



Founder's Mentality®: The Path to Scale Insurgency

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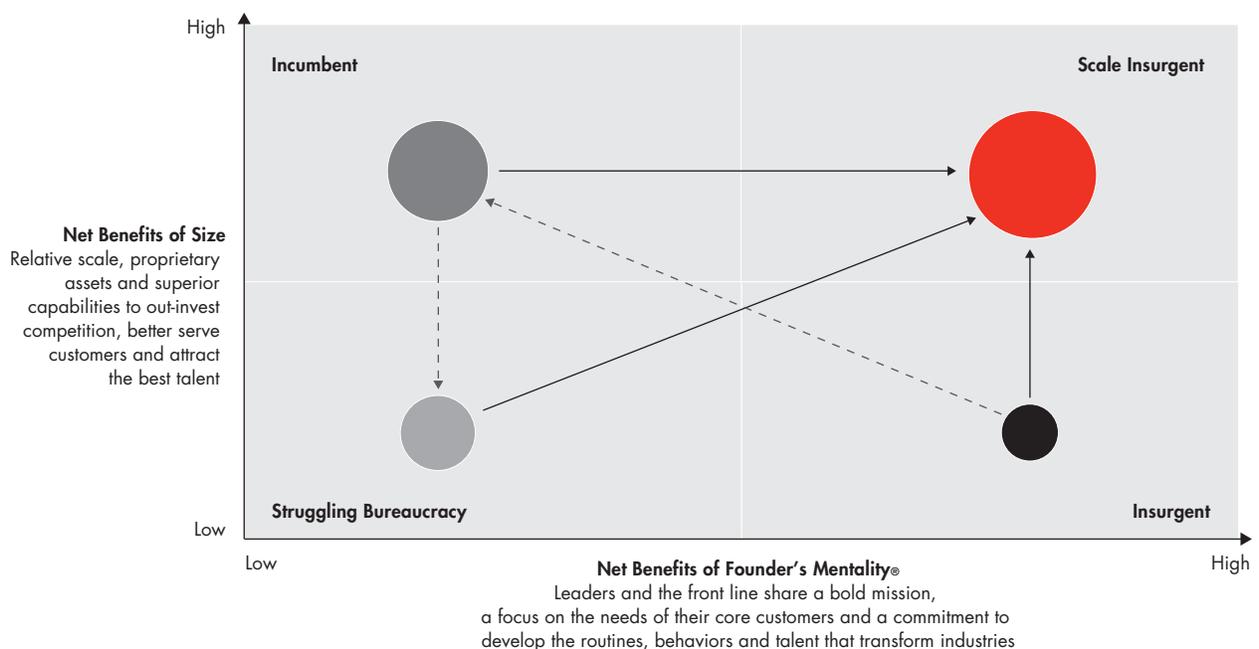
Most fast-growing companies aim to do more than simply increase revenue year after year; they aspire to global leadership in their industries. That kind of success requires sustainable growth: As a company's revenues and customers grow, so must its capabilities. These companies often start as insurgents, led by ambitious, entrepreneurial founders who break the rules. They are fast, agile and adaptable. They thrive on a unique understanding of their customers and their local markets. They hate complexity and work tirelessly to keep their organizations and offerings simple. But they also know that to win in the long term, they need the cost advantages and broader scope of global incumbents. And, in too many cases, they eventually accept a troubling trade-off: In achieving scale, they lose what we call the Founder's Mentality®—the very core strengths and values that helped these insurgents succeed against the odds.

That isn't surprising. The history of most successful Western businesses has been to move in a straight line, from insurgent to incumbent. And often, that's where the growth story ends (*see Figure 1*). Having misplaced their innate bias for simplicity, they now pile on complexity in an increasingly futile effort to reignite growth.

For leaders of these large incumbent companies, the real dilemma is how to revive their original Founder's Mentality before the burdens of size and complexity drag them down. Leaders of insurgents, meanwhile, are searching for a different road to growth—one that rejects the so-called best practices of the incumbents, yet still delivers global scale.

