Startups: minimise uncertainty by telling everyone your plans

Written by

Llewellyn D.W. Thomas

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For new business models to displace the old ones, their proponents first need to make clear why the industry needs to change

Disruptive innovation used to be pretty uncommon. For startups nowadays, though, thanks to rapidly improving technology and a relative abundance of venture capital funding, it has become an attractive path into an established industry.

But what is disruption, in a business sense? Put simply, it's when a startup with limited resources manages to challenge the entrenched major player, or players, in an industry. Amazon was a good early example of disruption in the internet age, having successfully overhauled the traditional bookselling industry, as was Netflix in the movie rental industry (and subsequently TV and film industries). These businesses took advantage of new technology and a sense of complacency among the established order to make a rapid rise to the top and change their sectors.

Uncertain future

The technological upheaval that drove Amazon and Netflix to prominence is still taking place. However, the complacency is gone: businesses at the top of their game are now wise to the threat of disruption, attempting themselves to disrupt adjacent or enticing markets, and being sure to either buy out or mimic dangerous new rivals. In the past year, Amazon itself has bought out several smart security firms, including Blink and Ring, which threatened the market for its Alexa virtual assistant.

> Established rivals could either recognise Salesforce as a threat and prove its point, or ignore the coming tide and get left behind by a more technologically advanced, flexible model

In this environment, new startups face a lot of uncertainty. When launching a new product or service, especially when accompanied by a new business model, it is not immediately clear what customers actually need or want. Furthermore, there is no way to know how viable new business concepts or technologies really are until they have been launched, and it is difficult to predict how rivals might respond. Fortunately, there is a way around this difficulty: to announce one's intentions. By broadcasting to the world how it plans to disrupt an industry, a startup can take control of the conversation and use it to test consumer demand, practicality, and the responses of competitors.

Changing the subject

With corporate secrecy a hot topic in this age of data breaches, it might seem counterintuitive for a startup with a disruptive idea to spill the beans, but doing so puts established players on the back foot: they can react to the announcement, and thereby legitimise an idea the new entrant is still in control of; or they can ignore it, and risk falling victim to complacency.

Founded in 1999, Salesforce not only became the dominant provider of customer relationship management software, but took such a market share that the previous leader, Siebel, was bought out in 2006. Salesforce did this by replacing the dominant model of outright software sales with a new business model of software-as-a-service.

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Prior to launch, the company and its founder, Marc Benioff, communicated tirelessly with the media through press releases and interviews, making it clear Salesforce offered a fresh, exciting value proposition. The company opted to pursue customers via telesales while others stuck with high-pressure travelling salespeople, and used the number 1-800-NO-SOFTWARE to make it clear it was challenging the market's traditionally dominant software companies. Salesforce even hired actors to stage a protest and chant "no software" at the Siebel User Conference in 2000, and launched an "End of Software" marketing campaign with a military theme. So effective and popular was the strategy that it was named Hi-Tech Campaign of the Year by *PR Week*. Once the product was launched, Salesforce and its founder continued this confrontational dialogue, ensuring their disruptive message reached as broad an audience as possible.

New reality

While these are relatively extreme tactics, they stayed on the right side of the law and they worked. By dominating popular attention, Salesforce was able to make clear the merits of its product and business model and set itself apart from the established order as something new. This gave its established rivals no way out: they could either recognise Salesforce as a threat and prove its point, or ignore the coming tide and get left behind by a more technologically advanced, flexible model.

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Of course, Salesforce still relied on a strong product and concept, and the ongoing media campaigns allowed the company to focus on the feedback of both the public and potential partners, shaping and altering their offering to respond to popular opinion. Salesforce was able to gauge and create demand, making the product practically feasible and popular before it was even fully launched.

The lesson here is that a new way of doing things, no matter how revolutionary, needs a way to get into the hearts and minds of consumers, partners and competitors. Just as mere marketing puff without any substance is unlikely to succeed, an excellent product that isn't well-announced with clear differentiation and benefits will most likely fall flat. Ambitious startups need more than just a winning concept – they need to take control of the discourse and change it to suit their needs. By winning the war of ideas, a product war might not even need to be fought, and that's the real route to disruptive innovation.

This article draws on findings from "An Ecosystem-Level Process Model of Business Model Disruption: The Disruptor's Gambit" which is forthcoming in the Journal of Management Studies *and is authored by Llewellyn D.W. Thomas (Visiting Professor at Imperial London and Associate Professor at LaSalle Universitat Ramon Llull),* *Yuliya Snihur* *(Associate Professor at Toulouse Business School) and* *Robert A. Burgelman* *(Professor at Stanford School of Graduate Business).*

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About Llewellyn D.W. Thomas

Visiting Professor
Dr Llewellyn Thomas is at Visiting Professor at Imperial College Business School, an Associate Professor at La Salle Universitat Ramon Llull in Barcelona and an Adjunct Professor at the Mohammed bin Rashid School of Government in Dubai. His research interests lie in the coevolutionary processes that lead to successful innovations and

entrepreneurship. He focuses on technology strategy with a particular interest in innovation in the technologies of money, and ecosystem creation, evolution and dynamics in digital economy contexts.

Llewellyn is currently a Trustee of the PayPal Giving Fund, the charity associated with charitable giving on eBay and PayPal. He has: a PhD in Innovation and Entrepreneurship from Imperial College Business School; as an MBA with Distinction majoring in Finance and Strategy from Cass Business School London; and an Honours Degree in Law majoring in Jurisprudence and Litigation, and an Honours Degree in Arts majoring in Geography, both from the University of Sydney, Australia.

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