The Bain Micro-battles System℠

In the new era of business, leading firms will be big and fast. Micro-battles can help companies rediscover the art of business building to compete with scale and speed.

BAIN & COMPANY

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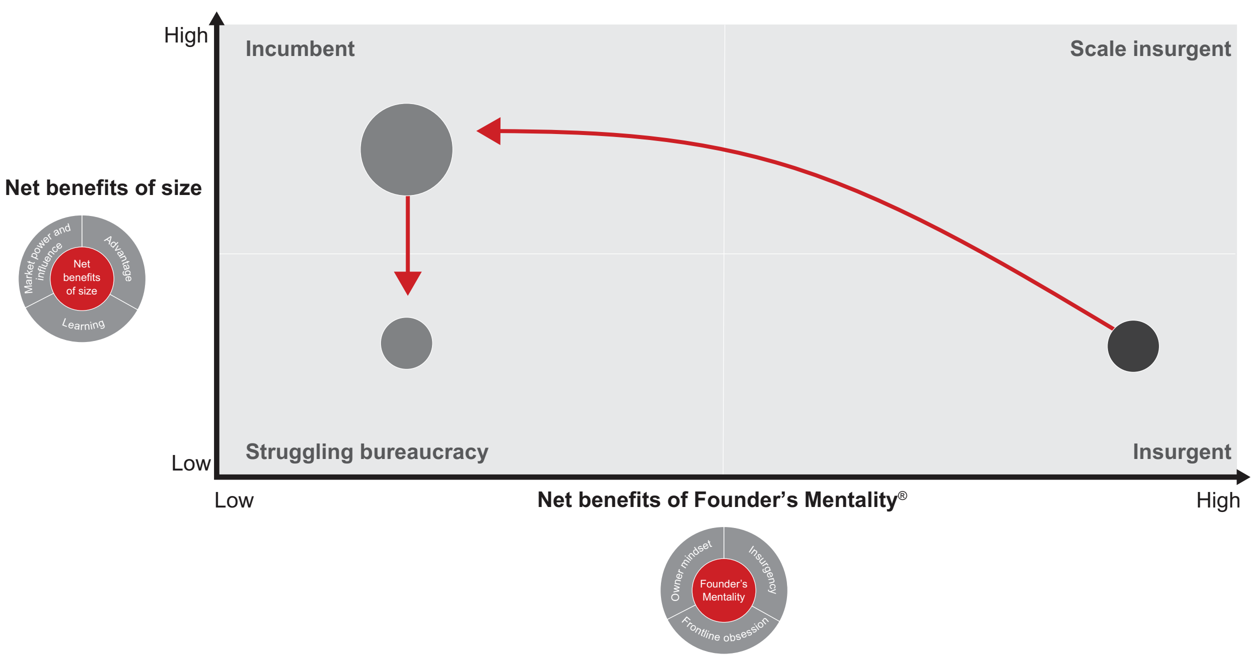
Introduction

Why is it that only one in nine companies achieves sustained, profitable growth over 10 years? Look at the latest revenue numbers for any fast-growing insurgent firm. That graph is an impressive upward sloping line. The company is getting bigger every month, every year. Now, replace the term "revenue" with "complexity." This new chart is the best predictor of an impending disaster. Every step taken to manage growth is slowing the company down. We call this dilemma the growth paradox: Growth creates complexity, and complexity kills growth.

Every management team will face the growth paradox at some point. As we described in our book *The Founder's Mentality*, there are three different phases in the default life cycle of a firm *(see Figure 1)*:

- **Insurgent.** These younger companies grow fast. Speed is one of their most important assets. They still have the great culture established by their founder, or their "Founder's Mentality®." But they need scale. They're trying to gain the economic benefits of size, without losing speed as a result of layers and bureaucrats. If they don't maintain speed while capturing scale, they risk becoming overloaded with complexity.

Figure 1: Without management intervention, most successful companies follow the default path to struggling bureaucracy



Source: Bain & Company

- **Incumbent.** These established companies lead their industry in some key niches, if not overall. While these strong, professional organizations have captured the benefits of size, it has come at a tremendous cost. They've lost any sense of entrepreneurial culture. They're slow and vulnerable to emerging insurgents. They can't respond quickly to industry turbulence. They need to gain speed and rediscover the lost art of building new businesses, or their growth will stall.

- **Struggling bureaucracy.** These firms are in deep trouble. They've been the leader in their industry, but they can't react to competitors fast enough. Their size is a liability. Their growth is in free fall. These firms need a radical change before it's too late.

Yet a small number of companies, about 7%, are able to capture the benefits of scale *and* speed. They build scale and achieve leadership economics without sacrificing the speed and energy that powered their steady growth. We call these rare firms "scale insurgents." No matter where companies are on the growth journey, they can combat the crisis of growth and transform into scale insurgents.

Micro-battles—discrete, time-boxed initiatives that rapidly bring strategic choices to action and formulate ways to scale the results—are a potent way to break through complexity and transform the organization's behaviors. They teach fast insurgents to capture the benefits of scale without "professionalizing" and losing speed. They teach large incumbents to move quickly, deploying new ideas across their huge organizations and staying ahead of industry change. Paired with radical programs to reduce cost and complexity, even struggling bureaucracies can use micro-battles to get their mojo back.

Since publishing *The Founder's Mentality*, we've worked on more than 535 micro-battles around the world, collecting lessons as we go. Our latest thinking focuses on how micro-battles will be a critical tool to help companies thrive in the next era of business.[1] As the strategies, corporate forms and styles of management evolve, firms will need to compete on the basis of scale and speed. They'll need to rediscover the art of business building. In the future, every company will either be another cautionary tale of a failure to adapt, or a poster child for the new era of scale insurgency.

Becoming a firm of the future

At Bain, we have a group dedicated to identifying the issues that will transform business in the next 10 to 20 years. While the exact shape of the "firm of the future" is unknowable, history suggests that the transition will be a profound leadership challenge. Three critical insights can help companies navigate the major shifts coming this way.

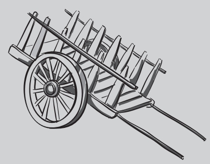
1. The transitions between eras of business are complicated and turbulent

We've found that the idea of business has evolved slowly but profoundly through a series of what we can now see as seven definable eras *(see the infographic "A Brief History of Business")*. To understand how those transitions play out, it's best to look back a few decades. During the trusts era, from the 1870s to the 1920s, the first global modern businesses were born. Iconic founders—think of Rockefeller, J.P. Morgan, Carnegie, Ford, Krupp—built vertically and horizontally integrated companies with complex supply chains. These industry-spanning enterprises came to monopolize the production of commodities and services. But over time, the trusts faced fundamental issues. Governments adopted antitrust regulations, arguing that the monopolies were no longer serving society's interests.[2] And as the founders aged, they didn't always pave the way for a smooth succession. Henry Ford, founder of Ford Motor Co., is the poster child for the unadaptable leader. Formerly one of the most extraordinary disrupters in business, he unfortunately deteriorated into an opponent of innovation.

After the downfall of firms massively dependent on one leader, a new era emerged—one dominated by cadres of dispassionate and disposable professional managers. Alfred P. Sloan, CEO of General Motors, introduced the energetic new form of management in response to a declining Ford. The central idea was that the firm wouldn't be dependent on one person. Born in the 1920s and 1930s, the professional management system created enormous value and resulted in the postwar US boom and recoveries of Japan and Europe. Business schools trained millions of managers to join the system. Even today, Sloan's autobiography is one of the first books that business students read. MBAs continue to be the shiny result of the era.

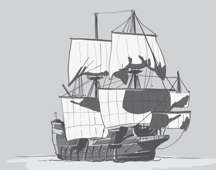
But the original form of the professional management system came into question in 1976, when American economist Michael C. Jenson published his seminal article, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." He argued that professional managers weren't always aligned with the firm's owners. They had no stake in the value they created and bore no personal implications with the decisions they made. This insight sparked a revolution. It contributed to the rise of the private equity industry, as investors sought to capitalize on the rewards that come from aligning management interest to owner interest. A new era, the shareholder primacy era, was born. It was quite disruptive—60% of the Fortune 500 turned over during the transition—but many of the core innovations and business practices of the professional management era endured.

A Brief History of Business



Precursors to the firm (800 BCE–1500 CE)

Businesses with at least some resemblance to the modern firm have been around a long time. Guild-like *shreni* played a central role in the trading and craft production sectors of India's economy between the eighth century BCE and the end of the first millennium. Song dynasty China had modern-sounding capital structures such as partnerships and joint stock companies. Merchant collectives grew in importance in medieval Europe.

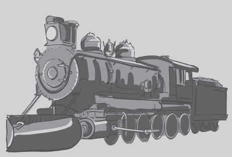


Trading empires (1500–1800)

As international trade became synonymous with geopolitical power during the 16th and 17th centuries, the holders of trading routes—capital-intensive, decentralized enterprises that were tightly connected to governments—began to organize themselves to trade their stocks and bonds on exchanges they created, and to appoint boards of directors. Organizations such as the Dutch and the British East India companies came to dominate the world economy.

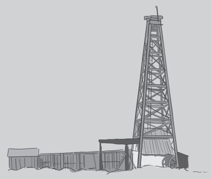
Scale apprenticeships (1790s–1830s)

Companies began to capture the advantages of mechanization, the power of steamboats to lower distribution costs and specialization of commercial activities (in finance and transport, for example). While some of their practices were unchanged from the trading empires, these firms were owned by partnerships, families and individuals such as Josiah Wedgwood. For the first time, the firm itself became the primary unit for value creation.



Early industrialists (1830s–1870s)

Companies responded to a world of accelerating production speed, urbanization and telegraph communication by growing ever larger. The US railroad companies may be the first truly modern management organizations, and their rise led to advances in accounting methods, the first large groups of salaried middle managers and more sophisticated capital markets to finance investments. Consumerism began to take off, as brands emerged and firms such as Singer and Marshall Field began to innovate around marketing.

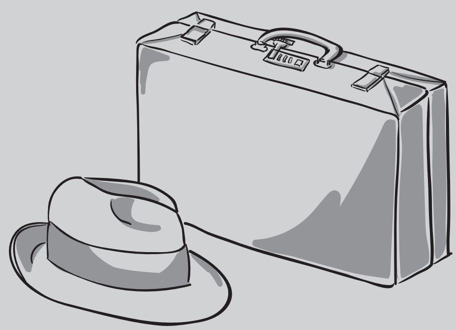


Trusts (1870s–1920s)

With continued reductions in the costs of moving goods (for example, ocean freight advances) and information (for example, the telephone), a new era emerged that was characterized by vertical and horizontal integration. These industry-spanning companies, often led by iconic founders such as John D. Rockefeller, came to monopolize production of oil, steel, rubber and many other commodities and services.

