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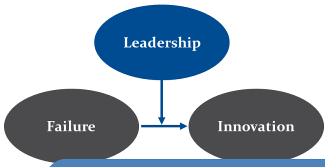

A 'VERY PC' COMPANY THAT NEARLY LOST ITS REASON FOR BEING

by Allen Alexander

Context

Very PC was launched in 2004 to provide information technology support for small and medium sized enterprises, is family owned and managed, and from the start the company strategy incorporated strong "environment and sustainable" ethical values.

Innovation

In 2006 the company developed a desk top computer that would operate with a fraction of the energy required for conventional desk top computers, using off-the-shelf components but placing them in an architecture and casing that was designed to deliver a more efficient use of energy. The company invested significant effort in building local sources of supply, where necessary the company sought responsible sources of raw materials such as Icelandic aluminium and halogen free cabling, as an example. The technology was rewarded with a buoyant order book from the public sector and a number of awards. Within the retail markets, using resellers under license, the company rode the "green IT" buzz and the demand for the "green" PCs looked secure. This was in-part due to the distributer having a reliable reseller network and the deal also promised marketing resources in return for higher margins. However, putting its sales effort entirely in the hands of the distributer was a radical step for the company.

The Failure

The company was approached by the BBC Dragon's Den[1] programme to be a participant. The decision to take part was based on the premise that it would raise public awareness and potentially accelerate sales growth. However the experience was not rewarding, as they had hoped. The design concept of using existing components to design and build a greener desk top computer was not well received and the lack of proprietary intellectual property was criticised. The results led to a loss of customer confidence in the company.

The company then experienced rising tension within the board of directors, all of whom were family members, brought on by the 'public' nature of the failure. As a result the then Chief

Domain
Public ☐
Private ☒

Non-profit ☐
Commercial ☒

Business: IT Industry

Start up (0-1yr) ☐
Growth (1-5 yrs) ☐
Mature (5yrs +) ☒

Micro (Staff <10) ☐
SME (10 – 250 Staff) ☒
Large (250+) ☐

Regional ☐
National ☒
Multinational ☐

Methods
Longitudinal ☐
Cross-sectional ☒

Access ☒
Exemplar ☐
Random ☐

Innovation
Top Down ☒
Bottom-up ☐

Product ☐
Process ☐
Organizational ☒

Radical ☐
Incremental ☐

[1] BBC Dragon's Den is a popular television programme where entrepreneurs are given the opportunity to deliver an escalator pitch to would-be investors – the Dragons.

Executive chose to attempt to prove the critics wrong, but this was not a united decision within the company. With a rift in the business deepening the business chose to invest in a new set of technologies, including experimenting with oil cooling for the PCs. This attracted regional investment funding and eventually the company were able to spin-out the new technology into the US. With the rift in the company at its worst the Director responsible for the new technology left the company and followed the spin-out.

The innovation failure, in terms of the rejection of the initial products by the Dragon's, the media, and subsequently the customers occurred whilst bringing the company's products to market. When faced with adverse publicity, the then leader of the company chose to focus on product redevelopment whilst leaving the businesses operating model unchanged. What they have since learned is the distributer channel to market was not well understood in the PC industry and as a result business performance continued to suffer.

Transformation

Following the departure of the Chief Executive, the family company rallied and appointed a new family member into the role of Chief Executive. By undertaking a strategic review the company performance it was evident that the company was in a difficult market; the energy consumption of the normal PC was reducing anyway, which undermined the original value of the company's offering. Simultaneously developments in cloud computing was making in-house ownership of IT infrastructure less attractive for many potential customers.

Listening to their customers the new CEO examined the offering and the reseller activity and they soon discovered that whilst the resellers were using the green credentials to 'open door', they were then selling other products with more favourable margins to the customers, forsaking 'Very PC's' products. The nature of the distribution and reseller model also placed the company very distant for their end-users and it was soon evident that these customers were less interested in the products; which were becoming commoditised, but rather they were interested in integration services; they did not want to have to piece together all the parts of a complete information system themselves. The distributer eventually took only about half the products that had been the forecast. The company was therefore left with an immediate problem with a significant amount of its cash tied up in working capital. The recovery really began following a restructure of the sales team and a revision of the marketing strategy, where key accounts became the focus, along with a return to direct

Failure

Caused externally ☒
Caused internally ☒

Step1 Invent □
Step2 Select □
Step3 Implement □
Step4 Capture □

Transformation

Internal to Organisation ☒
External to Organisation ☐
Delivered by Organisation ☒
Delivered by Others ☐

Role of Leadership

Strategic Recovery ☒
Employee-led Recovery ☐

New Leader Engaged to lead transformation ☒
Existing Leader-led transformation ☐

Recovery Strategy Published ☒
Recovery Led by Operational Activity ☐

Strategy Announced ☒
Recovery Evolved ☐

Learning outcomes

- Changing perspective can be difficult for a leader
- New leaders bring new perspectives
- Innovation is not just abou products
- Know your market
- Know the value you deliver
- Put measurement in place with clear accountability for performance aligned around the company's corporate goals

sales and a reemphasis on developing close customer relations. That was in March 2012. Today the company focuses on providing specific services to key market segments, often supplying other makers' technology, when the client specifies it. In 2013 25% of the company's revenue comes from cloud computing services tailored to small and medium sized customer needs, 25% from a separate subsidiary set up as a reseller that focuses on hardware sales to local businesses.

The strategy itself, according to the company, was not published – rather it has evolved from a core foundation developed by the incoming CEO. The company has also developed a customer relationship management system, and whilst the ownership of the company remains the same as it did at the start, the structure is now very different. The company continues to espouse green values but the economic environment dictates that costs are kept low. The aim is to maximise the value of the accounts the company has and a result of these changes the company has started to make profit, is controlling its business better, has a vocational recruitment strategy to engage local workforce and ensures that everyone knows how they can contribute to the company's success.

Role of Leadership

The future – according to the company "Platforms will be a Service". Pricing of licences for dedicated servers is high. Rather customers will increasingly only pay for what they use. They are developing a technology roadmap, looking at the possibility of the company providing these services using company owned servers, and grow their portfolio of products and service by continuing to go out to customers to see what they buy, which will include establishing a 'Delphi-style' group of customers to test new ideas and understand their competitors more.

The role of the leader in this turnaround story has been fundamentally important. It is the leader that determines the direction of travel for a company. The previous leader was very driven by the desire to provide greener hardware for desk tops. Initially the signs were good and the green credentials of the company's products were applauded. But when it came to commercialising the company's innovative product designs it was found that using a national forum for getting out the company' green message was a risky strategy that misfired. Whilst the leadership of the company continued to pursue product innovations the financial performance suffered. It was only when a new leader came in and took a fresh look at the company's market that an innovation in the company's business model was implemented leading to financial stabilisation. The future is not yet secure and further innovation will no doubt be required to allow the company to grow and prosper but the current leader has shown his willingness to adapt to the needs of the company's customers whilst maintaining its strong green values. He is already demonstrating this with innovative marketing techniques using web forums such as www.edugeek.org, prize draws and other such techniques for getting data on customers' perceptions, wants and needs.