



## INNOVATION ENABLES SUSTAINABLE GROWTH

### AN INTERVIEW WITH FOUNDER AND INVESTOR HERMANN HAUSER

Interview conducted by Armin Rainer

Hermann Hauser is co-founder and investor of many rapidly growing technology companies and a symbolic figure of I.E.C.T. in Innsbruck, which is dedicated to financially support startups in Tyrol. In the interview, he reveals the importance of innovative strength on growth and what is essential nowadays on the volatile markets.

**Dear Mr. Hauser, Amazon, Google, Alibaba & Co. are constantly growing and affect diverse economic sectors. Where does that lead to and what impact does this have especially on our medium-sized businesses in Germany, Austria and Switzerland?**

In the long-term view, this development is a catastrophe. The only solution lies in the division of these large concerns. The EU and its political institutions need to interfere in order to take action against these monopolies, as it was done in the case of Standard Oil. Standard Oil had a market share of 29% before its division. The market shares of Google, Facebook or Amazon are by far higher, an unmistakable case of a monopoly which needs to be split-up.

**Many of the companies which you co-founded or in which you invested have grown rapidly. How did you experience the development of these companies? What were the critical success factors and what were the risks of the rapid growth?**

The challenges are different in every growth phase. During the foundation phase, the critical success factor is the individual businessman, the entrepreneur occupies the centre stage. If the company manages to reach the next phase and accomplishes a turnover dimension of a

couple of millions, then the focus lies on the development of an efficient organisation structure. If the company reaches a hundred million, the right hierarchical organisation needs to be defined and established. A company that grows gradually following these phases can also accomplish the next step of generating billions in turnover.

**A principle of healthy business management says „being able to grow, but not being obliged to“ is a worthwhile situation. How much growth is healthy for a business?**

This question cannot be answered in general. It strongly depends on the branch. Business branches, which are very mature, do not allow any more growth. In most cases, one doesn't need to grow anymore, because the competition doesn't grow either. The initial aim is to ensure the market shares. Nowadays, however, such static sectors are very rare. Most branches are extremely dynamic. But there are also differences. In the technological sector, where I am working, growth rates of 20-30% are standard. In the internet sector even 50-100% of growth rates are commonly the norm. Here one can often grow slower than the market with top growth rates and accordingly lose market shares. Businesses need to be oriented towards how strong the sector grows as a whole. The growth rates, however, are not the



decisive criteria for the profitability of a business. The critical factor is the market share, because businesses need a certain minimum share in many sectors in order to even become profitable.

### **What role does innovative strength play in relation to growth opportunities of a business?**

Innovation becomes more and more essential, especially in the high-tech sector. Also large concerns don't survive, if they are not innovative. This becomes apparent if we look at the list of businesses that are listed in the Dow Jones Index. Only one company, General Electric, is on the list of Dow Jones companies now and was one of the companies on the list when the Dow Jones index was established. All the others have fallen out of the index or have disappeared. Thus, innovation is the critical factor for sustainable, long-term growth.

### **What about the innovative strength of medium-sized businesses in Germany, Austria, Switzerland – are our businesses innovative enough to compete on the global market in the long term?**

From my point of view, we have very innovative businesses in the Alpine region. Of course, one can always do more. The most important aspect in my experience is the proximity to university institutes that are relevant for the sector. In the Alpine region, I predominantly think about the sector of mechanical engineering and similar technical branches, where a lot is happening concerning artificial intelligence. Silicon Valley or Silicon Fen in Cambridge, where I live and work, show us how it's done. It is possible to apply these models on the regions of the Alps, as we have already successfully shown with the I.E.C.T in Innsbruck. We managed to build an

ecosystem where we bring together small and medium-sized businesses with top scientists. This way, the businesses can profit from a network of science, which constantly follows the newest insights and developments that influence the respective branch. Of course, there needs to be the required risk capital to create growth. I, too, have invested in twenty innovative Austrian enterprises in the last two years, which surprised me as well. That clearly shows that we have many young and innovative entrepreneurs in the Alpine region.

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Armin Rainer  
Managing Partner

Weissman & Cie. Italia GmbH  
Gampenstrasse 3  
I – 39011 Lana

+39 0473 490544  
rainer@weissman-international.com