The professional management era (1920s–1970s)

As trusts were outlawed, the founder-led company gave way to professionally managed corporations such as Alfred P. Sloan's General Motors—large multidivisional enterprises owned by diversified retail investors and run by powerful executives. The age that these companies ushered in defined the idea of the firm in the world's developed economies for much of the 20th century. At its height, this innovative, quasiscientific management system encouraged the rise of management as a career, separate from ownership. The professional management era reached its zenith in the 1960s, as large conglomerates expanded rapidly, backed by a belief in executives' ability—with the right set of management tools—to allocate capital effectively across a diverse portfolio of businesses.



The shareholder primacy era (1970s–present)

The turmoil of the 1970s saw the rise of a new, more aggressive idea of the firm, led by thinkers such as Michael Jensen. The new theory attacked conglomerates and emphasized unlocking value from trapped assets. It argued that managers should be disciplined by debt and incented by the promise of huge rewards tied to shareholder interests. Combined with a host of regulatory and tax changes, the new thinking kicked off a boom in leveraged buyout activity, as the rush was on to find hidden sources of value within sleepy incumbents.

The transitions between eras have always been messy and turbulent for the leaders of existing firms. Think of what it was like for Ford to transition from a founder-led business to a professional management system in order to compete with General Motors. Or what it was like for the professional managers of GM or General Electric to transition from multiple measures of performance to a winner-take-all focus on creating shareholder value. These executives began their career with one prevailing idea of how to run the firm, only to watch it change completely. They had to adapt, or they would be left behind.

Why are transitions so messy? There's a lack of clarity, exacerbated by the fact that different industries shift at different speeds. Generally, more capital-intensive industries with long investment horizons move the slowest, while direct-to-consumer industries, like retail, move the fastest. Not everyone is facing the same sense of disruption. There are many smart leaders who don't acknowledge that anything is changing—until it's too late. In fact, the new era is almost always defined in hindsight. Leaders know that the traditional levers of management aren't completely working. They see emerging competitors going to market in a different way. Yet no one can definitively announce, "Here's the new management book." That book is written years later. But one thing is clear: If your firm waits too long to change, you're doomed. Era transitions are like mass extinctions, with the firms who refuse to adapt going the way of the dinosaurs.

2. We are transitioning between eras

While the professional management system has been challenged many times, some of its principles have stuck around for two full eras. The heroes that ran the system had many accomplishments. They enabled a new generation of companies to scale and sustain themselves beyond the vision of a charismatic founder. As custodians of the business working toward the objectives of the executive board, professional managers were fungible and disposable. They could be added, removed and replaced throughout the business without huge cost. They managed risk and protected the firm from the whims of personality.

Professional managers also drove astonishing levels of innovation, growth and value creation. They focused on the core business, with tight strategic discipline and an understanding of the business's mission and value drivers.[3] They championed the benefits of size with standardization. Malcolm McLean, for example, introduced the standard shipping container in the 1950s, dramatically reducing the cost and complexity of ocean transport. Routines underpinned success stories from McDonald's to Ikea to Southwest Airlines, and formed the basis of management systems such as Six Sigma, by unleashing the power of learning. Professional managers also kept their promises to shareholders by delivering consistent results. General Electric's market value grew 30 times under Jack Welch as the company became a paragon of predictable earnings growth.

We can also credit professional managers with establishing standards in the name of transparency and fairness, freeing HR and finance systems from capriciousness or favoritism. In contrast to the single-minded focus of the trusts' founders, the manager had a broader scope of professional responsibility. As Alfred P. Sloan noted, "Industrial management must expand the horizons of responsibility. It must consider the impact of the operation on the economy as a whole in relation to the social and economic welfare of the entire community."

Even as we moved into the shareholder primacy era, the one thing that survived was the dependence on professional managers. Due to their great strengths, they've remained critical to the firm for over a century—executives simply needed to adjust how they were measured and rewarded.[4] But today, the system is no longer fit for purpose. There are three reasons for this.

The death of the Founder's Mentality

We've interviewed more than a thousand senior executives (including 300 founders). We've held more than 105 Founder's Mentality forums around the world, bringing together founders and professional managers. We've surveyed more than 7,000 executives. Through all of this research, we've concluded that the professional management system kills a firm's Founder's Mentality. How? The Founder's Mentality consists of three core traits that firms forsake as they professionalize:

- **Insurgency.** Companies with a strong sense of Founder's Mentality have a clear, bold mission—they're at war with their industry on behalf of underserved customers. For example, Adrian Gore, the founder of Discovery, a South Africa-based insurance firm, describes his mission: "We're here to make people healthier. And we'll do it by rewarding our customers as they change their behaviors in ways that will help them lead longer and healthier lives. This was a completely different approach than anyone in our industry was taking at the time, and we think [it] has created a revolution. And our people understand it: We are here to help people live more years. It is an amazing ambition to give the world more human years, from which great things will emerge. And we can and have applied this mission to different kinds of insurance and now different financial products. We are in the early chapters of a revolutionary story." Discovery's mission expresses an insurgent-like ambition to redefine its industry. Scale insurgents are also clear on a firm's spikey capabilities—those two or three core capabilities that provide both competitive advantage and the foundation for new growth initiatives. Professional managers unintentionally work against this sense of insurgency. Rather than focus on a single bold mission, they flood a company with hundreds of KPIs, making financial metrics as important as, if not more important than, customer metrics. Bold missions seem too passionate or sentimental. Moreover, the clarity that comes with spikey capabilities is lost and replaced by what we call the "tyranny of functional excellence programs." Every functional head wants his or her function to be world class. The idea of functional excellence as a means to serve the mission is lost. Managers push talent into silos, with deeper but narrower levels of expertise. They don't see the value in integration because they measure success by function rather than achievement of the insurgent mission.

- **Frontline obsession.** Insurgent companies put the customer at the center of their every activity. They build their organizations to support the front line, those people that directly serve the customer. Companies like Brazilian retailer Magazine Luiza celebrate the front line as the heroes of the business. "I know we must continue to be more professional as we grow. That is important," says the company's president, Luiza Helena Trajano, "But I also know that we must keep the store manager as 'king' or 'queen' of the company, with all of us working to serve their needs. Many forces work against this as we try to harmonize pricing, buying, etc. That's why I have to remain the voice of the front line as decisions are made. We cannot lose focus on who's the real boss: It is our store manager." At customer-centric insurgents, every employee's goal is to build new businesses that tackle the customers' next problem. In the professional management system, every employee's goal is to move further from the customer. Why? The professional management system has two primary rewards: spans and layers. Employees are rewarded with either more people or more resources to control. They are promoted, moving further from customers and closer to the C-suite. This orientation toward the CEO hinders learning. Rather than encouraging frontline workers to share lessons with one another, managers ask them to send lessons up the line, so senior leaders can introduce new ways of working to each function. Learning devolves into compliance, with functional leaders checking how well employees adhere to guidelines. With these guidelines, in their desire to eliminate the capriciousness of founder decisions, the professionals implement systems. The intent is noble. They mean to bring fairness and transparency to decisions. But the result can kill a culture, as the systems become more important than the heroes they were trying to support. How do you know if you have a problem? Note in your next HR meeting, when the discussion of compensation comes up. Watch as one of your leaders works hard to reward a true star with a double bonus. The professionals will respond, "Yes, she is a great talent. But we can't do that because it would erode the integrity of our systems." Indeed, over time, the systems will trump the heroes.

- **Owner mindset.** Companies with a strong sense of Founder's Mentality also act with an "owner mindset." They constantly simplify the organization to shift resources to new businesses. They share a bias for action and hate bureaucracy. The professional management system, on the other hand, erodes the effectiveness of resource reallocation for growth. All managers view their self-worth through the lens of their span of control. During annual budgeting, they fight hard to keep that control. CEOs find themselves managing less and less of the budget. The professional management system also brings subtle changes to a firm's bias to action. For example, a frontline person might complain, "We have a China pricing problem." In an insurgent organization, the founder intervenes, "We don't have a China pricing issue. What does that even mean? We have an issue with four products across two stores. Let's get on the phone and solve this." The founder makes the problem smaller, so the team can take action. In an incumbent organization, the professional manager intervenes, "We don't have a China pricing issue. But the way our market and product organizations make decisions is a fundamental problem. We need a new organization and a review of decision making." The manager may be right, but now the problem is bigger. It will take multiple initiatives to resolve. Why does this happen? In insurgent organizations, the opposite of simple is, well, complex. In large incumbent organizations, the opposite of simple is advanced. When the opposite of simple is advanced, nobody feels like he or she can say no to good ideas. Want another slide in a budget template? Want another committee to study committees? Want to hold another meeting?[5] But when the opposite of simple is complex, one can easily push back on ideas that adds complexity by suggesting, "This is adding complexity and cost. We should ask customers if they're willing to pay for it." As professional managers proliferate problems, they proliferate work. At every layer of the organization, they ask for information, create tasks and pursue functional excellence on all things. In contrast, insurgent leaders focus their organization on "deep work"—Cal Newport's term for activities that allow individuals to employ their unique talents and increase the value of the enterprise. Shallow work is everything else. The managers who create shallow work are often energy vampires, sucking the life out of every interaction. Debbie Millman, host of the podcast *Design Matters*, says it best: "If we use busy as an excuse for not doing something, what we are really, really saying is that it's not a priority. Simply put: You don't find the time to do something; you make the time to do things."[6] Insurgents find the time for value-added deep work and reward those who bring energy to every interaction.[7]

Mismanagement of the three great conflicts

In our work on the eras of business, we've zero-based the nature of the firm, asking, "What is the firm supposed to do?" Of course, the list is long, but one fundamental activity of every firm is to manage the three great conflicts of business. These are:

- **Scale vs. intimacy.** The head of Indonesia for a global multinational might argue that its consumers would benefit if it delivers spicier soup in the local market, since Indonesians hate bland food. She's delivering the benefits of intimacy, sending the message to the customer: "We know you and we can deliver difference, tailoring our proposition to your specific needs." But the head of supply chain would counter that consumers benefit most from the cost benefits of scale, or sameness. The right debate between the two parties will produce a compromise: "Yes, we can deliver spicier soup, but not with 52 different types of mustard seed. We can do it with 5 and keep prices low." Note that in this example, both the head of Indonesia and the head of supply chain are working on behalf of the consumer. They're simply providing different things.

