From A Start-Up to A Star Brand: The Role Of A Leader

By Lerisca Lensun, Research Analyst – StrategiCom
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Up to 90% of companies fail not long after they are founded.1 Given such long odds, new companies that can survive past their third year are quite remarkable. Companies that can go from zero to become a star performer by their third year belong to a rather elite group, especially new companies that are launched into mature and highly competitive categories such as industrial equipment. In this article, StrategiCom’s Research Analyst, Ms Lerisca Lensun, examines the role of the leader in ensuring that a start-up not only survives, but creates a sustainable and profitable business.

INTRODUCTION

Many business owners that my more senior colleagues have come across tend to agree that branding is important, but they will only engage in strategic branding activities when they have enjoyed some success. This indicates that these business owners think that branding is the reward for success – not the reason. The reverse instead, is true. Branding is all about differentiating a company from its competitors.2 Given that start-up companies usually enter a market that is already populated by strong and entrenched players, it becomes even more important for a start-up to differentiate itself. Branding is therefore as important for a start-up company as it is for an established company, but for different reasons.

BRANDING FOR START-UPS

Start-ups or new business ventures generally lack formalised internal structures and processes. Timmons, in his book, “New Venture Creation” defines a start-up as a raw company with lesser organisational structure that acts legally and economically in a market for a short time.4 Start-ups compete in an equally competitive environment, and one that is characterised by the same dynamic market trends as larger firms. The

21st century environment is characterised by a borderless yet connected world, increasingly fierce innovation activities, hyper-competition, and rapid technological change, which provides an interface for start-ups to begin early brand building efforts.\(^5\)

Most start-up leaders successfully manoeuvre within complex environments (often with limited experience) as a result of good differentiation.\(^6\) When competition heightens, start-ups face the danger of being eliminated when they are unable to establish their brand within a short time.\(^7\) This is a major challenge due to the lack of resources and knowledge, made worse when there is no former market success. As such, branding for start-ups is becoming more relevant\(^8\) due to the difficulty seen in developing highly differentiated and credible products; after all, it is relatively easier to replicate products and services that are already in the market.\(^9\) In a crowded market with so many me-too products, branding is now a necessity since differentiation and positioning have extended from products to the whole corporation.\(^10\) Markets too, are becoming more fragmented as customers become more sophisticated. Now, companies can no longer rely on market predictions or preferential products simply because the rules of competition have changed.

THE ROLES OF LEADERS IN START-UP BRANDS

The role of the leader is found to be extremely crucial, especially for start-ups. A study in 2000 in the United Kingdom found that 45% of businesses fail within the first three years. For those that successfully passed the three-year mark, it was found that those leaders were able to demonstrate independence and individuality, with a capacity to manage complexity.\(^11\) This illustrates the crucial role of a leader in the infancy of an organisation. Business literature has expounded on the roles of the start-up leader in the branding process. In this context, a start-up leader is the main driver of the public relations

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efforts of the firm. Other unique roles include the expression of passion for the brand which needs to be personified. In the human resource management aspect, start-up leaders have the expected role of facilitating brand buy-in from all staff. For many small businesses, the founder, CEO and general manager are likely to be the same person, so the weighty responsibility of achieving stakeholder buy-in falls on him/her. To build a successful start-up brand, it is important for start-up leaders to understand how to prioritise the complexity of tasks and responsibilities.

To put things in perspective, the next three sections will describe further some of the roles of a successful start-up leader in Singapore, in building the brand of a start-up to a point of stability.

**GETTING IT RIGHT FROM THE START: POWER OF FOCUS**

Most start-up leaders often have a vague idea about the firm’s future direction. In a study conducted in Germany, it was found that start-ups were less able to articulate their core business, values and market positioning when convincing banks to provide the required financing. The increasingly competitive environment can contribute to start-up leaders becoming less confident about their business ideas and their success probability. While market research can help counter this uncertainty, start-up leaders are generally not keen due to the lack of financial resources. Conclusively, start-up elements such as business concepts, values and philosophies vaguely exist in the minds of start-up leaders.

Scholars suggest that a focused approach towards organisational management is extremely important for start-ups due to the general lack of resources, especially in conceptualising business values and unique propositions. Focus helps start-up leaders to identify a strategic direction for the creation of the entity both in terms of substance and form. More importantly, being focused and specialised usually wins the battle of perception over companies who claim to be ‘one-stop shops’. Hence, a start-up leader needs to understand the dynamics of the market and the competitive nature of the industry, in order to create a powerful focus for the company’s brand.

