



# Strategy holds the key

Thomas Lawton, a leading business school academic, argues that start-ups must change tack and focus on their customers in order to flourish



**H**igh tech start-ups need to focus more on their strategy and their customers, and not just on their technology, in order to successfully break out, according to Thomas Lawton, one of Europe's leading business school academics.

Lawton said that many entrepreneurs spent too much time focussed on the technology they were developing and, while they thought that they had their customers' needs in mind, they were often too internally focussed.

"I think that is an issue with not just Irish entrepreneurs or even just entrepreneurs," he said. "People in business often think they know what the customer is looking for but they

are actually transmitting their own views. Furthermore, if you are a technology led company you are more inclined to do it than a services company."

Lawton, an Irishman, is professor of strategy and international business at EMLYON Business School in France, and is also a visiting professor at the Tuck School of Business at Dartmouth in the US.

He was visiting Dublin this week to deliver the annual InterTradeIreland Innovation Lecture in UCD, and to host a series of innovation master classes at NovaUCD for SME owners and early-stage entrepreneurs.

"Innovation is not just technology-based or product-led," he said.

"You can also have innovation on customer service, organisational culture, or on how you reduce costs. It goes right across the strategic process rather than just technology."

Lawton said that businesses

even at a very early stage need to start thinking strategically. He said that entrepreneurs, especially those who haven't come through formal business training, often believe that strategic planning is for big firms who have planning resources behind them. However, there was a fairly straightforward list of areas that any business owner should focus on to formulate a strategy.

The first step any business owner should be thinking of is their route to breakout, he said. To achieve this there are several different models that could be followed. One is taking a market by storm. "That could be a technology-led company that is a true original, which has a unique product," he said. "The other is the revolutionary, where they lead with service or price innovations."

Another breakout strategy was what Lawton referred to as the "laggard to leader" strategy that is undertaken by an under-performing or even failing company. "One way to do this is to be a wave rider, who adopts or adapts a business model from somewhere else," he said. "That can be from another industry or another geographical location. The classic case is probably Ryanair bringing the South West Airlines model to Europe, and adapting it to the regulatory framework here. The second type is the big improver who focuses on efficiency and effectiveness, combined with getting as close to the customer as possible."

Internationalisation was also a possibility for achieving a breakout. Lawton said that firms could expand on the basis of having something that people want, whether it be a product, a brand or a reputation. That can be achieved either through organic growth or through a strategic alliance.

"The other way to go international is to be a conquistador," he said.

"That means acquiring companies in other markets. Effectively, you are internationalising by process, because

you have a superior way of doing business. Your business model allows you to turn around failing businesses. Some examples in Ireland would be Glanbia or CRH."

The final strategy was shape-shifting, namely a company changing itself beyond all recognition in response to changing markets.

"IBM is the classic example, when they abandoned hardware and moved to services, or even Nokia over the course of its history. You have to do that over time. The best example of a firm that failed was Vivendi, which did it too quickly and didn't build up the expertise it needed."

Once a breakout strategy has been decided on, Lawton advised start-ups to then focus on their vision for the company. That included where they wanted to go, and what kind of company they want to be when they get there. "That isn't just reflecting on your objectives, such as market share, but also on what kind of identity you want to have, your reputation," he said.

Firms then have to decide what their value proposition is. They need to have a clear idea what is going to make them distinctive in a competitive market. To do that, managers need to ask themselves why a customer would choose their products rather than a competitor's.

"There are six pillars to a value proposition: price, features, quality, support, availability and reputation," Lawton said. "The alignment of those six variables is something you really need to think about and that needs to be done relative to the alternatives that the customer has, which is a competitor or a substitute product. You need to think from the customer's perspective rather than your own."

It is only at this point that Lawton believes entrepreneurs should focus on their business model, which he termed as simply a vehicle for delivering

a value proposition. "You need to synchronise market perception with corporate reality," he said. "By doing all that, you can create a magnet company. You are exciting markets, attracting and retaining customers, repelling new entrants, and rendering your competitors unable to respond."

"The final element of any strategy simply around implementation. When you are delivering all of these and putting your tactics into play, it is essential to keep a balance between the technological and the sociological system."

"Managers are very comfortable with processes and IT-enabled activities. You can touch and understand them. While you are doing that, you need to emphasise culture, team work, productivity levels, motivation and all the rest of it, which is less tangible, but just as important."

## Thomas Lawton

**Position:** professor of strategy and international business at EMLYON Business School in France, and visiting professor at the Tuck School of Business at Dartmouth in the US  
**In the news because:** this week delivered the annual InterTradeIreland Innovation Lecture in UCD

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