- **Routine vs. disruption.** If you're on a plane, you don't want your pilot to say, "Welcome to your flight. On our arrival in Lisbon, we'll be experimenting with a different way of landing." No, you demand routine. In fact, day-to-day, most consumers want businesses to deliver their promises flawlessly, which requires that frontline teams have clear playbooks and adhere to them stringently. The best routines, of course, have feedback loops for continuous improvement. This is the heart of customer delivery. But, while 85% of a firm's activities are routines, a huge amount of value creation (or destruction) comes from disruption. Companies disrupt products and services, business processes and at times, even the business model. Scale insurgents build in this conflict, assign roles and expect debate.

- **Short term vs. long term (or deliver vs. develop):** Most of the organization should be losing sleep over tomorrow's trading numbers. But some people should be deeply invested in the future of the business 10 years from now. They're looking at long-term trends. They're building new businesses for the next two generations. While the first group is in delivery mode, this group is in develop mode. Firms need to build this conflict. In his book *Measure What Matters*, author John Doerr describes how Google addresses this conflict with two baskets of objective and key results: "Committed objectives are tied to Google's metrics: product releases, bookings, hiring, customers ... [they] are to be achieved in full (100 percent) within a set time frame. Aspirational objectives reflect bigger picture, higher risk, more future-tilting ideas ... By definition, they are challenging to achieve."

To survive for decades, firms must manage conflict well. But the professional management system falls short. Professional managers have organized their firms into functional silos, meaning that the only way these conflicts can be resolved is at the top. It drastically slows decision making and overwhelms the executive team. Discouraged by the impossible battle, the best people stop fighting their corner. Key trade-offs aren't even discussed.

When the system is "stressed," professional managers have a default bias. They make decisions in favor of scale (at the expense of individual customers), routine (at the expense of disruptive ideas) and the short term (at the expense of future plans). The firm defaults to managing existing businesses rather than evolving these businesses or creating new ones.[8] It's frightening to note how many of today's "top managers" are managing businesses built by others. No wonder they're often wrong-footed by new founders. In a world of turbulence, leaders need to adapt their businesses quickly. While the professional management system has developed dozens of robust measures for scale, there are no reliable metrics on speed. While managers often report on their ability to deliver the existing business, they say almost nothing about building new businesses. In the words of Peter Diamandis, "If you can't measure it, you can't improve it."

The loss of scale benefits and speed

The system promises continuous improvement and learning; this is central to the experience curve. As companies grow, core processes should continually improve. But this isn't happening at large bureaucracies. They're getting bigger, but not better *(see Figure 2)*. In surveying 7,000 business leaders, we've found that as companies grow, they fail to meet the most fundamental metrics of customer and employee satisfaction. Employees feel that the firm becomes less responsive to market turbulence, frontline employees are less empowered to cater to customer needs, and executives are slower to make decisions. Professional managers promise economics of scale, but too often, they deliver the opposite.

Like any other transition between eras, the shift away from the professional management system will be messy. Most leaders don't know any other model. But CEOs recognize that the change is happening *(see Figure 3)*. Over the last five years, several Bain surveys of CEOs confirm the following:

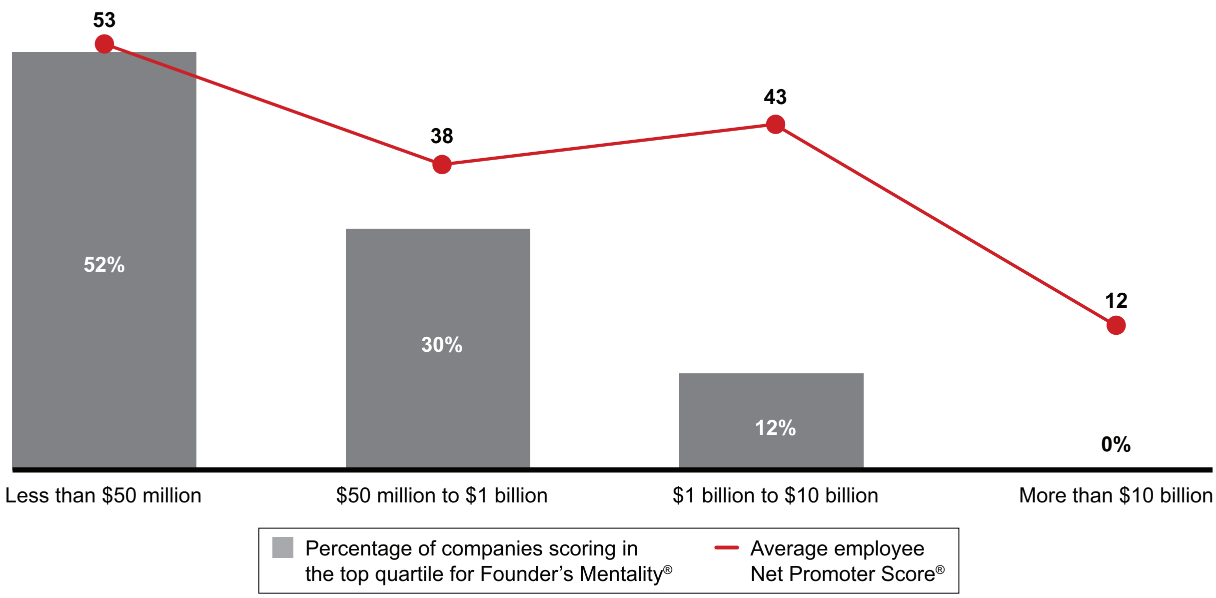
1. CEOs believe the future will be more turbulent than the past.[9]

2. They believe that their growth will come outside the core business, requiring new capabilities.[10]

3. They believe their firms are facing new competitors, and the biggest threats are new insurgents, not traditional incumbents.

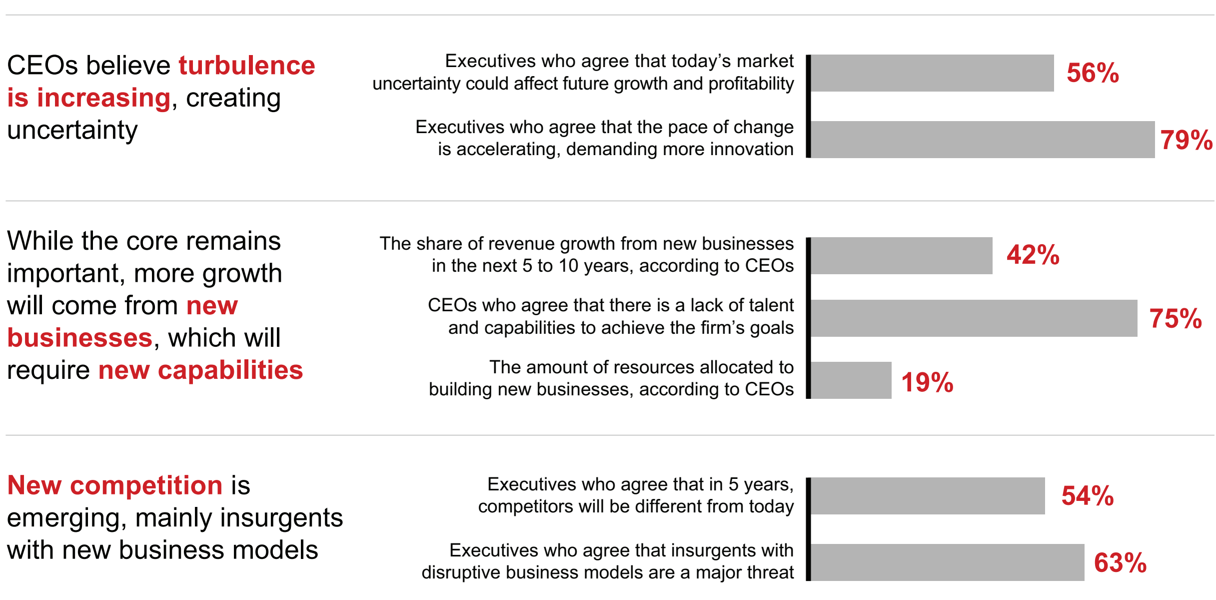
In the words of novelist William Gibson, "The future is already here—it's just not evenly distributed."

Figure 2: As companies grow, they fail to deliver on employee and customer satisfaction



Notes: Dollar figures show annual revenue; respondents were asked, "On a scale of zero to 10, how likely are you to recommend your company to a qualified friend or colleague as a place to work?" Scores of 9 and 10 signify promoters, 7 and 8 signify passives, and zero to 6 detractors; the employee Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters
Source: Founder's Mentality diagnostic analysis across 90 companies (n=~7,000)

Figure 3: Today's CEOs recognize the pace of change is increasing



Sources: Bain Founder's Mentality® consolidated survey analysis, January 2016 to June 2019 (n=~7,000); Bain Executive Survey 2019 (n=180); Bain client leaders forum CEO survey (n=16)

3. To win in the new era, firms must compete with scale, speed and business building

For decades, CEOs understood there was a trade-off between scale and speed. But they made two assumptions. First, they believed the benefits of scale would far outweigh the loss of speed. Since every company faced the same trade-off, the only goal was to get bigger. Second, it was impossible to compete on the basis of both scale and speed. Sure, you would always face new insurgents nipping at your toes, but the real battle was between incumbents.

Both assumptions are no longer true. Scale insurgents, fighting with scale *and* speed, are beating large incumbents across industries. Amazon CEO Jeff Bezos has spoken about the need to be robust, like a boxer who's big and strong enough to absorb a punch, but also nimble, or fast enough to dodge the punch. Steve Jobs described his aspirations for Apple this way: "We're trying to use the swiftness and creativity in a younger-style company, and yet bring to bear the tremendous resources of a company the size of Apple to do large projects that you could never handle at a start-up." But this strategy extends beyond the Amazons or Apples of the world. Companies like Discovery are transforming their industries by winning at the scale and speed game.

What does robust and nimble look like? What makes it possible? While the era of the scale insurgent isn't fully defined yet, key characteristics of the future winners are emerging. These companies will do six things to excel.

