# Alternatives to Innovation?

Not surprisingly, I am a proponent of innovation as a way for organisations to grow and achieve their corporate goals and objectives – whatever they may in themselves be. However, there are other strategic options which organisations believe that they can adopt to grow their revenue or profit streams. It is worth restating that, without some growth strategies, revenue streams will fall over time – not stay constant as business managers would like to believe, but fall. This post looks at these other ways and comments on the appropriateness of each. As this is a discursive post, reader comments are welcome.

## Acquisitions

Acquisitions are always seen as a good way to grow, particularly by analysts who follow these companies. They are also often very good for shareholders in the company being acquired, particularly if cash is being paid for the shares. They are unlikely to be as good for the company being acquired – there are considerable financial, psychological and operational impacts, including layoffs, relocations, pay cuts, and reassignments – and so being acquired is inevitably poor for morale. Are they good for the company doing the acquisition? In the short-term they are, or can be. They can provide a morale boost for the acquirer, as well as a short-term share price lift. Over the medium- and long-term, the results are often less impressive. Integration costs are often much higher than anticipated and the returns are generally much lower than expected or hoped for. Research in 2004 by Surowiecki (The Wisdom of Crowds, Doubleday, 2004) noted that "Roughly two-thirds of all mergers end up destroying shareholder value, meaning that the acquiring company would have been better off never making the deal". Think of the AOL-Time deal!

## Cost Control

This is often utilised as a measure to be adopted in uncertain or recessionary times. Sure, it reduces costs, leading to increased revenue, assuming unchanged revenues. However, how

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does it really help with the future? There is a limit as to how far costs can be cut, or how lean the organisation can become before the organisation becomes dysfunctional. Cost control does not look to the future, it is often emergency action to temporarily shore up a failing organisation. Cost control, in summary, does not generate future growth.

**Information Technology**

How does this provide growth opportunities? IT tends to be big spend, and there is only so much CRM or ERP software which any organisation needs. So where is the growth driver here?

**Survival**

The three alternatives to innovation highlighted above do not provide a suitable alternative for long-term sustainable growth. Organisations need to adapt and change, or initiate change. It is necessary to create customer value that differentiates your organisation by meeting customer needs better than anyone else. You have to be innovative. You need to look at how you can improve your products and services, how you can do it better that others. You need to understand that others are trying to put you out of business by doing what you are doing better than you. You need to be the one to respond to change.

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