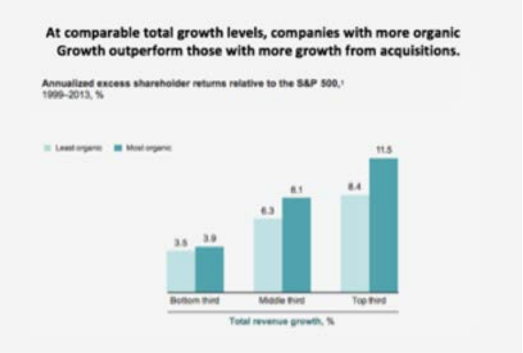
Organic growth may take longer but it's less risky, less costly and way more valuable.

A whole generation of senior executives has grown up with an obsession on growth by acquisition that sometimes borders on OCD. Some are addicted to the adrenalin rush of the big deal. Others find themselves drawn like bees to honey by the allure of instant revenue and earnings accretion. Others still point to the lack of organic opportunity in mature or shrinking industries.

The collective, almost lemming-like obsession with hunting and bringing down the "big elephant" is understandable enough when you look at the history of human psychology and behaviour and the testosterone-fuelled world big corporate CEO's inhabit. But it fails to stand up to any objective, fact or risk based analysis. According to Harvard University, in 2018 the failure rate for mergers and acquisitions stood at between 70 and 90 percent. Accounting giant KPMG, which earns hundreds of millions of dollars per annum advising on corporate acquisitions and who can therefore usually be relied on to lead the cheerleading in favour of M&A, recently reported that 83% of acquisitions failed to increase shareholder value.

Put simply, the costs and risks of M&A outweigh the benefits many times over. The jury left the building on that one a long time ago.

Over the years, we've seen company after company pass up organic-growth opportunities they were perfectly positioned to capitalise on, because they would have taken too long to boost revenue and earnings, only to go on and spend millions and millions only to get no revenue or earnings accretion at all. Most would have been better had they done nothing at all.



Source: McKinsey 2019

No lesser authority than McKinsey & Co agrees with us. Another major consulting firm ordinarily well and truly in the M&A camp, late last year they studied the impact of the relative proportions of organic vs acquired revenue growth on shareholder value on 550 large US and European companies. McKinsey's results support our hypothesis that companies with relatively more organic growth not only grow faster overall, they do so without exposing themselves to the significant costs and risks associated with acquiring and integrating other organisations.

Read more of our latest thinking on Organic Revenue Growth here.

Or watch, listen to or read about other organisations who have unlocked the door to organic growth.

RPMGi

Since 2005, the Revenue Performance Management Group (RPMG) has been helping organisations around the world use data and analytics to understand and measure their revenue risks and use the insights gained to drive sustained revenue improvement. Across 154 clients to date, those clients have enjoyed ***organic*** year-on-year revenue improvement following engagement with RPMG of 24%.

To learn more about RPMG or our Telemetry Revenue Analytics platform could do the same for your organization, visit our website at www.rpmgi.com or email us at info@rpmgi.com.