

The paths to Great Repeatable Models®

How insurgent companies capture the benefits of scale and scope without losing their Founder's MentalitySM

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 the 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.

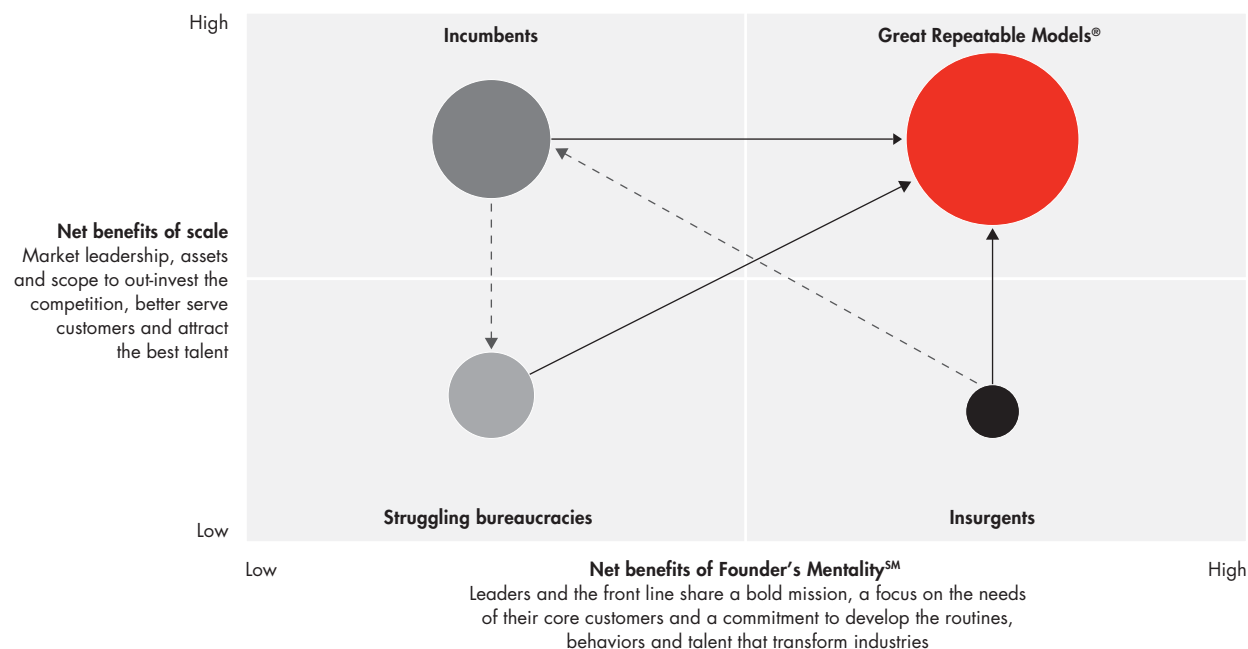
But they also know that to win in the long term they need the cost advantages and broader scope of global incumbents. And, in too many cases, they eventually accept a troubling trade-off: In achieving scale, they lose what we call the Founder's Mentality—the very core strengths and values that helped 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. 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 a Great Repeatable Model is my company on?

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



Bain’s Developing Market 100 (DM100) 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” (see Figure 2).

Let’s examine one of these winds: the Midas touch. Many companies grow rapidly during their early years, particularly in emerging markets. Yet this growth often results in part from proprietary access to talent, capital and government relationships. Success only increases these advantages and, for a while, almost everything the company touches seems to turn to gold.

But behind this seemingly virtuous circle of growth, complexity mounts. Multiple businesses cause the company to lose sight of its core.

This immediately becomes apparent when the company considers expanding abroad. Decades of research demonstrate that international expansion should build on a strong core business and that a company’s first foray abroad should export the “core of its core.” Yet companies afflicted with the Midas touch find themselves wondering, “What is our core?”

The antidote to the Midas touch—and to the other westward winds—is to understand and rely on the Repeatable Models that led to success in that core. Basing expansion on repeatable models ensures that growth strengthens, rather than weakens, the Founder’s Mentality that led to early success. In turn, that serves as a natural defense against complexity on the path to scale and scope.

By James Allen, Dunigan O’Keeffe and Chris Zook

To learn more about the DM100 initiative and how winning companies combat the westward winds, go to www.foundersmentality.com

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Figure 2: How to resist the “westward winds” that push insurgents off course

| Westward winds | Description | Actions to counter |
|----------------------------------|--|---|
| The Midas touch | Founder’s great track record and proprietary access to talent and capital leads to over-expansion, diffused focus and a complex portfolio | Rediscover the core: Sharpen focus on key sources of differentiation and pursue “one-step” adjacency expansion only when core is at full potential |
| Death by 1,000 averages | Rise of the “average customer”: generic view across segments and undifferentiated customer experience | Bring back the “Voice of Customer”: focus on most profitable advocates and delight them |
| | Rise of the “planner” with no frontline experience, resulting in spreading limited resources across too many priorities | Bring back the “Voice of Front Line”: redeploy “Power of Ten” to give the front line whatever it takes to overwhelm competitors in must-win battles |
| | Rise of the incumbent mindset, resulting in too much time spent on defending positions vs. transforming industries | Bring back the insurgent mindset: external orientation, willingness to break the rules of the game and fast experimentation with effective feedback loops |
| Revenue grows faster than talent | Founder’s attempt to institutionalize core capabilities to support Tier-II talent backfires, resulting in bureaucracy and Tier-I talent exodus | Create bigger jobs for existing talent and give them leverage through “non-negotiables” and scalable routines |
| The fog of governance | Growing demand from organization/family for founder to delegate decision rights results in governance debates | Create proprietary talent plans to ensure next generation of leaders maintain Founder’s Mentality |
| | Confusion over family member roles in decision making leads to clashes with corporate talent | Build an operating model and governance that distinguishes between founder/family and corporate roles |

Source: Bain & Company