Deploy technology to reduce the trade-off between scale and intimacy

Like scale and speed, leaders have traditionally viewed scale and customer intimacy as a trade-off. But with the proliferation of digital technologies, the sacrifice of intimacy is unnecessary. The turning point occurred when Amazon fired the majority of its book reviewers in the early 2000s. Initially, Amazon hired book reviewers to play the intimacy game. The message to consumers was, "We know you and your tastes, so we can recommend specific books." But eventually, new algorithms allowed Amazon to deliver the same intimacy at scale, eradicating the trade-off.[11]

Use a repeatable model, platforms and networks to uncouple growth from complexity

Most companies find that every new vector of growth requires new capabilities. In our book *Repeatability*, we highlighted firms like LEGO and Danaher that were masters of what we call Repeatable Models®. They were clear on their spikey capabilities and worked hard to leverage them for growth. This focus controlled complexity. Today, one can look at Amazon as an extraordinary proponent of repeatability in the age of scale insurgency. Amazon has introduced consumer propositions like the Kindle, Alexa and Prime Video. Each innovation massively disrupted its industry, from books to TV. And each builds off a core set of Amazon capabilities, which includes assets like the website and Prime,[12] and capabilities like "authentication, order management, data management, real-time decisioning, pricing, clearing and content recommendation."[13] A clear core repeatable model provides huge advantages. Companies can endlessly adapt products with speed (winning the intimacy, disruption and short-term sides of the three great conflicts), but also leverage the scale of a withstanding repeatable model (winning the scale, routine and long-term conflicts).

Emerging scale insurgents are taking the idea of the repeatable model to the next level, uncoupling growth from complexity. Leaders create "platforms," which allow them to participate in a marketplace between buyers and sellers without having to acquire assets. Popular platforms include Amazon.com, which sells third-party items, or Audible's ACX, which connects authors, producers and narrators to create audio books.

Insurgent firms also create "networks." The goal is to control the industry and its economics with partnerships, not just asset ownership. Discovery, for example, has expanded through its Vitality program, which rewards consumers for leading a healthy lifestyle. The insurance firm has expanded internationally and entered new markets by licensing the concept to other companies, including John Hancock, AIA and Ping An. More than 65% of Vitality's 10 million members worldwide are from these international partnerships. Results have followed: Discovery has one of the highest valuation multiples in the insurance industry.

Buurtzorg, a Dutch company that provides decentralized home nursing care, is another example. Formed by a group of nurses frustrated with an industry that competes on cost rather than care, the company is a network of nurses that competes on the basis of patient outcomes. Simply put, their patients get better quickly, needing fewer services overall. In the new era, winning firms will worry much less about assets and much more about their ability to influence networks.

This focus on Repeatable Models, platforms and networks is resulting in an extraordinary burst of strategic creativity. While the professional management system has stopped delivering true scale benefits, emerging scale insurgents are enjoying a huge revival of "scale economics." Their functional heads ask two sets of profound strategic questions:

1. Are we a spikey capability, essential to the insurgent mission? If yes, should the firm keep the capability proprietary? Or should it become a new source of revenue? If we aren't a spikey capability, should the firm shut us down, seeking outsourcing partners to deliver services more effectively? Or can we deliver our services at the lowest cost?

2. Can we create a platform around a set of capabilities, matching specific suppliers to their customers? Or should we focus on networks? Companies that move to a platform model are agnostic about the services they offer to customers. Their competitive advantage comes from the ability to match buyers and sellers more than the ability to offer the service itself. In contrast, companies that create a network remain a product or service provider. They increase the impact of those services through partnership, rather than asset ownership. Airbnb has gone the platform route, providing consumer benefits by matching supplier and customer, not by offering its own rooms. Discovery has gone the network route, providing consumer benefits via relationships with a group of leading insurers worldwide.

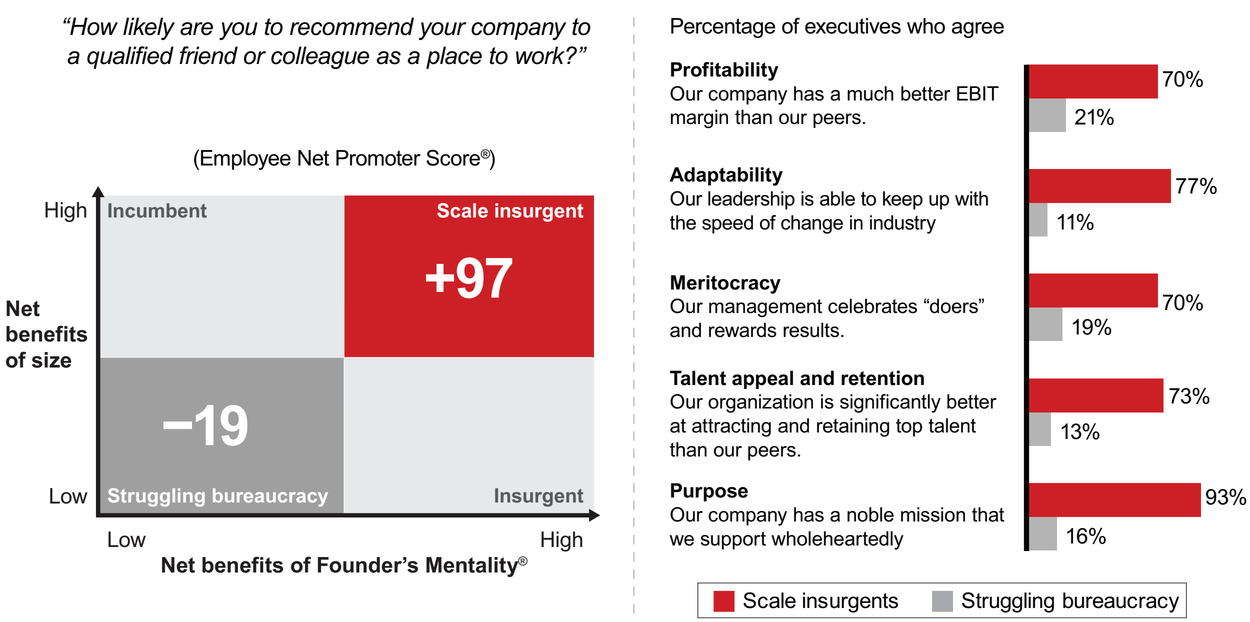
Both questions demonstrate a profound recommitment to scale benefits. The first set of questions forces business leaders to think through the scale benefits of each function. The second set of questions moves the idea of a repeatable model to the next wave of greater scale benefits. Both examples demonstrate that the era of scale insurgency isn't simply about rediscovering speed. It's also a rededication to scale benefits after years of neglect through the professional management system.

Make sure your employees believe in the company

Emerging scale insurgents, with their clear mission, are winning with their people. As Starbucks founder Howard Schultz noted, "When you're surrounded by people who share a passionate commitment around a common purpose, anything is possible." Meanwhile, struggling bureaucracies, which have mostly forgotten their purpose, are losing. Sadly, we've all been in, or know someone who has been in, a losing company. Where do leaders first notice the decline? It's evident in their people. It happens in exit interviews, when top stars finally reveal that they're leaving because they no longer believe in the firm.

Beyond the dissatisfaction of their direct reports, leaders themselves are often disheartened. Bain researched the satisfaction of executives at emerging scale insurgents and struggling bureaucracies. In every case, executives in struggling bureaucracies felt negatively about their own company and its prospects, from the support of a noble mission to their ability to retain top talent *(see Figure 4)*. They

Figure 4: Most executives at scale insurgents would recommend their company to a friend



Notes: Respondents were asked, "On a scale of zero to 10, how likely are you to recommend your company to a qualified friend or colleague as a place to work?" Scores of 9 and 10 signify promoters, 7 and 8 signify passives, and zero to 6 detractors; the employee Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters
Source: Bain Founder's Mentality global survey of 317 executives, February 2017

would almost never recommend that company to a friend. In contrast, executives at scale insurgents believe in their companies. Think about how much more energy the CEO of scale insurgent gets from his or her people compared with the CEO of a struggling bureaucracy.

Build teams, not layers

The best firms are increasingly moving their organizations away from layers and toward teams. These teams mobilize and demobilize to pursue specific initiatives. The teams include everyone needed to resolve the three great conflicts: employees who deliver the benefits of scale and employees who deliver customer intimacy; employees responsible for routines and employees responsible for disruption; employees who think short-term and employees who think long-term. The goal of these teams is to build new businesses. Audible's founder, Don Katz, deploys what he calls "Firestarter teams" to tackle the firm's most important issues. "We can't allow our priorities to lose vision and ownership as they become overly operationalized," he explains. "So, we empower small, dedicated Firestarter teams to deliver with agility, clarity and inventiveness." Globant, a leading IT and software company founded in Argentina, also relies on teaming. CEO and cofounder Martín Migoya organizes the company around "pods." Like Firestarters, pods are self-organizing teams assembled to create products, solve tough customer issues and build new businesses.

Create spikey leaders and force conflict

Consider a soccer match between 10-year-olds. Teams collectively chase the ball around the field, with no distinction between roles. Sure, it's fun to watch, but it's terribly inefficient. Now imagine a professional soccer match, where every player knows his or her role. Much less hilarious, but also a much higher standard of play. Riot Games, an insurgent online gaming company, is like a professional soccer team. At Riot, leaders encourage collective leadership over traditional hierarchy. The company's chief of staff and head of business agility, Ahmed Sidky, explains how teams tackle strategic initiatives: "It is totally delegated to the teams to figure out what they need to build and how they need to build … We broke down leadership into multiple leadership role hats and these hats hold certain accountabilities. The team captain hat is for leading the entire effort right, then we have a product lead hat leading product strategies." The product lead is responsible for the consumer need; the craft lead is responsible for the community of experts brought in to provide services, such as design, artwork, or engineering; and the delivery lead is responsible for execution. As Sidky notes, "Every rioter is part of a discipline … engineers are part of engineering discipline, product manager is part of the product management discipline and reporting lines go into that."

Galip Yorgancıoğlu, CEO of Turkish spirits company Mey, followed similar principles as he led the company through privatization, to private equity ownership, and ultimately, to sale to Diageo, a global spirits company. Yorgancıoğlu explained why he ensures teams wear hats to fix accountability and force conflict, saying, "One of the hardest things to do culturally is to make everyone understand that conflict is okay. We build the possibility of conflict into our organizations, and the worst thing we can do is then avoid the inevitable conflict that arises. I want my supply chain team to deliver to our consumers the benefits of 'sameness.' I want them fighting to rationalize, to look for scale benefits. And I want my marketing guys to deliver to our consumers the benefits of difference. I want them fighting for new variants, new products. And my job is to make sure that we address the conflicts that inevitably arise when our people are doing their job. One trick I've found to do this is what I call 'double hatting.'[14] When we first talk about an issue, I want each person to represent that organizational hat they've been assigned. So if you're in charge of supply chain, fight your corner. This makes sure we get the issues on the table and everyone understands that the conflicts we are raising are conflicts we want. Then I say, 'Okay, now, let's switch hats. We're all owners of the business; we now have all the issues on the table. What is the right answer?' I now want people to debate the answer on behalf of the whole company."

