Big Firms, Big Growth

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It's easy enough to think of big companies that have gotten bigger through mergers or acquisitions--Citigroup and Berkshire Hathaway come to mind. But how many big companies have gotten truly huge without relying on acquisitions--that is, through organic growth? "You can't achieve double-digit growth without acquisitions," a research director at a top investment bank told us. "If you're looking for growth, you have to look at small companies."

Ed Hess begs to differ. The executive director of the Center for Entrepreneurship and Corporate Growth at Emory University's Goizueta Business School, Hess identifies companies with the strongest growth over five years, excluding acquisitions, by applying a series of screens to a universe of top wealth creators. This year 23 companies qualified for his Organic Growth Index, including four FORTUNE 100 companies--three of them retailers. P&G didn't make the cut. (For Hess's methodology and more companies on his index, see fortune.com.) Here's who they are and what smart things they've done to stay ahead.

BEST BUY 2003 revenues (year ended 2/2004): $24.9 billion*; sales growth: 9.8%*; profit growth: 612%

This consumer electronics seller boomed by offering CDs and videos alongside TVs and PCs (which lured customers to stores more often) and by eliminating commissions for salespeople (which lowered labor costs). Its sales beat those of Circuit City in 1996; since then, they've more than tripled. To fend off Wal-Mart, the company is now rolling out a "Geek Squad" --a nationwide team of repair and installation specialists--and revamping its stores to appeal to different customer segments, such as hard-core gamers and tech-challenged women. The 32 stores that have been revamped so far are showing significant sales gains over the others.

SYSCO 2003 revenues: $26.1 billion; sales growth: 11.9%; profit growth: 14.5%

It has been over a decade since Sysco, the nation's leading food distributor, made a major acquisition. But its robust growth continued as it built new distribution centers, nurtured its customers via its vast 8,000-person salesforce, and cranked out private-label foods that brought in $11 billion last year. Next year Sysco will open the first of several centralized redistribution centers that it hopes will help it cut back on slower-moving inventory at its 85 existing locations and reduce the average item's days on the shelf by about a third.

WALGREEN 2003 revenues: $32.5 billion; sales growth: 13.3%; profit growth: 15.4%

If you've ever found yourself stumbling out of a hospital ER in the middle of the night, holding a sick loved one's hand and clutching a prescription, your next stop was probably a Walgreen's. It has more 24-hour and drive-through pharmacies than any other drugstore chain--and convenience is key now that managed care has made prescription price differences moot for most consumers. Walgreen assiduously avoids acquisitions, preferring to build stores according to its time-proven format on carefully selected sites.

WAL-MART 2003 revenues (year ended 1/04): $260.7 billion*; sales growth: 6.6%*; profit growth: 13.8%

We all know about Wal-Mart's mastery of the supply chain, everyday low pricing, and strategic sourcing. But in recent years its growth has been fueled mostly by groceries. Food is Wal-Mart's fastest-growing and largest category, accounting for about a quarter of total sales at its supercenters and nearly a third at its Sam's Clubs. Wal-Mart did it by moving aggressively, adding an estimated 50 million square feet of food-selling space over the past five years. The company hopes its neighborhood markets--now in the incubation stage--can keep it growing.