agility – we believe a change is taking hold in which M&A alone feels like a first-generation tool from the era of Palm Pilots and Napster.

A value agenda isn't about replacing the classic buy-and-build approach. Rather, M&A should empower and accelerate a value agenda, which can instil a framework to try and create, enable and protect value. In an era defined by speed and disruption, we believe this approach can help ensure the operational model of tomorrow remains fit for purpose in an era of relentless reinvention. ■

Young Lee and Keith Palumbo are partners and co-presidents at Audax Private Equity

PEI

New York
530 Fifth Avenue,
14th floor
New York,
NY 10036
T: +1 212 633 1919

London
100 Wood Street
London
EC2V 7AN
T: +44 20 7566 5445

Hong Kong
Room 1501-2, Level 15,
Nexxus Building,
No. 41 Connaught Road, Central,
Hong Kong
T: +852 3704 4635

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