It is possible. Companies stepping onto the global stage can resist the natural forces pushing them off course.

Figure 1: Too often, a Founder's Mentality is lost in the quest for scale, causing complexity and then a slow drift toward bureaucracy



Source: Bain & Company

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Multinational corporations that have succumbed to those forces can regain their way—on their own or through creative partnerships with insurgents. It's not easy, but as we show in our book *Repeatability*, the tools they need already exist inside their own companies. For CEOs, the question is, Which path to Scale Insurgency is my company on?

Bain's Founder's Mentality 100 (FM100) initiative—a close partnership with leading developing market companies—and our research on Repeatable Models® provide insights into how companies can maintain a Founder's Mentality as they grow.

To do so, companies must avoid the forces that push them west on our grid toward the incumbent quadrant, toward that troublesome trade-off. We call these forces the “westward winds.”

Let's examine one of these winds: Revenue grows faster than talent. Behind the early success of most insurgent companies are dynamic, talented individuals who understand the company's mission clearly and implement it passionately. This team makes up for any gap in skills with heroic efforts.

However, fast-growing insurgents eventually discover that this is unsustainable—the original team begins to burn out. New projects fail. To address the talent shortage, the company hires teams of professional managers with little frontline experience. Often, the company also turns to a strategy common among incumbent rivals: It tries to codify the founding mission through rule books and policies.

For a while, this seems to work. A more process-oriented company can plug a talent gap by hiring second-tier talent who are comfortable in that environment. But leaders soon discover that the result is a bureaucratic company filled with planners. The antidote to this problem—and to the other westward winds—is a ruthless focus on the core and the Repeatable Models that define it. Expanding these models creates bigger jobs for the best talent and offers a powerful tool for training new employees. It preserves the mission shared by the early team and ensures that it cascades down to the front line.

To learn more about how winning companies combat the westward winds, go to www.foundersmentality.com. 

How to resist the “westward winds” that push insurgents off course

Westward winds	Description	Actions to counter
<p>The unscalable founder</p>	<p>A founder's inability to adapt his or her behaviors as a company evolves results in founder issues that disrupt the leadership agenda</p>	<ul style="list-style-type: none"> • Look hard at the CEO's agenda and what is required for full potential growth, clearly identifying where founder issues are at conflict with what is right for the company • Create a roadmap for when and how the founder issues will be addressed and communicate to the leadership team • Build an operating model and governance that enables the business to scale and creates three distinct forums to resolve founder, family and corporate issues
<p>Lost voices of the front line</p>	<p>As leadership focus shifts toward internal issues, the voice of the customer fades from decision making and the frontline employee is forgotten</p>	<ul style="list-style-type: none"> • Bring back the voice of the customer: Focus on most profitable advocates and continually seek new ways to delight them • Bring back the voice of the front line: Build effective feedback loops; realign goals and organization structures to empower the front line and create a customer-centric culture • Through accumulated experience and practice, create a strong learning organization
<p>The erosion of accountability</p>	<p>Loss of the owner's mindset (personal focus on cost and risk management) leads to rising costs and unnecessary risks</p>	<ul style="list-style-type: none"> • Define the unit of value creation in the organization and the “franchise players” who are accountable for the growth of these units; give the franchise players the authority and information to act like owners, supported by the rest of the organization • Use G&A costs as capability currency— judiciously spend to build differentiated capabilities that improve the business • Build in the capacity and system of checks and balances to support the right institutional risks
<p>Revenue grows faster than talent</p>	<p>The company drifts to the “time of flawed systems” as the founder's attempt to institutionalize core capabilities backfires, resulting in runaway bureaucracy and an exodus of top talent</p>	<ul style="list-style-type: none"> • Co-create “non-negotiables” with your front line to guide day-to-day behaviors • For each non-negotiable, identify the systems and capabilities that need to be developed, then design an implementation roadmap • Build the talent table to create bigger jobs for existing talent and provide clarity on external recruitment goals

Source: Bain & Company

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