"Hats" are all about spikey leadership. Insurgent firms want employees to excel in their talents and reject the notion of perfectly fungible managers. They create spikey leaders and mobilize teams that achieve balance through conflict. The fungibility shifts away from the individual manager and toward the team.

Force functions to compete in an open market

Emerging scale insurgents are also forcing their functions to compete as if they're part of an open market. In some cases, such as Amazon Web Services or Ant Financial's Alipay, insurgents actually spin the capabilities out as new businesses. Forcing capabilities to stand on their own is a classic founder move. One founder at another company explained his process, "I look at my whole cost base and put things into buckets." He determines which of the firm's strongest capabilities are spikey and critical to success, which are proprietary and necessary to keep within the firm, and which can be sold to others and create revenues. For capabilities that are necessary, but don't provide competitive advantage, he asks, "Can I get the same services from someone else and shut that department down? Or, if I can't find a better third-party provider, what can do to make this area as cheap and simple as possible?"

But for all the extraordinary strengths of emerging scale insurgents, they still need to work out some weaknesses in these areas:

1. Citizenship. It's remarkable how history repeats itself. Similar to the trusts, these firms are facing backlash for their market success. Are they too big? Are they really protecting consumer data? Do they really serve the interests of every country in which they compete? These are issues of "citizenship." These companies haven't clearly established their roles as good citizens in the societies they serve. To thrive, they must do so.[15] Howard Schultz started the conversation, noting that there is a great need "to achieve the fragile balance between profit, social impact and a moral obligation."

2. Succession. Many of these young companies still have their original founders in place. They have yet to prove that their competitive edge will survive the founder.

3. Scaling the culture. Working closely with emerging scale insurgents, we know they're struggling to scale their cultures. As with all great insurgents, they don't launch "culture programs." Everyone learns the culture through osmosis, by working day-to-day with the founding team. Employees see how the pioneering generation decides, acts, reacts and adapts to failure. They hear the founders' war stories. But as the company gets bigger, fewer and fewer stars have this contact with the original leaders. Scaling cultures requires a new model, and many of these firms haven't found it. In fact, they deeply distrust any new plan, because it sounds like the road to bureaucracy.

4. The middle layer. These firms are indeed facing bureaucracy. Even though they've harnessed the power of teams, the "middle layer" of professional management is forming. These firms love to show off the top—that lean, mean, founder machine. They also love to show off the bottom—those new, fresh-faced recruits who are sold on the mission and ready to do whatever it takes to win with customers. But they're silent about the graying middle—the 10- to 15-year veteran employees who are no longer doers, but didn't break the "pioneer ceiling" to join the senior leadership team. These folks are middle managers and their number is increasing. They complicate communication between top and bottom. Emerging scale insurgents haven't figured out this issue any better than CEOs of the last two eras.

5. Employees vs. algorithms. This isn't polite to talk about, and when raised, it leads to many uncomfortable meetings. But it needs to be acknowledged. If you read Walmart founder Sam Walton's "10 Rules," you'll find that many of the principles are about a deep commitment to frontline employees—trusting them, respecting them, sharing rewards and listening to their feedback. Walton believed that his employees were crucial to his insurgent mission, and he built his company to support those employees. For many incumbents, people are at the heart of the principles. For many insurgents, which have built their core business model on the power of technology, a good algorithm can displace a good manager. These firms develop a confusing stance toward their people. On the one hand, insurgents brag about their culture and their leaders' ways of working. The firms have an irreverent and inspiring set of principles on "how we work" and "who we are." But who are the "we" and the "who?" Definitely the leader. But the front line? Not always. Those employees are often one algorithm away from being displaced. Emerging scale insurgents have great principles, but there's a flaw at the heart of their vision: They haven't yet fully sorted out the "who."

Despite these fundamental challenges, many of these emerging firms will reach scale insurgency. But no matter the starting point, every company can learn from their examples and begin its own journey toward that goal. This journey will demand:

- clarity on the insurgent mission and who delivers it;
- reorienting senior leadership away from the tyranny of functional excellence programs and toward the customer and competitive battles;

- clarity on the difference between spikey capabilities and products or propositions;
- empowered teams with decision-making authority over the three great conflicts;
- commitment to simplification;
- leaders who wholly excel in disrupting, executing or scaling, and
- commitment to master business building.

How can firms deliver all of these elements? Micro-battles.

The Bain Micro-battles System℠

Micro-battles help fast insurgents scale their initiatives and slow incumbents rediscover speed. They are discrete, time-based initiatives, which are almost always "vertical"—serving customers, mobilizing the front line and battling competitors. They draw executive focus back to the strategic issues that really matter, gradually robbing oxygen from the countless internal initiatives that customers don't care about. Micro-battles also help the team act like a microcosm of the company it wants to become. They're designed to help the organization learn and master the skills and behaviors of scale insurgents.

Let's use a global beer company as an example. Every global company has a strategy to "win in China." Several classic strategic initiatives fall under a strategy with that heading. The company could reorganize how it approaches China, fixing the organization more broadly. It could buy Chinese beer brands to build distribution scale. It could build a salesforce.

But, ultimately, these are all enabling activities. The company's success will depend on making its premium beer brand (the core of the business) *the* No. 1 import brand in China. To outperform the other imported beers, the company will need to win in the trendiest bars and restaurants with the most affluent consumers, through below-the-line advertising. So there are several vague activities for winning in China, but the company specifically needs to get promotions right with specific consumers in specific bars.

This is a perfect initiative for a micro-battle. For the beer company, the promotion is the most important element to get right in the broader strategy. It doesn't know how to do it yet, so it will benefit from a fast test-and-learn approach. If it finds a promotion that works in many bars, it can scale the program and roll it out across China.

Micro-battles are defined not only by what you do, but how you do it. The company will want to form a cross-functional team that includes key players who advocate on each side of the great conflicts—scale vs. intimacy, routine vs. disruption, and short term vs. long term. The micro-battle leaders will be the head of the premium beer brand (scale) and the top salesperson serving key bars (intimacy). The team also should include the top creative people in trade promotion (disruption) and the top sales training people (routines). If this team achieves a winning model, the team will try to translate it into routines and behaviors so it can be deployed widely. A sponsor team of senior leaders will help the team get things done fast. The micro-battles team doesn't need any oversight or second-guessing. It needs leaders to accelerate their results.

Those are the major components of micro-battles. We call the micro-battle team the Win-Scale team because it needs to find a winning solution and figure out how to scale that solution. We call the senior leadership team the Amplify team, whose job is to amplify the results of the Win-Scale team.

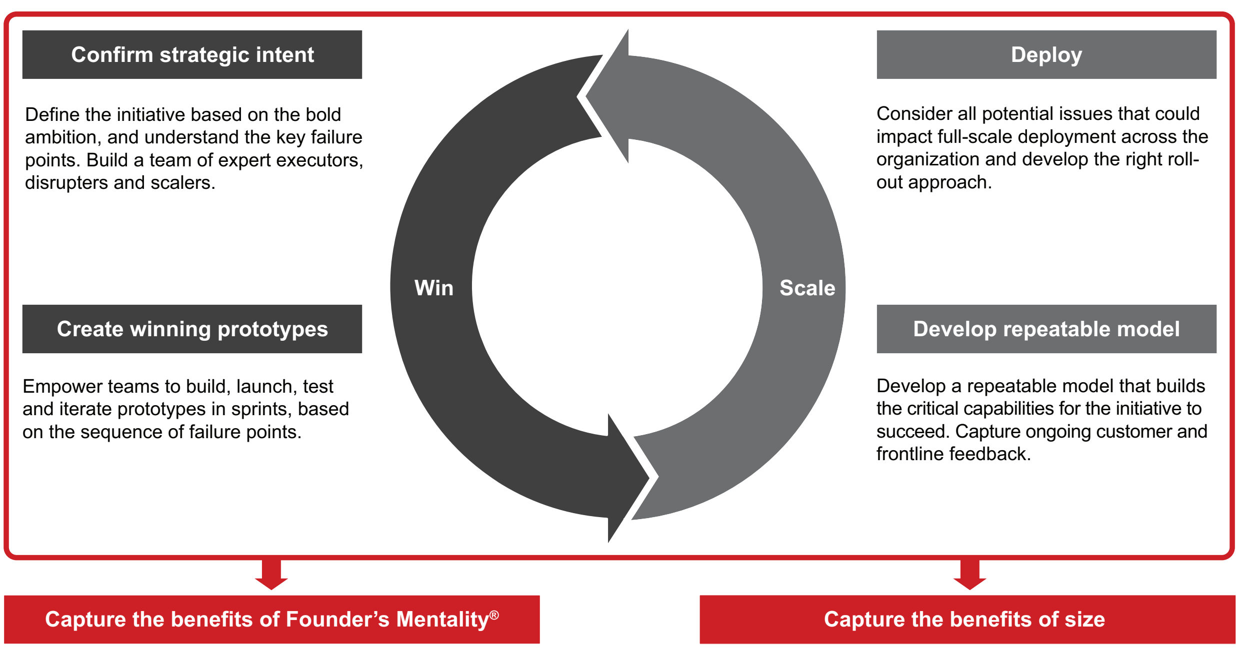
The Win-Scale team

Each individual micro-battle has a small, cross-functional team trained in Agile development, which calls for small, cross-functional, self-governing groups dedicated to solving carefully defined problems in short "sprints." They aren't led by top executives, but by people in "mission-critical roles" (the "kings or queens of the company" as Magazine Luiza president Trajano calls them). These are the people within the organization who deliver the insurgent mission to customers every day. Micro-battle teams are jointly led by someone who delivers scale and someone who delivers intimacy. These coleaders guide the team to confront the three great conflicts and resolve them on behalf of customers. The team iterates on prototypes through rapid test-and-learn cycles, until they've developed a scalable solution.

To some executives, micro-battles will sound like the many pilot programs they've launched over the years—only to watch them fizzle out. The first pilot always works, because it's overresourced and the CEO will do whatever it takes to make it work. But the pilot never rolls out successfully. The pilot hasn't been tested for transferability, meaning it might not work in the next city or with the next product. It's not repeatable, meaning it won't work at normal resource levels under normal business conditions.

