

How will startups destroy your company?

What is the purpose of this article?

- 1) Help startup founders understand what's necessary to destroy incumbents.
- 2) Help incumbent board of directors, CEO, C-Suite, and investors to understand what must change to both survive attacks by startups and to destroy established competitors.

What are the critical learnings?

- 1) Founders have current and relevant knowledge and experience vs your company leaders having obsolete knowledge and experience.
- 2) Founders learn and unlearn faster than your company's leaders.
- 3) Founders have a better ongoing understanding of customers (what their urgent problems and needs are, how they perceive value, how they make buying decisions, etc.) than your company's leaders.
- 4) Founders make quicker decisions with better decision making processes than your company's leaders.
- 5) Capital is unlimited these days. What is extremely scarce is leadership talent able to identify large numbers of customers with urgent problems they are willing and able to pay for.

Where is your company today?

- 1) Your company is a large, well established incumbent.
- 2) Your company is not in crisis.
- 3) Revenues and sales have been growing yearly and are forecast to continue to grow.
- 4) Your board of directors is well compensated.
- 5) Your C-Suite is well compensated.
- 6) Your board of directors and C-Suite agree that everything is going well and that there is no need to make any major changes to the board, the C-Suite, or the company's business model.

How fast can your company end up in crisis?

- 1) Your company can go from double digit CAGR to negative CAGR within 3 years.¹
- 2) Even country empires can fall within 5 years e.g. France in 1700, The Ottoman Empire in early 1900's, the Soviet Union in the late 1900s.²
- 3) Blackberry was the cell phone leader in 2007. The iPhone was announced in 2007. In 2008, the iPhone unit sales already exceeded Blackberry unit sales.

Will your company survive crisis?

At any given moment, 5-7% of incumbents are in free fall. Free fall occurs when a mature incumbent comes under severe attack by new insurgents. Only 10%-15% of companies ever pull out of free fall.³

What's the approach used by startups to attack your company?

Focus on creating value for C&U (Cash paying customers and users)

- 1) Develop deep and ongoing understanding of C&U problems and needs.
- 2) Develop deep and ongoing understanding of the value C&U obtain from addressing each component of their problem.
- 3) Focus on determining and identifying large numbers of customers with problems they are willing and able to address.
- 4) Constantly monitor whether or not customers and users perceive that they are obtaining value.
- 5) Understand why existing C&U are recommending or not recommending the startup.
- 6) Understand how C&U perceive the startup relative to your company.
- 7) Understand how C&U perceive the startup through the entire life item of the C&U relationship: marketing, sales, onboarding, product and service delivery, CU& support, and exiting.
- 8) Understand how and why customers decide to purchase or to exit. Understand how customers assess potential suppliers.

CEO and C-Suite Talent

- 1) Clear about the purpose of the startup – why does and must the startup exist. Understanding why now is the right time.
- 2) Each startup employee has a major impact on value creation.
- 3) Able to learn and unlearn quickly. E.g. The founders of the majority of unicorns (startups which achieved a \$1billion valuation) had no previous domain experience.⁴ Roche paid \$1.9 billion US for Flatiron Health, a cancer

electronic records company. The Flatiron founders (Nad Turner and Zach Weinberg) had no background in cancer. They came from advertising.⁵

- 4) Constantly experimenting with customers and creating new business models ahead of your company.
- 5) Able to fundamentally change direction based on solving urgent problems of customers willing and able to spend money. E.g. YouTube started as an online dating site, and Slack started out as an online gaming platform.⁶
- 6) Able to attract and create ongoing relationships with a broad range of talent: cash paying customers, employees, advisors, investors, etc.
- 7) Faster decision making than your company and better decision making processes.
- 8) Quickly re-allocating people and capital to what most impacts value creation.

The availability of unlimited capital and global talent.

- 1) Once a startup demonstrates that there are a large number of customers with urgent problems they are willing and able to pay for - there is unlimited global capital to fund rapid growth as long as the long term profitability of customers exceeds customer acquisition costs. Growth is not constrained by short-term profits.
- 2) The startup can from day one draw upon talent on a global basis. Even in the pre-COVID days, I was surprised that startups with a handful of staff were already operating globally with global staff.

The behaviour of everyone in the company

- 1) Everyone in your company can understand and relate to the purpose of the company. I love the story of when President Kennedy visited NASA and asked a janitor sweeping the floor why the janitor was working so late. The janitor supposedly said: "I'm helping put a man on the moon."
- 2) Leaders never criticize those who bring forth unpleasant realities.
- 3) People bring data, evidence, logic, and analysis to discussion.
- 4) Think and act with calm determination.
- 5) Leaders have a high question to answers ratio, challenging people and pushing for insight.
- 6) Team members unite behind a decision, even if they disagree with it.
- 7) Team members credit others for success yet also has the confidence and admiration of peers.
- 8) Team members argue and debate to find the best overall answers.

What are your next steps?

- 1) Assess and improve the ongoing process for your leaders to understand your customers and users.
- 2) Ensure your leaders are aware of global startups which could threaten your company.
- 3) Define the requirements for your leaders current, relevant knowledge, experience, skills, and networks. Assess your leaders relative to requirements and the competition. Begin this assess with the board of directors and C-Suite.

Footnotes

- ¹ Chris Zook and Charles Allen, *The founders mentality*, 2016, Page 52
- ² Chris Zook and Charles Allen, *The founders mentality*, 2016, Page 106
- ³ Chris Zook and Charles Allen, *The founders mentality*, 2016, Page 51
- ⁴ Ali Tamaseb, *Super Founders*, New York, New York , Hatchette Book Group, 2021, page 267
- ⁵ Ali Tamaseb, *Super Founders*, New York, New York , Hatchette Book Group, 2021, page 252
- ⁶ Ali Tamaseb, *Super Founders*, New York, New York , Hatchette Book Group, 2021, page 267

What further reading should you do?

Do you understand your customers?

<http://koorandassociates.org/understanding-customers/do-you-understand-your-customers/>

Why is learning critical for your company's success?

<http://koorandassociates.org/avoiding-business-failure/why-is-learning-critical-for-your-companys-success/>

What are the three types of talent successful company's require?

<http://koorandassociates.org/creating-business-value/what-are-the-three-types-of-talent-successful-companies-require/>

Is your company planning to fail?

<http://koorandassociates.org/avoiding-business-failure/is-your-company-planning-to-fail/>

How do you make strategic decisions?

<http://koorandassociates.org/corporate-governance/how-do-you-make-strategic-decisions/>