Chief Executive

Act Like a Startup: 5 Lessons Bigger-Company CEOs Can Learn From Entrepreneurs

If you want to stave off obsolescence, act like a startup. Or at least that's what the innovation gurus and management consultants often advise.

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But it's easier to say than implement for established, mature companies, which often have hundreds—if not thousands—of employees in multiple offices regionally, nationally and globally. CEOs of mature companies have more risk to manage, more silos to cope with and fewer direct communication lines to customer-facing employees. They have investors and other stakeholders hovering, ready to cry foul if quarterly earnings targets are missed or if revenue fails to continue on an upward trend. At the same time, however, competition from smaller, more nimble players along with a globally driven, exponentially faster pace of business and technological change has made it necessary for larger companies to think differently.

Obsolescence is perennially just a product release away, and those CEOs who do not operate with a healthy sense of paranoia (à la Andy Grove) and who don't find new ways to innovate, as well as the best startup, will be left bobbing in the wake. Fortunately, there are pages from the startup playbook that CEOs of midsize and large companies can realistically borrow. The following are five lessons startups can teach any established company.

1. Kill your babies

> "You have to be willing to eat your young because if you don't do it, someone else will,
> and you'll just lose the customer."

A look at the Fortune 100 circa 1990 and then again in 2010 reveals what can happen to powerful companies that refuse to cannibalize their existing products and services to gain competitive edge in the future. "You see an incredible number of people who have disappeared because of global competition and because they stuck with what they thought were their cash cows, only to find that those things became commodities," says John Ryan, CEO of the Center for Creative Leadership. Kodak, for example, had world-class research and talent, huge market share and was among the first to understand digital photography. But the company failed to adapt, refused to give up its traditional film business and is now just a thin shell of its former self following a two-year bankruptcy restructuring.

Dennis LeStrange has no intention of following suit. The CEO of Neopost USA, a 90-year-old company that made its name in postage-meter equipment, is helping Neopost reinvent itself by encouraging employees not about the products it offers, but about the services customers actually want. "What our customers really want is help communicating with their customers," says LeStrange. "We used to do that with postage meters; but in the future, we're going to do it with digital alternatives, as well—with sophisticated document management solutions and other innovative products. You have to be willing to eat your young because if you don't do it, someone else will, and you'll just lose the customer."

To get the kind of innovation that has helped him steal 4 percent market share from Goliath competitor Pitney Bowes over the past two years, LeStrange has developed a multipart strategy that includes new product innovation, process improvement, entry into new business arenas and strategic acquisitions. "When we make an acquisition, we set very aggressive targets to ensure we'll get growth from those. And we don't blend them in because when you do that, they lose their identity and get gobbled up culturally."

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