Micro-battles, on the other hand, anticipate these issues from the beginning. Each one is set up to do two things: win *and* scale *(see Figure 5)*. Winning means translating a strategic initiative into something

Figure 5: Micro-battles teach companies the winning and scaling skills of a scale insurgent



Note: For more detail, see the micro-battles section of www.foundersmentality.com
Source: Bain & Company

that can be successfully prototyped and tested with customers. Scaling means rigorously testing whether that prototype is transferable and repeatable, while developing a repeatable model that can be scaled across the company.

We refer to the testing of the prototype as the Win-Scale pivot. The best micro-battle teams start with the "raw customer need," or the essence of what customers value in a product or service. When responding to industry turbulence and building a business, companies need to distinguish between the raw customer need and the current proposition. A great example of this is Netflix, which made one of the most remarkable pivots in business history, from the home delivery of DVDs to streaming services and content creation. In explaining how the company navigated this evolution, Netflix cofounder Mark Randolph noted, "We very, very early came up with the idea that Netflix would be about finding movies you love, which had nothing to do with how you choose to receive them." The move from DVDs to streaming wasn't an abandonment of Netflix's insurgent mission, but a continuation through different technologies.

In starting with raw customer need, micro-battle teams should ask, "What are we trying to bring to the customer? Are we solving a fundamental need or are we compromising? Have we considered all of the industry trends that are affecting our customers and our ability to serve them?" In his 2009 letter to Amazon shareholders, Jeff Bezos wrote, "Listen to customers, but don't *just* listen to customers—also invent on their behalf." This is easy to say, but hard to remember as you navigate the Win-Scale pivot. Organizational constraints begin to take over, pushing micro-battle teams to adjust "x" and "y" until the business they're trying to build is compromised. They know it won't last.

Besides meeting their raw customer need, micro-battle teams are resolving transferability and repeatability issues early and often. The best way to test whether a prototype is repeatable is to involve several different customers and internal salespeople. If a team receives positive feedback from German customers, it should quickly run a test in France—and do it before the cement hardens and it gets wedded to the prototype. Once team members have a killer customer proposition, they can run simulations of selling the new prototype with the salesforce. After resolving any issues, the micro-battle team can shadow sales visits and watch the discussion with customers. Successful micro-battle teams keep bouncing between a winning prototype and a potential repeatable model, until they have a solution that scales.[16]

In this stage, the attitude toward failure is critical. Micro-battles entail fast, low-cost failure and adaptation. The team shouldn't be trying to "make a case" for the micro-battle by showing that it works with a few customers. It should seek out areas where the prototype might not work, then fail, stretch the prototype and respond to a broader market.

Teams start the test-and-learn cycle by determining the "first failure point," or the most difficult issue that could derail the micro-battle, to avoid spending heavily on something that ultimately won't work. In our beer example, the first failure point answers the question, "Can our premium beer outperform our competitors in the bars through trade promotion?" But there will be other failure points. To successfully move between winning and scaling, teams rely on a "failure-point schedule." For our beer company, the next failure point might be the strength of bar and restaurant partnerships vs. the competition. After that, it might be the performance of the company's leading local brands, which help them develop the right collections for retail partners. The failure-point schedule ensures that the Win-Scale team is always thinking ahead about these potential issues. It puts them in the mindset of a business builder, not just a product innovator. Team members ask themselves what a founder would do next to scale the business.

Win-Scale teams manage themselves according to Agile principles, meeting daily to review progress. They also meet with senior leaders every three to four weeks. In these meetings, team members present their latest view of the micro-battle mission, which is essentially their latest hypothesis. It includes the confirmation of their strategic goal, their view of the latest prototype, the current predictions on their repeatable model and, ultimately, their plan to deploy the solution across the organization. The hypothesis forces the team to constantly toggle back and forth between winning and scaling.

As we've worked with companies on winning and scaling, we've come to recognize that any system focused on scaling has to draw upon a diverse range of capabilities. Micro-battle teams must be masters of disruption. They must excel at scalable execution. It's almost impossible to imagine any one leader with all of these skills. It's difficult even to imagine one team with all of these skills. To succeed, companies need to obsess over learning how to scale innovation. Effective organizations do this by developing three communities that work together on winning and scaling.

The first community is the expert/execution community, which typically makes up about 85% of the firm's activity. Executors carry out ideas and strategic initiatives flawlessly, using established playbooks, fixed routines and common behaviors. The second community consists of the disrupters. They're steeped in Agile ways of working and encouraged to disrupt current products, services and business processes—even the company's business model—in a quest to create new value.

Customers benefit immensely from both of these communities. Companies can't succeed without them. Neither works to full potential, however, without a third community: the Scaling Community℠. Scalers provide a critical bridge between those innovating and those executing industrialized solutions. These people share common skills and approaches, but they're not found together on an org chart. They're like-minded, but not colocated. They're probably isolated from one another and don't know others like them exist.

The Scaling Community is essential not only to running micro-battles, but also to becoming a scale insurgent. So how do you choose members of the Scaling Community? To better understand scalers, we worked with The Chemistry Group, a London-based research company that helps organizations get the most out of their people (see the blog post "How to Identify Great Scalers" for more on our findings). Four insights can help leaders cultivate the Scaling Community:

1. Great scalers are all-rounders, with a balanced profile of strengths. In contrast to disrupters or executors, who score extremely well on some leadership behaviors but are weak in others, scalers perform well across the board.

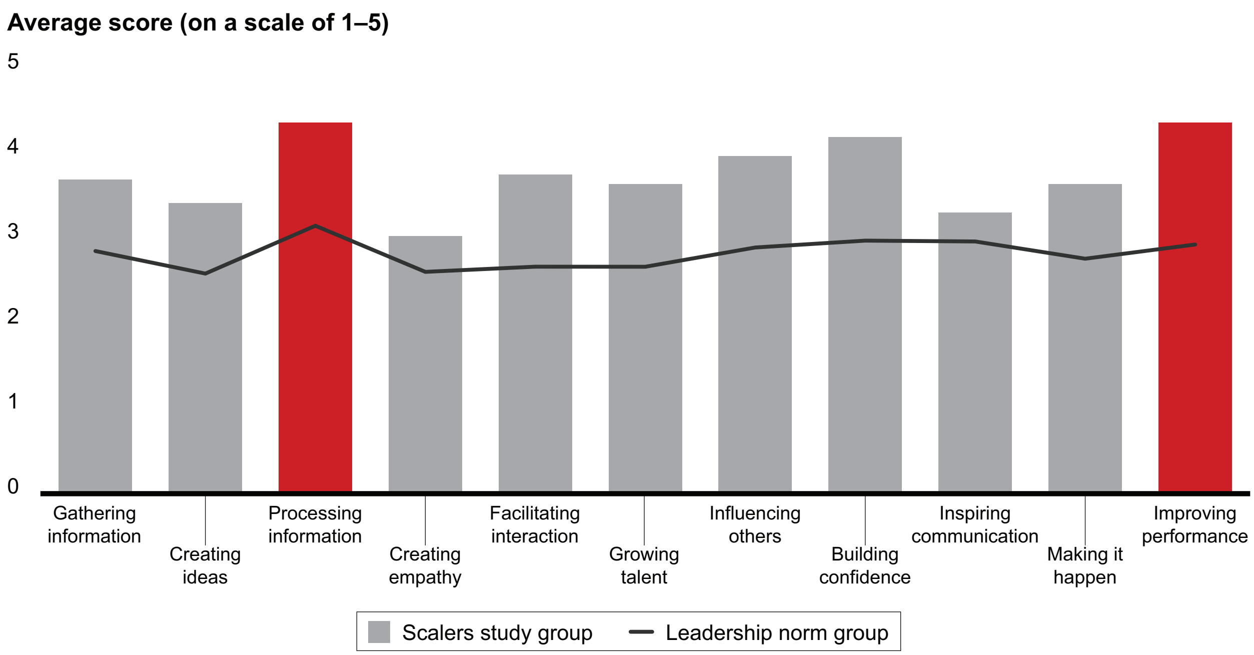
2. Scalers do spike, however, on two behaviors: processing information and improving performance *(see Figure 6)*. They're very fact-based. They're also results-oriented, which makes them good at testing ideas in the marketplace and adjusting based on their findings.

3. As the bridge between disrupters and executors, scalers fall in between the two communities on key personality traits related to conscientiousness, or the measure of an individual's self-control, organization and drive to achieve *(see Figure 7)*. This allows them to be empathetic toward both groups. For example, they understand the disrupters' need to be unconstrained, but also recognize the executors' need for stable solutions.

4. Scalers are made, not born. The more experience that they have in scaling, the more they improve. That makes micro-battles a great fit. They give scalers the experience they need, through the continual work on winning and scaling.

Despite the benefits, few leadership teams have organized the Scaling Community as an identifiable resource, because few companies prioritize scaling their initiatives and innovations. Micro-battles demand that leaders make the effort. It's a critical step on the journey to scale insurgency.

Figure 6: Scalers outperform across 11 leadership behaviors, especially processing information and improving performance



Notes: Scalers study group (n=23); leadership norm group (n=1,208)
Sources: The Chemistry Group; Bain & Company

Figure 7: Due to their personalities, scalers act as the bridge between disrupters and executors

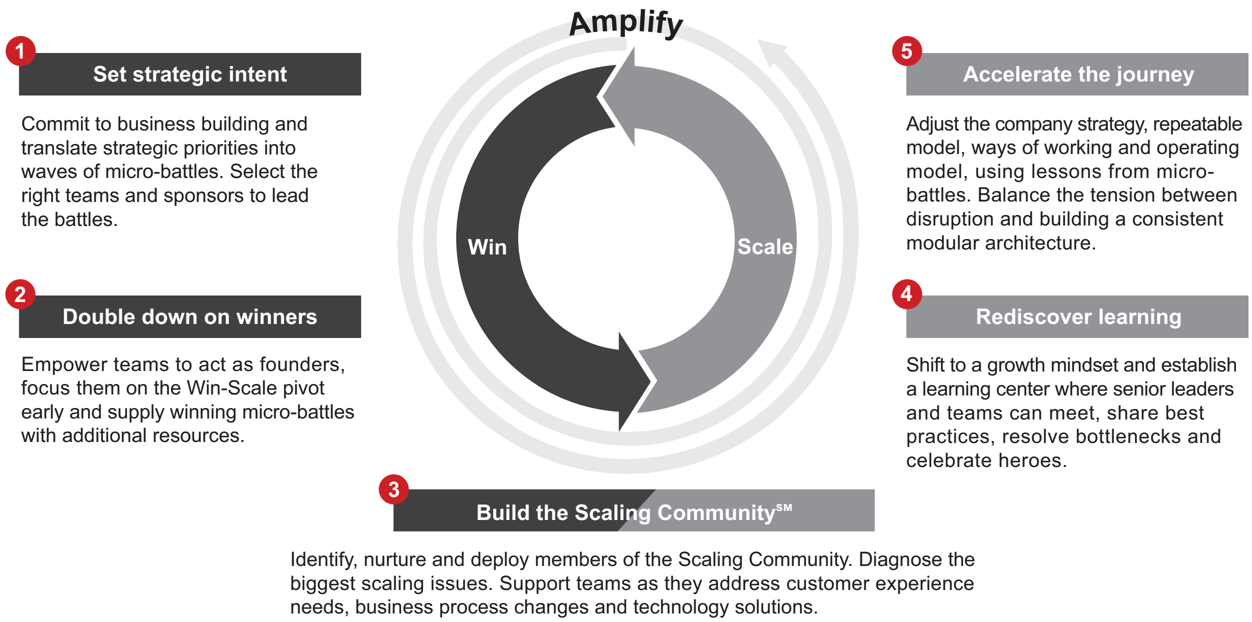
Notes: Each trait scores between 1 and 9 on a standardized scale; psychometric survey scalers (n=17), executors (n=5), disrupters (n=5)
Sources: The Chemistry Group; Bain & Company

