



BIMAC
Literature Review

The founders Mentality
Zook & Allen (2016)

Geert Scheipers

HOW TO OVERCOME THE
PREDICTABLE CRISES OF GROWTH

**THE
FOUNDER'S
MENTALITY**



About the Authors



- Chris Zook is a partner in Bain & Company's Boston office. He was co-head of the Global Strategy practice for 20 years. During his more than 25 years at Bain, Chris has specialized in helping companies find new sources of profitable growth. He received a bachelor of arts in mathematics and economics from Williams College, an M.Phil. in economics from Exeter College, Oxford University, and earned master's and doctorate degrees from Harvard University.



- James Allen is a senior partner in Bain & Company's London office. He is the co-leader of Bain's Global Strategy practice, the founder of the firm's Customer Strategy & Marketing practice, and a member of Bain's European Consumer Products and Technology practices. In addition, he leads Bain's Developing Market 100 initiative. James earned an MBA from the Harvard Business School.

Chris and James co-authored a series of books with Harvard Business Review Press, including *The Founder's Mentality* (2016), **Repeatability: Build Enduring Businesses for a World of Constant Change** (2012), an argument for simple, great repeatable models to realize enduring, profitable growth. In 2010, they published **Profit from the Core: A Return to Growth in Turbulent Times**, an updated edition of the 2001 best-selling business book, *Profit from the Core: Growth Strategy in an Era of Turbulence*, which offers an approach to assessing and making the most of core business opportunities.



The Idea in brief

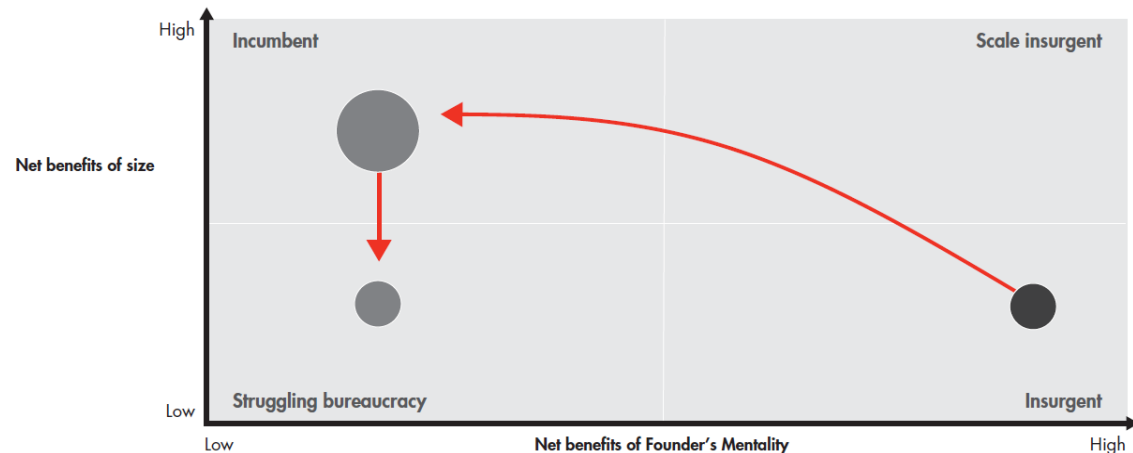
- › Growth creates **complexity**, and complexity is the silent killer of growth. This paradox of growth explains why only about one company in nine have sustained more than a minimum level of profitable growth during the past decade and why **85% of executives blame internal factors for their shortfall**, not external ones beyond their control. Companies' increased internal complexity leads them farther afield from the clear values and attitudes that their founders put in place. The few companies that avoid such internal crises and sustain long-term growth are those that maintain a “**Founder's Mentality**.”
- › The authors' research shows that more than 80% of a company's major swings in value can be traced to the decisions and actions the company takes (or does not take) at these **three moments of internal crisis**:
 - › **Overload**: The **internal dysfunction and loss of external momentum** that management teams of young, fast-growing companies experience as they try to rapidly scale their businesses.
 - › **Stall-out**: The sudden slowdown that many successful companies suffer as their rapid growth gives rise to **layers of organizational complexity and dilution of the clear mission** that once gave the company its focus and energy.
 - › **Free fall**: The most existentially threatening. A company in free fall has **completely stopped growing in its core market, and its business model**—until recently the reason for its success—suddenly no longer seems viable.



