Revenue Growth and Unintended Consequences

Unintended consequences are outcomes that are not the results originally intended in a particular situation. A classic example: some historians believe that if the Treaty of Versailles had not been so harsh on the Germans at the end of WWI , then Hitler would not have been able to exploit German resentment, he would not have risen to power, and WWII would have been avoided. The idea of unintended consequences dates back many years, perhaps to Adam Smith. But it was the American sociologist Robert K. Merton who popularized the concept in the 20th century. In 1936 Mr. Merton wrote the paper "*The Unanticipated Consequences of Purposive Social Action*" and lists five possible causes for unintended consequences:

1. **Ignorance -**It is impossible to anticipate everything and initial analysis is often incomplete or just plain wrong.
2. **Error** -The problem is misdiagnosed or not defined with clarity.
3. **Immediacy of Interest** -We rush to act and pursue short term interests without sufficient regard for long term effects ; e.g. after the World Trade Center collapsed, rescue workers rushed in without protection and now have serious health issues.
4. **Basic Values** -Because of basic beliefs and values either we require or we prohibit actions, even though the long-term affects may be harmful. An example may be when our ideologies or preconceived notions drive our actions.
5. **Self-defeating prediction** -Predictions of catastrophic happenings may not come true ; e.g. Global Warming may not occur to the extent being forecast if the fear of this event motivates people to take corrective action now

We normally think of politicians who act quickly in the interest of getting reelected and ignore the unintended consequences of their actions. More roads and bypasses are sometimes approved and built to relieve traffic congestion. However, without proper planning, this added road capacity can attract future development and even more traffic, resulting in even more congestion. Recently we saw Congress debate the Federal bailout of financial institutions and commit nearly One Trillion Dollars to stimulate economic growth. Have they properly planned for the added burden of future debt?

Sometimes we, in the corporate world, rush to act when we should instead carefully pursue a solution. A strategy of revenue growth is one of those actions that should follow a well-thought out plan. Growing revenue during the best of times can be complex. In the current economy the consequences of short sighted choices could be fatal.

Here are five steps that will help eliminate bad decisions along with their unintended consequences:

1. **Knowledge** –In today's environment it is especially critical to do your homework before embarking on any growth strategy. Understanding and managing cash flow and liquidity are more important today than managing sales and expense. Look closely too at taxes which are one of the most significant overhead costs to businesses
2. **Correct Assessment** – It is critical to take a cold, hard look at all issues and opportunities. Strategic sales opportunities that appear profitable on the surface may have disastrous consequences. Understand the implications, especially to cash-flow, and plan accordingly
3. **Prudent Course** – Attend to the basics. Difficult economic conditions require a focus on cost management but not necessarily cost-cutting, especially if cutting diminishes competitive position or limits the possibility of pursuing legitimate growth strategies e.g. enhanced market share.
4. **Enhanced Values -** In today's business environment it is critical to reexamine our basic values and preconceptions to ensure they still fit**.** Then, if appropriate, continue to pursue growth strategies such as investing in capital expenditures, especially if vital to maintain competitive position. But consider various financing options and their impact on working capital.
5. **Self-achieving prediction -** Adopt the mentality that failure is not an option. Avoid distraction and remain focused on larger goals, the strategic plan and realistic growth strategies. Continually reevaluate and readjust. Develop backup plans.

Even in today's market there may be opportunity to grow the business but most people see opportunity only in the rear view mirror after it passes. It is hard to recognize opportunity coming at you. That is why it is so important to thoroughly plan for revenue growth, to increase the options available for review, select the options with the greatest likelihood of success, quickly abandon flawed options and implement and monitor the best ones. A thorough approach is the best way to recognize real opportunity. Above all remain flexible and have backup plans to hit your goals if initial activities do not work. It is critical today to remain nimble and not allow our initial assumptions to unduly limit our future responses. In this way we can limit the downside of any unintended consequences that may occur as we grow the business.

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