

Why businesses must innovate to succeed post-recession

Story Highlights

- Businesses need to innovate now to come out of the crisis as winners
- It's crucial for firms to identify customers' frustrations, says Dominic Houlder
- "People are asking questions about what they've really been getting," he says

Mark Tutton, LONDON, England (CNN) -- Forget damage limitation. If businesses want to come out of the economic crisis as winners, now is the time for innovation.



Dominic Houlder: "It's terribly dangerous to start breathing a sigh of relief."

Dominic Houlder, a professor at London Business School, told CNN that while the initial phase of the downturn required businesses to adopt crisis control strategies, it is now time for them to think of the future.

"The [economic] crisis tends to be an innovation killer in the phase when people are talking about battenning down the hatches and cutting down on spending in arbitrary ways," he told CNN.

"I'm hopeful that in most sectors we're through that phase now, but I think the big danger is that people don't grasp the turning points in a timely way, which means they may then lose out."

"Having got through the stop-the-bleeding phase, it's terribly dangerous to start breathing a sigh of relief," said Houlder, a professor of Strategic and International Management.

Houlder has produced a video called "Did the Crisis Kill Innovation?" for Survival of the Fastest, an online collaboration between London Business School, Google and The Daily Telegraph. [Watch the video on the London Business School web site.](#)

He told CNN that most sectors are now moving beyond merely surviving the downturn, and that it's time for businesses to focus on innovation to secure their position in a post-recession world.

But he says what's needed isn't radical blue-sky thinking but the identification by companies of frustrations and compromises that afflicted consumers and business clients through the boom years.

He argues that during the good times, there was a tendency for businesses to offer bundled products, or to market themselves as one-stop shops for a specific service. He gives the example of cell-phone companies offering a slew of services in a single package that may not be what individual customers actually need or want.

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"In some cases people have been given too much. They are being overserved in some respects and underserved in others," Houlter said.

"It suited producers very much to bundle in that kind of way, but there's less and less tolerance for that in consumer and business-to-business markets."

Economic pressures are providing the motivation for consumers and clients to question if they are getting value for money, but the financial crisis has also given businesses and individuals pause to re-evaluate services they had been taking for granted.

"One driver is that people are much more conscious of budgets, but more importantly, people are asking questions about what they've really been getting," said Houlter.

"There's a lot of scope for uncovering the needs that have been ill-met in recent years. I think the kind of innovation we'll be looking at is stripping things down so that what's there is truly fit for purpose."

Houlter said this kind of repackaging tends to be cyclical and has been evident in previous economic cycles. In upturns producers try to market the convenience of "one-stop shops," while in tougher times there tends to be unbundling and disaggregation.

His view is that, now more than ever, organizations need to look at situations from a client's perspective, empathizing with their customers. For firms selling to consumers, that means thinking about what consumers really want. For professional service firms, that means no longer defining themselves as "experts" but as "advisors."

"One of the definitions of an advisor is that they take a real heartfelt interest in the client's world, rather than their own, with something to sell," he said

Houlter is certain that this kind of innovation is no longer a luxury that can be put off until after the recession is over.

"If you're in the forefront of doing this, you'll put a lot of space between yourself as a relative winner and the losers who are being left behind," he said.