Default growth path of growing companies

- Large multinationals struggle against forces that threaten to turn the power of incumbency into the pain of **bureaucracy**. (called the **southward winds**) They include: The Complexity Doom Loop, The Curse of the Matrix, Fragmentation of the Customer Experience, Death of the Nobler Mission

- Insurgent companies gain scale and scope, they also encounter a number of forces that **threaten to drive them off course** and away from their Founder's Mentality. (called the **westward winds**) They include: The Unscalable Founder, Lost Voices from the Front Line, The Erosion of Accountability, Revenue Grows Faster than Talent



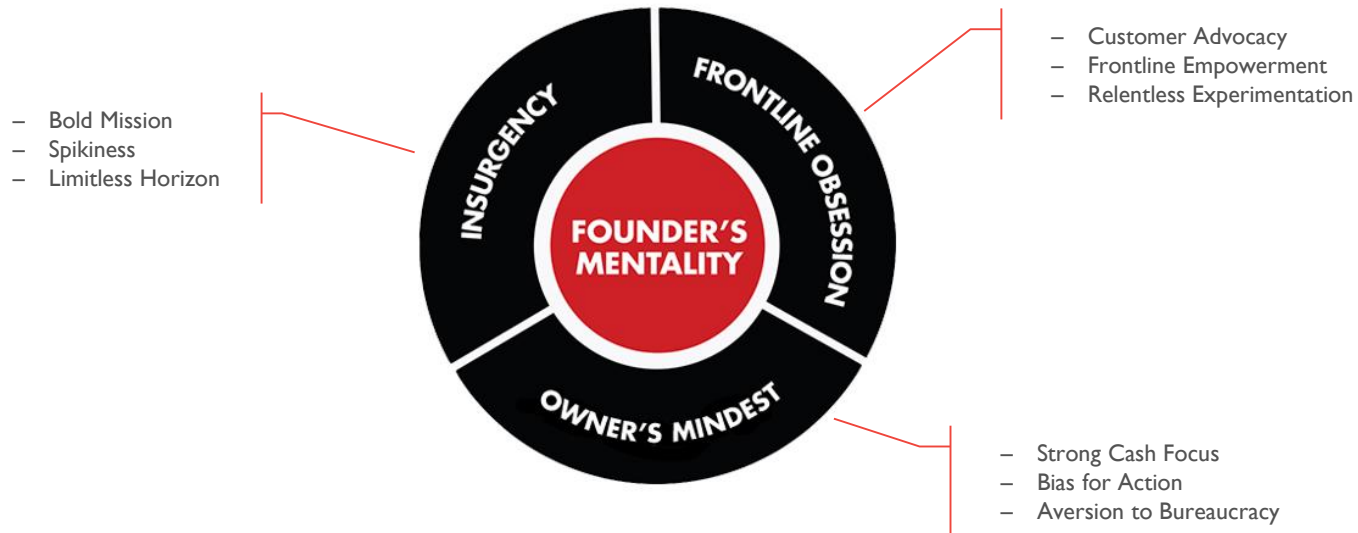
The 3 Predictable Crises of Growth

- 1. Overload** refers to the **internal dysfunction and loss of external momentum** that management teams of young, fast-growing companies experience as they try to rapidly scale their businesses. As companies scale, their leaders tend to undermanage or take the elements of the founder's mentality for granted, which can result in those companies losing what made them great in the first place. Overload afflicts growing companies that have failed to prepare adequately on the inside for the strains of size and complexity.
- 2. Stall-out** refers to the **sudden slowdown** that many successful companies suffer as their rapid growth gives rise to layers of **organizational complexity and a dilution of the clear mission** that once gave the company its focus and energy. Stall-out is a disorienting time for a company: The accelerator pedal of growth no longer responds as it used to, and faster, younger competitors are starting to gain ground. Most companies that stall out never fully recover.
- 3. Free fall** is the most existentially threatening crisis. A company in free fall has **completely stopped growing in its core market, and its business model**, until recently the reason for its success, suddenly no longer seems viable. **Time feels scarce for a company in free fall.** The management team often feels it has lost control. It can't identify the root causes of the crisis, and it doesn't know what levers to pull to escape it.



The Founders mentality

- All great companies start as **insurgents**, at war against their industries on behalf of underserved customers. This creates a tremendous sense of mission, clarity and focus. Because everyone in the company makes or sells the product in the beginning, these insurgent companies are **incredibly customer and frontline focused**. Everyone acts like an owner of the business because most are. Speed is a weapon. And what insurgents lack in size, they make up for with the missionary spirit of a scrappy, fast-moving challenger
- The 3 defining threats of the founders mentality:



6 building Blocks to become a Scale Insurgent

Rediscover the insurgency and capability spikes to accelerate growth.

- 1 > Translate your strategy into the language of the front line (biological constraints force you to simplify). Your thumb is a statement of your insurgent mission (in customer-focused language), and your fingers represent **the three or four spiky capabilities** that help you deliver that insurgent mission.
- > Translate that simple but powerful insurgent mission **into 10 to 12 “nonnegotiables.”** These are the must-do frontline routines and behaviors that everybody commits to doing every time, every day.

Build Engine 2 to challenge industry rules and boundaries.

- 2 > Engine 1 is your current core business. It returns significant capital because you lead and have invested in it for years. But it may not be future-proof.
- > Engine 2 may be your **future source of revenue**—new businesses with the potential for rapid growth, but also characterized by turbulence and lousy short-term economics because you need to invest ahead of revenue. Or it may be where you choose to experiment with a new future-proof business model to better serve your existing core.

