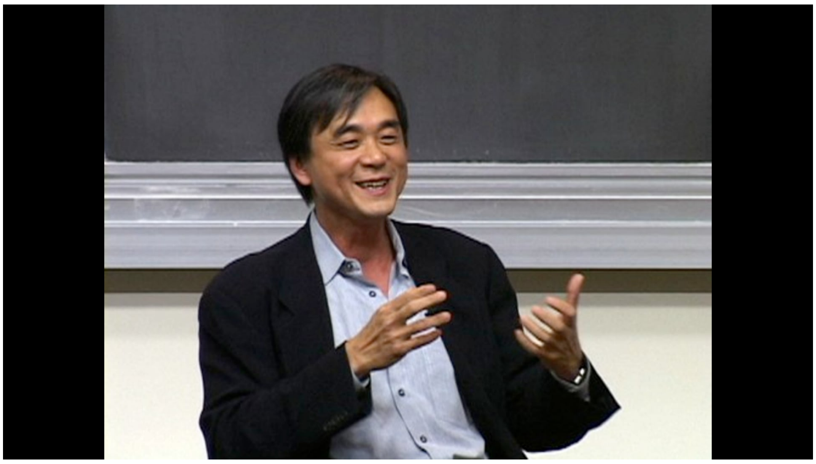
Stanford eCorner

Competing with Giants: It's All about Speed

17-10-2007

URL: https://stvp.stanford.edu/blog/videos/competing-with-giants-its-all-about-speed

Dominic Orr, CEO of Aruba Networks, describes how a startup can compete with large, established companies. Orr argues that to compete with large companies an entrepreneurial firm must think about the ecosystem created by the larger companies and then identify the problems in that system that the larger companies are unable to address. Once an opportunity has been identified, a startup's single advantage is speed: because established firms have different incentives that lead to inertia, large firms are often unable to match the speed and flexibility of a startup.



Transcript

Now, one of the interesting things about Aruba is that you have decided to come head to head with some very big giants in the industry, such as Cisco.. Now, how does a small company have the confidence and the strategy to go against a big giant like that? We do day to day, from product level point of view, have two competitors only: Cisco and Motorola.. And we kind of find the space in between it.. When you operate in that kind of environment, you cannot think of those giants as your competitors, or you're dead.. You have to think of them as an environment in which you excel.. So every product that you build, even plan about, think about, has to fit into the whole ecosystem, the environment that these big guys have.. And you just look for what is really breaking, that they cannot fix.. I've done enough startups now, so if you ask me to distill the formula of success of a small company competing against a big company, it all boils down to one factor: that is speed.. Speed of execution, and speed of innovation.. And that's not to say that in large companies, people are any less speedy..

But the benefit of the big company is that they have the inertia.. But the drawback is that they have the inertia, right? I remember when I first entered the industry, there's a popular saying that the reason God could create heaven and earth in seven days, is because he did not have any installed base.. So the big company has this legacy of stuff that they have to sell, and they have a certain expectation of what they should avoid, what brand to project and so on.. They have to stay the course.. You can always map out in 3, 4, 5 quarters where they will be.. And the way that you react is that you say that, "I'm going to get there fast.. I'm going to get there with a vision that they cannot afford to execute, because by executing that new vision, it's going to tank the current business." So yes, we have probably, through that self-sorting process, the smaller company has probably a higher density of more -I won't say confident, but more motivated people who have the excellence and the drive to make things happen.. But let's not fool ourselves.. Cisco, Motorola, they have lots and lots of talents as well.. Every bit, if you take individual by individual and look at the best engineers, they probably have equally, or even better engineers..

So there's a fallacy of some really brilliant guru sitting on a mountaintop and creating this big thing.. What we're really relying on for the startup is the ability to go full speed ahead without the burden of that install base.. And you have to just drill that.. Because, take a look at it.. I just summed up.. Aruba Networks is a five and a half year old company.. If I sum up every single dollar we put in R & D in five and a half years, Cisco spends that within 5 days, less than 5 days.. That's how dramatic the difference is.. There's no way that you can outsmart this big guy, you can just outspeed them...