The Amplify team

So what's management's role in all of this? The group of top executives shepherding the full portfolio of micro-battles focuses on five key steps *(see Figure 8)*. Each is designed to accelerate the overall strategic agenda, while ensuring that the company is learning from micro-battles and putting that learning to work. The leadership team translates the firm's strategy into a set of micro-battles, each with a clear failure-point schedule. The selection of battles requires a confirmation or rediscovery of the insurgent mission and the spikey capabilities used to deliver that mission to customers. Leaders also must understand who delivers the benefits of scale and intimacy and establish them as leaders of the micro-battles. As micro-battle teams work through the Win-Scale pivot, the Amplify team acts like venture capitalists, backing winning teams and helping them scale. To nurture scaling skills, leaders build the Scaling Community and establish opportunities for the teams to learn from one another.

In the final step of the Amplify process, leaders focus on horizontal initiatives—the strategic and organizational changes needed to support scale insurgency. While micro-battles reorient the executive agenda toward vertical initiatives, they don't eliminate the need for internal actions. At this stage in the journey, leaders have learned from micro-battle teams and understand the strategy and operating-model adjustments needed to accelerate change more broadly.

Figure 8: Leadership should amplify success, not slow it down



Source: Bain & Company

It's also time for leaders to consider the evolution of the core repeatable model. Emerging scale insurgents make their central capabilities modular to encourage adaptation, disruption and business building. Just as micro-battle teams balance the tension between a winning prototype and a scalable repeatable model, the Amplify team manages the tension between the existing repeatable model and the adjusted repeatable model. As emerging scale insurgents, these leaders must consider modularity, networks and even platforms, to build a repeatable model fit for a serial disrupter.

The real power of micro-battles is that they challenge the fundamental behaviors of the leadership team and prod executives to embrace a new way of working. Micro-battles demand more behavioral change from the top leadership team than from any other group in the company. Most leaders completely agree with the ambition to become a scale insurgent, but have a harder time recognizing that their companies have become incumbents or struggling bureaucracies because the leaders have an incumbent or bureaucratic mindset. Remember the professional manager's tendency is to make problems bigger, not smaller, by focusing on ideology, not customers. A large part of adopting micro-battles is showing a little humility—incumbent leadership got the firm into this mess, and the same approach won't get them out of it. The decision to become a scale insurgent is implicitly a declaration of war on the routines and behaviors of the leaders themselves. Leaders must learn to get out of the way.

The whole point of unleashing micro-battle teams on the company's top strategic priorities is to let them break through corporate sclerosis and solve problems quickly. The leadership team should cheer them on and coach them to act like founders, while ensuring their access to the best of the company's ecosystem. "Amplify" means, first and foremost, not doing the opposite—don't reduce, slow, diminish or stop the team's efforts. The exam question is, "How does a group of senior incumbent leaders help a micro-battle leader win the battle without a lot of interference or second-guessing?"

Micro-battles encourage behavioral change in three important areas:

- **Leading behaviors.** Getting this right means shedding the impulse to criticize, micromanage and issue top-down dicta. Top leaders instead show what it means to be a scale insurgent by letting teams take risks, learn from failure and claw their way to a solution. Often this means demonstrating how to make problems smaller by solving the specific, not debating the ideological. It means supporting teams by listening, coaching, giving and celebrating. Often it involves asking a fundamental question: Are we, as leaders, really acting as founders and owners, or are we in a "wait-and-see" mode, or, worse, adopting a protective stance and defending the status quo? The answer to this question and the example that leaders set will amplify across the organization.

- **Learning behaviors.** Leaders must be open to new ideas, not defensive of the status quo. For micro-battles, that means exploring without judgment what the teams are learning. It means shifting the focus from controlling to facilitating peer-to-peer learning and fostering collaboration across silos and business units. It means celebrating both victory and failure as opportunities to learn, while connecting the dots across micro-battles. How do we start recognizing patterns from battles and using these insights to get better? We suggest establishing a "learning center," or a room where Amplify meetings take place and lessons from the learning journey are written on the four walls.

- **Scaling behaviors:** Leaders running a micro-battle portfolio make a habit of asking the scaling question at every turn. But they also focus on two specific questions: Are we as a leadership team slowing things down by what we're doing or saying? Or are we aligning around ways to accelerate and scale? Leaders have to fight the urge to doubt the teams, bicker and stall. A scaling mindset involves ruthlessly focusing on what's working to advance strategy, then getting behind those initiatives with the company's full resources and attention. Former Google CEO Eric Schmidt once described the company's scaling mindset, saying, "Google's objective is to be the systematic innovator of scale. Innovator means new stuff. And scale means big, systematic ways of looking at things done in a way that is reproducible."

For one large telecom company, this was a constant challenge. The company had a clear insurgent mission, the CEO and executive committee were dedicated to micro-battles, and they had accepted the value of role-modeling new behaviors at every interaction. Yet when competition heated up and the going got tough (as it inevitably does), this wasn't easy. They found themselves unconsciously slipping back into an old command-and-control mindset.

To reinforce the need to think like a coach, not a commander, the CEO made a pivotal decision. He pledged to mentor personally the leaders of each micro-battle. This meant making time for monthly coaching sessions, which kept the CEO focused on the micro-battles agenda, while championing the right behaviors and setting an example for the rest of the team.

Along the way, the top executives learned that behavioral change has to be hammered home repeatedly. They had to intentionally steer the monthly meetings away from PowerPoint activity updates and toward winning (how the prototype was delivering results for customers) and scaling (whether a repeatable model was evolving). They had to commit to ending meetings with clear calls to action. Executive committee members would pledge to remove specific impediments in the days ahead. Micro-battle teams would commit to taking actions for their next sprint and accelerating results. Executives would draw up a list of patterns across the micro-battles that require urgent leadership attention. They'd also call out a roster of heroes who made things happen and lay plans to recognize their stories more broadly.

During Amplify meetings, the CEO continually reinforced leading and learning behaviors. For each of his team's discussions, he asked, "Are we trying to make this problem smaller?" and "Are we debating a specific issue that we can solve, or are we simply debating ideology for its own sake?" With the first question, he was coaching his team to avoid the incumbent trap of making every issue bigger—not only to help the micro-battle team, but also to avoid adding complexity to the corporate agenda. With the second question, he wanted to keep the team from debating some esoteric point that was interesting, but irrelevant to what the micro-battle teams need. These questions kept the team focused during meetings, and over time, the change began to stick.

The micro-battles portfolio

While micro-battles hold the potential to transform an entire company, the good news is that leaders can walk before they run. They start by launching the first wave, or set of 3 micro-battles. That's it. They carve out three hours of a monthly executive meeting to review the results of those 3 battles. After learning through four Win-Scale-Amplify℠ cycles, they can launch 3 more micro-battles, then 6, then 12 more. In 18 months, the firm will have a portfolio of 24 to 25 battles.

How can organizations choose the initial wave of micro-battles? First, stay focused on the insurgent mission and the spikey capabilities that support it. Second, engage the company's stars from the first day. The goal is not only to win in the marketplace, but also to change the organization's culture. Third, be practical. Pick a set of winnable micro-battles to gain momentum for the concept. In the waves that follow, the team can select more grueling battles, but early on, you need to celebrate wins.

Once a company has succeeded with its first set of micro-battles, how can it ramp up the newfound skills to tackle more than eight times as many? As leaders face the more intimidating task of running a full portfolio of micro-battles, they ask themselves three key questions.

What's the right micro-battles backlog?

Strategy needs to be dynamic—and so does the micro-battles backlog. Companies can determine the right list by managing the tension between new disruption in the market and emerging lessons from other micro-battles. They need clear criteria for choosing new battles, based on material impact and the ability to win. The ideal portfolio also depends on the organization's complexity, capacity for change, available leadership and global scale. To help leaders navigate this process, we've addressed some basic choices facing teams.

- **The optimal number of micro-battles.** If the company is launching micro-battles to adapt a solution for several new markets, it can probably manage more initiatives. If each micro-battle addresses a different strategic priority, a smaller number may be more feasible. Most companies systematically scale from 3 to 6 to 12 micro-battles, never exceeding 25 micro-battles at any one time. Sometimes CEOs want to cascade several sets of micro-battles throughout the organization, by giving micro-battle stars and top leaders the opportunity to run a program in their own division or market. However, the organization needs to truly master the art of running 25 micro-battles before cascading the program.
- **The range of micro-battles.** Casting the net wide works well if there's strong leadership across the business. If the organization needs a lot of behavior change, you may need to cluster micro-battles in one business unit or function.
- **Expanding micro-battles vs. launching new ones.** If the existing team can handle the new scope, expand the existing micro-battle. If you need a new team to handle the scope, launch a new micro-battle.
- **Prioritizing micro-battles.** Companies should consider the potential of each micro-battle in the backlog. Some micro-battles will have 10 times, or even 100 times, the business impact of others. The most successful companies escalate micro-battles with the highest potential and deprioritize those with less impact. Remember that the impact sometimes can be nonfinancial. For example, a set of micro-battles could address major sources of organization dysfunction.

To avoid added complexity, we also recommend a balance of micro-battles. For every micro-battle focused on a new revenue opportunity, the team can launch a micro-battle that simplifies the business and frees up resources. Every growth initiative needs the support of cost and complexity reduction.

What are the best talent management practices?