Refocus the operating model on “franchise players.”

- 3 > Franchise players are the **mission-critical people who deliver the insurgent mission to customers every day**—either by providing the benefits of intimacy (roles devoted to local, close customer contact) or size (roles that focus on lowering costs through global scale). Franchise players are frontline people, but they also fulfill the critical functions that **deliver spiky capabilities through scale.**
- > Identify your franchise players, liberate them and reorient the enterprise around them.

Build learning systems to reconnect with customers and the front line.

- 4 > Very few companies actually have world-class learning systems. They assume that getting bigger results in experience-curve benefits, but they do nothing to enable this. In essence, they’re ignoring the one massive competitive advantage of size: superior learning.
- > The best learning system is the **Net Promoter System®**.

Simplify to fuel growth.

- 5 > Bureaucratic training teaches you to hold resources in reserve and to measure your worth by the size of your empire.
- > Leaders should **constantly review the resources under their control** and try to figure out **how to do more for less.** They should then look for unneeded resources and reallocate them to fund new growth opportunities in or out of their control.



6 Building Blocks to become a Scale Insurgent

Create a company of insurgents.

> Companies don't win through processes or systems alone; **they win through the heroics of their people.** Whom you reward and the stories you tell about heroes define the company you want to be.

6

If the building blocks are the 'what' **Micro battles** are the 'how':

- Micro-battles are **discrete time-boxed initiatives** that rapidly *bring strategic choices to action* and aim to *deliver speedy results*.
- Micro-battles are run by **small, cross-functional teams** of seven to nine people, preferably dedicated full time.
 - They are led by a franchise player, who owns the results.
 - The team brings together the benefits of customer intimacy (front line) and benefits of scaling (the functions).
 - Each team includes a process owner, who understands the principles of Agile innovation and can help the team unlock problems to be more effective.
- Every micro-battle has **clearly defined deliverables** around developing a **winning prototype that can scale**. This demands the company develop a clear thesis on key battlefields and what capabilities need to spike.
- Teams are **empowered to progress** and make recommendations, with a clear process to:
 - collect customer feedback to adjust the prototype
 - gather input from a defined set of stakeholders (including senior leadership).
- Teams are **devoted to test and learn**. They're willing to *fail fast and adapt*.





Monday Meetings (which don't have to happen on Mondays)

“We had a huge problem with **slow decision making**. The executive team talked about this a lot and committed to make decisions quicker. But what we discovered was that it didn't matter how fast we made decisions, the problem was that **too many conflicts stayed at lower levels and never reached us**.

The people on our teams were losing all their energy in peer-to-peer fights and we weren't doing anything to help.

So we **introduced the Monday meeting**. It was a **social contract** with our people. As executives, we agreed to set aside our Mondays to **help resolve any conflicts that were slowing actions**; someone just needed to bring the conflict to our attention. **We'd do whatever it took and stay all night if need be**.

In turn, **our people had to commit to not letting inaction fester for more than a week**. No excuses. They had to elevate decisions that were creating bottlenecks.”

Enhance speed and agility: Increase the metabolism of a business by *unblocking any obstacle* that is preventing members of the organization from doing their jobs and *fostering 'bias to action'*;

- Team members cannot leave the meeting until they solve problems and making big issues small enough to be fixable.
- Plan Tuesday check-ins to follow up on the progress of decisions and discuss any new bottlenecks encountered.

Key benefits:

1. It sets the problem solving cadence to 6 days
2. Leaders can no longer blame the organization (systems and processes) for delays
3. It forces the leadership team to talk in an integrated way about the problems that are making it hard for people to get their work done
4. It keeps the senior team action-oriented and reduces the cycle time from decision to action





Hidden Killers of speed

1. Excess complexity
2. Energy vampires
3. Debates in committees where no person 'has the ●' (the right to ●decide)
4. Excessive organizational layers and span breakers
5. Ambiguity around core principles and objectives and a lack of common instinct for how to react to competitors
6. Trapped resources in departments
7. Balkanized customer experiences with no single owner
8. Lack of Monday meetings to debottleneck decisions and actions, leaving conflict unresolved
9. Failure to embrace the power of repeatable models so that each new growth opportunity demands new and different capabilities
10. Large corporate staff endlessly initiating new activities to better inform themselves



Table of Content

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Notes

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Acknowledgements

About the authors



Personal Opinion



- Quite descriptive and deterministic
- Too much of a 'consultants' book?
- Too much promotion of NPS ® and later found out about founders mentality ®
- Missed the references to e.g. Clayton Christensen
- Complexity ≠ complicatednes



- Well written, nice book
- Well illustrated with lots of relevant cases; L Brands, Yonghui Superstores, Oberoi, ABI, Norwegian Cruise line, Charles Schwab, HP, Marico, Mey, Dell, Home Depot, Cisco, ...
- Mentality ≠ Personality
- Nice practical call to action at the end of each chapter
- A clear case for strategy execution
- Unparalleled additional references: please check <https://www.foundersmentality.com/>

