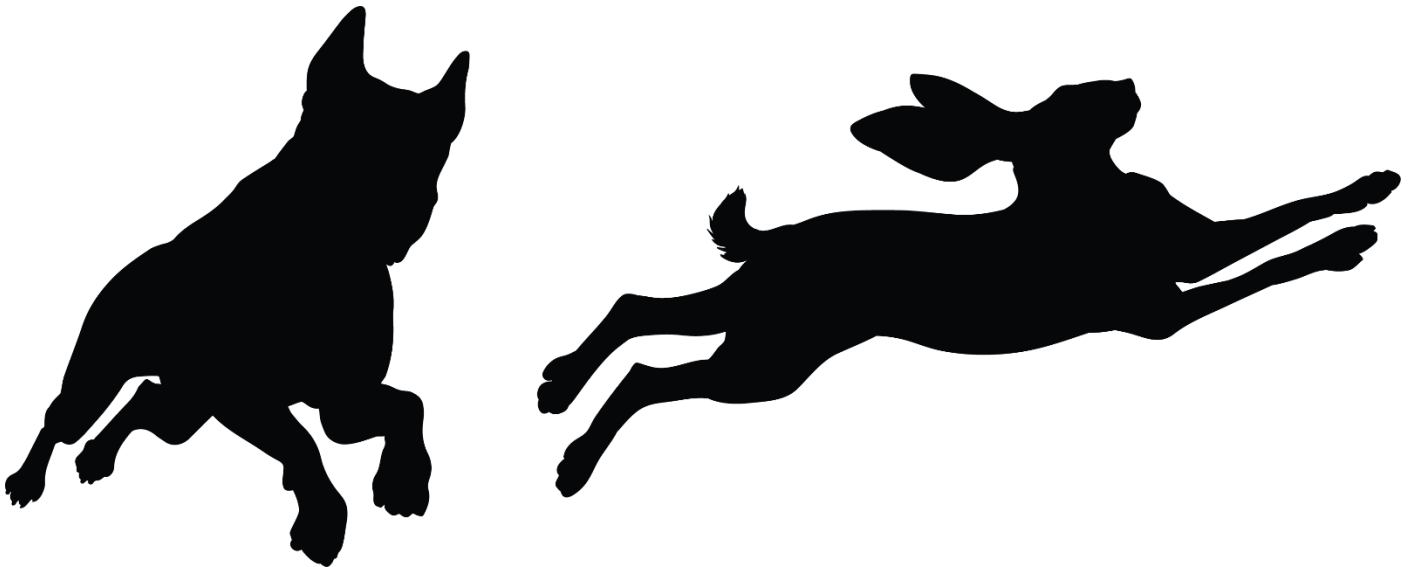


Proactive Pivot: Where the Start-up Economy needs to meet the Old Economy

by Sundar Sankaran¹

Summary

Start-ups need to run with the hare (the current model), while hunting with the hound (the prospective model).



The start-up economy has given visibility to the concept of pivot viz. a change in business model, revenue model, target segment etc. Start-ups could pivot on account of multiple reasons, including:

- Replicating the business model or revenue model of a successful rival;
- Vacating the market-space where a rival has become dominant;
- Departure of a key co-Founder or strategic partner;
- Failure to gain traction with the current target segment;
- Margin concerns / scalability issues;
- Funding constraints / inability to raise funds;
- Financing carrot offered by an investor subject to the pivot;
- Regulatory changes.

The time-frame for the pivot to hit the market is –

- (a) Time taken for any of the above scenarios to unfold *plus*
- (b) Time taken to decide on the pivot *plus*
- (c) Time taken to implement the pivot.

If the pivot requires a change in management mindset, then (b) above can consume considerable time.

Forward-looking traditional companies (“old-economy”), especially those operating in dynamic environments, have dedicated people constantly exploring tomorrow’s businesses. These people are distinct from the people implementing today’s business. Thus, the pedal is pushed on the present, while a platform is created for the future. Replicating such an approach will help start-ups pivot faster, either to exit from a problem space, or to enter a better space.

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How can start-ups implement a proactive pivot strategy? A few formats can be considered:

- A co-Founder or other senior person can be made responsible for continuously exploring newer business models, revenue models, customer segments, geographies etc. Since start-ups face constraints in management bandwidth, a mentor or independent consultant can perform this role, while remaining engaged with the co-Founders / senior management on the possibilities and threats.
- Start-ups could add an experimental layer to their databases / operations. The experiments, will revolve around the promising alternatives that were discarded while pursuing the chosen direction. These experiments need to be smartly designed with a research orientation in order to fulfil the learning objectives.

Whenever an alternate direction appears to make sense, more resources can be committed to the experimentation; or technology options can be reviewed to facilitate strategic flexibility; or the team can be beefed up with the emerging competency requirements; or acquisition opportunities can be evaluated.

Effectively, the start-up will run with the hare (the current model), while hunting with the hound (the prospective model). Such a pro-active approach is likely to yield high dividends in the start-up world, where pivots are part and parcel of the game.

Do get in touch with your queries and comments. Happy to help you or your clients implement a proactive pivot strategy.