In the case of founder and CEO Mark Tan of three-year-old Stolz Engineering, Tan focused on providing cooling systems for the industrial sector. Tan has always been passionate about the application of industrial cooling technologies. Tan’s father was in the business of cooling towers and this drew

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him to the business. Tan’s interest in cooling technology emerged early in his youth when he took Thermodynamics as his major in university. Upon graduation, he worked as a design engineer in an American consulting firm. Subsequently, Tan joined a Japanese cooling system multinational corporation as a project manager. Even with his years of experience, Tan decided to join yet another American multinational to gain marketing experience. Tan’s penultimate career station was with his father’s company and here, learning to manage a business was the focus. Finally in 2007, with his father’s blessing, Tan incepted Stolz Engineering.23

Before Tan started Stolz, he discovered that providing cooling systems for the industrial sector is more attractive than for the commercial sector. According to Tan, the commercial market is cluttered and price sensitive. The products are also less complex than industrial systems. Therefore industrial systems command a higher price. This, coupled with the given number of new factories, plants and refineries being slated for construction in Singapore and around Asia24, indicated there would be greater potential servicing the industrial sector. Nevertheless, it would also mean a cutthroat competition that would try to put Stolz out of the market. Realising this, Tan decided that Stolz, in providing cooling systems, must focus all its energy in the industrial sector.25 Stolz has been focused on providing industrial cooling systems since then.

It is Tan’s belief that focus would lead to a higher chance of becoming a leader in the industry. Thanks to Tan’s industry network and deep understanding of the market that he had developed over the years, he was able to kick-off the launch of Stolz Engineering successfully. Tan managed to win contracts even before Stolz was officially incepted. More importantly, Tan knew that he had to focus on the right target market from the start. Focus is a more strategic move for any business that lacks financial resources. Leaders of start-ups will be exposed to higher risk if they attempt to win every possible business available in an effort to raise the company’s financial position. When marketing resources are limited, this approach will only further dilute the brand and exacerbate a downturn in sales.26
Another problem faced by start-ups is the acquisition of its initial set of customers. Start-up brands are generally weaker in the pre-launch period. Although a start-up brand may not be fully manifested, the start-up’s unique selling proposition (“embryo of the brand”) can help to secure initial customers. Identifying what differentiates one company from another is the essence of branding; start-up or otherwise. Therefore the questions that start-ups need to answer are these: What is unique about the brand? What makes customers choose one brand over another brand? What is the unique selling proposition of the brand? These are important questions because brands convey attributes and benefits. A start-up must be able to identify the underlying values that create its unique selling proposition.

Stolz’s unique selling proposition is to provide high-end industrial cooling systems that are modern, innovative and premium in both its products and services. Tan decided Stolz’s unique selling proposition based on two things. Firstly, with the high price that the industry can command and high potential growth of the market, competitors would try to capture market share quickly by pricing their products and services lower than the leaders in the market, because even at lower price these competitors can still be profitable. Tan decided to differentiate Stolz as a premium brand so that price would be lesser of an issue. Tan knew that selling at a lower price would only compromise quality and value of Stolz’s products and services. Secondly, Tan noticed that most cooling systems companies are still operating in conventional ways. This provides an opportunity for Stolz to differentiate itself from competitors by providing modern and innovative cooling systems. Deciding upon its unique selling proposition is easier for the leader when a start-up is focused right from the start. To attract customers, communicating the unique selling proposition is another set of challenges that start-up brands have to overcome. Stolz took the first step by putting itself through the rigours of various ISO certifications, as well as putting in place systems and processes that reflect industry best practices. The effect of certifications has been shown to increase the likelihood of start-up success in the industrial sector. Nevertheless, Tan felt that these are still insufficient measures to attract customers. Hence, apart from ensuring compliance, Tan portrayed Stolz as a modern and innovative supplier. Today, Stolz is the sole official distributor of a well-known and innovative global brand in Singapore.

Tan understands that the image of the product can help boost the image of the company. This is especially true in the early stages of a start-up, since the corporate brand is frequently synonymous with the product brand. Nevertheless, Tan ensured that the image of the product is aligned with Stolz’s unique selling proposition. The ability to project the right image through the right product would only be achievable when the leader knows exactly what the company stands for. In Stolz’ case, it is to provide innovative, modern, and premium products and services in industrial cooling systems.

31 ibid
33 Tan, Mark. Personal Interview. 2 November 2010
All communications about a brand must be kept consistent and sustained. While short-term gains are obviously necessary, a long-term focus is essential to ensure positive and sustainable results. Serious branding is a long-term process, but often pays off. To ensure this, consistent and continuous communication internally and externally is needed to create a good corporate image. This is important because a distinctive, strong, and positive corporate image would lead to sustainability.

