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The Founder's Mentality

By Chris Zook and James Allen

Overcoming the Crises of Growth

New companies are notoriously fragile. Yet, as any company grows, moving past its tumultuous beginnings, it runs into three crises, write veteran Bain consultants Chris Zook and James Allen in their book, *The Founder's Mentality*. The first crisis is overload: the company

fails to scale its business successfully, succumbing instead to internal dysfunction. The second crisis is stall-out: bureaucracy and organizational complexity sap the energy and agility of the company's younger days. The third predictable crisis is free fall: saddled with an obsolete business model, the company watches its market share dissipate.

According to the authors' research, the reason for companies inevitably facing (and often being defeated) by these crises can be traced to the loss of what they call "the founder's mentality."

The founder's mentality consists of three defining traits. The first is, according to the authors, "the insurgent mission" — the belief that the company is not simply selling products but is at "war" with an industry stuck in the past or underserving customers.

The second defining trait of the founder's mentality is "the front-line obsession," which is more than an intense focus on customers and the front-line employees who serve them. Founders tend to obsess about every detail in the customer-company interface.

Finally, the third defining trait is "the owner's mindset." When people work for a small company fighting for its survival, they see themselves as owners of the company. They are completely invested in its success.

These founder's mentality traits give a company its edge and its energy. But over time, as the company grows and becomes more hierarchical and more entrenched, as

executives are further and further removed from the front lines, and as a dedicated bunch of committed "owners" becomes a large mass of employees, this edge and energy dissipate.

In order to overcome the inevitable crises that companies will face in their history, they must keep or restore the founder's mentality.

Overcoming Overload

Using often unique case studies, Zook and Allen walk their readers through a systematic process for using the founder's mentality to respond to each of the three growth crises.

For example, the driving mission of a company often disappears when a company hits overload. The best response is to engage the employees in defining, understanding and feeling connected to the company's core purpose. Employees must be engaged so that they feel as invested in the mission as the company's early employees once did.

Founders have a front-line obsession, but when a company hits overload, top executives are more and more distant from the front lines. As a result, companies must make a special effort to embed a front-line obsession in their employees. Empowerment is important: If front-line employees are trusted to solve tactical problems on the spot, they will take more responsibility and accountability.

Another issue with overload is increasing complacency. Leaders at the best companies avoid complacency, signaling to their employees that the company can always do better. In sum, they demand an owner's mindset from their employees, reinforcing this demand through a culture of meritocracy and open feedback.

The Founder's Mentality is filled with specific advice on how to become a "scale insurgent" — a company with both the benefits of size and the benefits of the founder's mentality. Zook and Allen have written five best-selling books on strategy. While the focus has shifted from external to internal success factors, the clarity and insight of their previous books is equally evident in this latest work.