In external communication, companies need to consistently deliver this message to its customers to reinforce its brand existence. Studies have shown that the leader’s networking ability is often a major marketing tool of start-up brands. As such, a leader plays the main role as the marketer. The leader is often the personification of the brand; communicating the brand to the outside world. Furthermore, instead of spending huge marketing dollars on advertising and campaigns, PR is the preferred communications medium for start-ups. Here, it is usually the leader who plays the major role in fulfilling the PR function.

Stolz Engineering has gained a good reputation over a short period of time; much can be attributed to the increasing market awareness of Stolz in the industry through media exposure of the company and Tan himself. The media depicts Tan as a caring employer and a savvy

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businessman. This year, Tan was awarded The Entrepreneur of The Year. Tan won the award after competing with 60 other strong contenders – many of them had companies that have been around for a longer time than Stolz. In addition, Stolz Engineering won the Singapore Prestige Brand Award (Promising Brand) - a great accomplishment for such a young company.

Apart from communicating the brand externally, a start-up needs to connect employees emotionally to the brand to increase employee loyalty. Internal branding activities are at least as important as those communications directed at external recipients i.e. customers and investors. Since a leader of start-ups has an uncontested influence on the employees and the firm’s policy, a leader plays an integral role in creating a brand culture for the company. Ensuring that an internal culture is developed where all the employees “live the brand” on a daily basis is another crucial role leaders must play. This ‘culture’ is at the heart of every corporate brand. Since start-ups have limitations in terms of financial resources for marketing budgets, personal selling or face-to-face communication is a critical part of the marketing communication efforts of start-ups. As such, they rely heavily on these forms of media to deliver the company’s message to their customers. Therefore, employees need to be able to “live the brand” at every customer touch point.

Furthermore, start up firms face unique HR challenges that include an often ambiguous firm identity that causes difficulty in attracting and retaining key talent and skills. This lack of legitimacy is often the cause for high turnover in employment. The leader plays an important role in building the brand internally by setting clear objectives and educating the whole organisation on what the company stands for. Leaders who have successfully led their people to internalise brand values, bring about a decrease in turnover intentions and an increase in brand-building behaviours that will in turn positively affect corporate performance.

When Stolz first started, Tan felt the need to create a culture that reflects his direction. He believed that only with pride and passion, will Stolz’s managers turn into leaders who can inspire and influence others. The people in Stolz are continuously reminded to think beyond the task at hand, and further about the value-add that they can bring to customers, subordinates and superiors. To Tan, there is no better way than to lead by example. He also believes in close, constant communication with staff. He makes it a point to communicate Stolz’s corporate positioning to staff on a regular basis. The name Stolz – which means “pride” in German – was also created to remind his people to always be proud of what they do. Stolz has a staff strength of about 40 and staff turnover has been low.

LEADERS OF STRONG START-UP BRANDS

Tan is an example of a leader who has transformed a start-up into a regarded player. When asked why it is so important to have a strong brand in the cooling industry, Tan responded, “The industrial cooling system is a critical component of the modern factory, refinery or power plant. These facilities have sensitive equipment and machines that generate a lot of heat. If they are not properly cooled, they will not function at peak efficiency or they will simply break – costing the company tens of millions of dollars in damaged equipment and even more in terms of lost revenue and damaged reputation.”

Many enterprises have successfully created brands that are testimony to the enormous impact that a branding policy can have on competitiveness. Strong brands such as Microsoft, Caterpillar, GE, Honeywell, Dell Computer and many others were all once start-up brands that were created and nurtured from scratch by small businesses and individual leaders. The success of these brands epitomises the efforts of some of the most iconic leaders of our time.

Branding need not represent a challenge for start-ups just because of the resources and budget required. For a start-up, a good leader is the first step towards achieving success in building its brand. Leaders play a critical role in the survivability of start-ups. Therefore, in establishing the brand, they are responsible for the competition-related decisions. Since the presence of the leader has a huge impact on the brand activities of start-ups, it reinforces the importance of his/her influence and role.

For start-up brands, the leader is where it should all begin. It does not only take a leader’s entrepreneurship and his/her suaveness in the market place, but also a clear understanding of what exactly needs to be done to build a brand.

51 ibid

ABOUT STRATEGICOM

StrategiCom is a global B2B brand strategy consulting firm headquartered in Singapore with 11 offices and 110 consultants & researchers around the world. The industries it serves include Information Technology, Oil & Gas, Petrochemicals, Commodity Trading, Business Services, Pharmaceutical, Medical & Healthcare, Transport & Logistics, Construction & Real Estate, Precision Engineering and Electronics Manufacturing. StrategiCom’s consultants, researchers and proprietary methodologies provide the catalyst for companies to transform from traditional businesses into differentiated brands.

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