Talent and leadership resources can quickly become the greatest roadblock in micro-battles. Typically, the best people in the company are already overloaded. Furthermore, hallway wisdom often says that "special projects" or "swat teams" are projects where good careers go to die. But to succeed, micro-battles must have the resources to win, with the right leaders and the right team members who bring the right mix of skills. Companies with the most successful micro-battle portfolios create a "new deal for talent" that releases their best people temporarily from their day-to-day roles and destigmatizes the initiatives.

For one company, the new deal for talent was instrumental in breaking down regional silos and quickly scaling innovations across geographies. Leadership introduced a short-term assignment policy, enabling employees to work on a prototype in another market for three to four months before returning to their home geography. Back at their home office, the same employees launched a scaling micro-battle to adapt the prototype from the other market. Each country head agreed to the policy, which directly outlined the three- to four-month engagement, the division of expenses, and peer-to-peer performance reviews. Without the new policy, the micro-battle teams couldn't have transferred their initial scaling success to other markets.

We've seen other successful companies free up talent by creating a pipeline to identify the next micro-battle leaders and teams. Their HR departments compile a database of potential micro-battle leaders and team members from each market and update it regularly. HR can also be responsible for ensuring that each team has the right balance of disrupters, scalers and executors to run the micro-battles.

The CEO needs to intervene on the resourcing issue early and often. CEOs have the power to signal that micro-battles are here to stay and represent the new way of tackling the firm's hardest problems. The best CEOs demonstrate that micro-battle teams, and the leaders that support them, are vital change agents. Micro-battles are a great professional development opportunity, as they allow employees to work on a strategic priority with direct access and exposure to senior leaders. CEOs let it be known that micro-battle teams are a training ground for emerging leaders. However, great CEOs also create a balance. They celebrate not only the heroes of micro-battles, but also those leaders who free up cash to support growth initiatives. These CEOs quell any perception that pits "winners" (those focused on new ideas) against "losers" (those focused on improving the existing business). Both sides are indispensible to the firm's future.

What's the best way to engage the rest of the organization?

As companies start to embed micro-battles into their daily routines, only a small fraction of the organization has experienced the new ways of working and developed the behaviors of a scale insurgent. As the portfolio grows, the most successful companies engage the remainder of the organization. One great way is to communicate results and success stories. Some leading companies have developed a training program that introduces their top 100 leaders to micro-battles and the fundamental behaviors of a scale insurgent.

The Amplify team's learning center can also play a leading role in organizational engagement. As senior leaders manage the portfolio of micro-battles, they collect and distribute what they've learned to all micro-battle teams. The learning center puts these lessons on display—quite literally, on the walls—and makes them available to all. Leading companies take the learning center a step further, turning it into a center of excellence. The Amplify team uses the room to train new micro-battle team members. They coach their talent in new ways of working, such as Agile methodology, human-centered design and scaling approaches. They update the learning center walls and provide additional support for micro-battle teams at the initial stages or critical scaling points.

Once a firm is running micro-battles at scale, managing the portfolio will probably take up more than 50% of executives' time. At this point, micro-battles become a way to manage the organization—not a fad or an idea *du jour*. Leadership signals to the broader organization that micro-battles are the new way of working. And the organization signals to customers and external providers that *they* are the partner of choice.

The micro-battles transformation

How will the system feel as it scales? As the number of micro-battles increases, the executive committee will spend more and more time reviewing progress with Win-Scale teams and acting to support them, or fixing the issues that emerge as teams struggle with broader organizational constraints. The time that leaders spend on horizontal and vertical initiatives will skew toward vertical—toward winning with customers and beating competitors. The senior team will spend an increasing amount of its time with the talent that directly serves customers.

It's worth asking: Do micro-battles really confront the issues companies need to face to become a scale insurgent? We think every part of the system works to transform the organization:

- Through micro-battles, organizations refocus on their core insurgent mission and spikey capabilities, keeping teams vertically oriented and rediscovering their Founder's Mentality. The agenda of the executive committee moves away from functional excellence programs and back to the actions that deliver the mission to customers.

- By creating cross-functional teams that resolve the three core conflicts of business, companies can eradicate silos.

  - The coleaders of micro-battles are responsible for delivering the benefits of scale and intimacy to customers. They're empowered to resolve their conflicts within the team, eliminating the need to escalate issues to the executive committee.

  - Micro-battle teams include the firm's most creative disrupters and the leaders who are directly responsible for developing the core routines of the front line. They work together through multiple iterations of a winning prototype, which will be deployed through routines. They resolve any disruption vs. routine conflicts within the team.

  - Through the portfolio of micro-battles, leaders resolve the conflict between delivering today's business and developing tomorrow's businesses. The Amplify team provides micro-battle teams with the resource to tackle both issues and speedily resolve the conflict.

- The three communities teach the organization that scaling is critical to business building. Micro-battles help scalers develop and bring business-building skills back to the center of the firm. But the organization also celebrates disrupters and executors, whose skills are improved as scalers challenge them. Scalers help disruptors create ideas that can be deployed widely. And scalers help executors build modularity into their routines. With the help of scalers, the best executors recognize that the firm needs more adaptable routines and behaviors.

- Micro-battles guide organizations to rediscover learning and the "experience curve." The system demonstrates that scale can bring tremendous benefits to customers and employees, if the firm learns and improves from increased experience. In rediscovering the importance of scale, leading firms bring modularity to their core repeatable model and challenge teams to scale through networks and platforms, and with less ownership of assets.

Finally, the system confronts behavioral change head-on, because the journey to scale insurgency requires senior leaders to fundamentally change their behavior.

Four key lessons of micro-battles

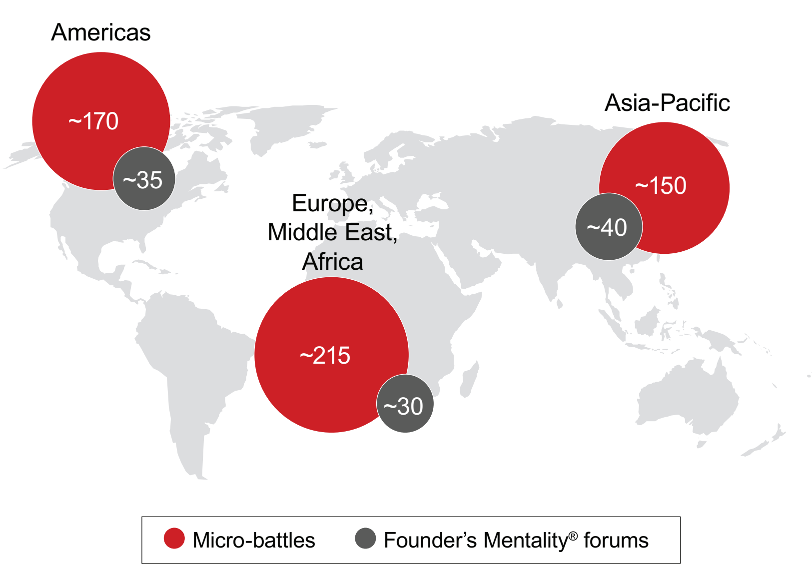
We've helped dozens of companies put the micro-battles system in place and have directly supported hundreds of micro-battles *(see Figure 9)*. Four broad lessons have emerged from our reviews.

1. The Win-Scale pivot is hard—focus on it early

In his book *Origins: How Earth's History Shaped Human History*, Lewis Dartnell describes how Portuguese explorers mastered the earth's wind patterns and ocean current. This often required them to set sail east to discover a western route, or head north to travel south. On his way back from a trip to India, Portuguese explorer Bartolomeu Dias rounded the southernmost tip of Africa. Faced with endless winds and stormy seas, he called the land mass "the Cape of Storms." However, King John II of Portugal rechristened the land "the Cape of Good Hope." According to Dartnell, the king wanted to encourage explorers to continue heading around Africa, in order to open up the Indian and East Asian markets.

In micro-battles, the Win-Scale pivot can be rough as well. But if leadership teams can approach it as the Cape of Good Hope rather than the Cape of Storms, there are riches to be discovered. The best micro-battle teams succeed by adopting a growth mindset. Stanford psychologist Dr. Carol Dweck

Figure 9: Four key lessons have emerged from more than 535 micro-battles and 105 forums with 1,100 founders and CEOs



1. The **Win-Scale pivot** is hard—focus on it early
2. Identify and build the **Scaling Community℠** from the start
3. Consider **Engine 2** to accelerate business building
4. The journey will lead to **profound cultural change**, but it starts with behavior change

Source: Bain & Company

studied how humans view and inhabit their personalities consciously and unconsciously. Writer Maria Popova perfectly summarizes Dweck's groundbreaking work: "A 'fixed mindset' assumes that our character, intelligence, and creative ability are static givens which we can't change in any meaningful way … A 'growth mindset,' on the other hand, thrives on challenge and sees failure not as evidence of unintelligence but as a … springboard for growth and for stretching our existing abilities."

Teams with a fixed mindset attempt to avoid failure, which leads to incremental thinking. The best micro-battle teams approach their work with a growth mindset, seeing failures as opportunities to improve as a team and individuals.[17] They get energy from the inherent failures and lessons of the Win-Scale pivot. They balance the need to make prototypes smaller through testing and learning with the need to make prototypes bigger through scaling. This journey is challenging. We find that leading companies navigate the pivot by adhering to three rules *(see Figure 10)*.

Think about business building, not innovation

As most companies drift toward incumbency, the idea of business building is replaced by product innovation. There's a big difference. Business building is about creating a new solution for customers, so leaders question everything. They ask, "How should we take this product to market? Who should we partner with? How do we create a market that best serves our customers?" Product innovation, as perceived by most incumbent organizations, constrains the firm in four fundamental ways:

Figure 10: Micro-battle teams can navigate the challenges of winning and scaling with three rules

Think about business building, not innovation
See failures during prototyping as opportunities to improve as a team

Test for transferability, repeatability and materiality early and often
Advance quickly through multiple failures to move from the customer proposition to execution routines that leverage creative rollout approaches

Force the Amplify team to work hard
Presume success, fight hard to get scaling resources early and start mobilizing to win

Source: Bain & Company

- **Scope.** Product innovation creates a new proposition that builds on the existing business model and assumes that the market and the repeatable model are stable. Business building disrupts the proposition, the spikey capabilities and the market.

- **Time frame.** Most corporations think short term. They introduce a product, perform early testing and roll it out. It either works in testing or they pull it. It either rolls out successfully or they pull it after a few stumbles. Scale insurgents consider the first five to seven years for investment. Bill Gates viewed the longer time horizon as a competitive advantage, famously noting, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten." Great thinkers in the insurgent space, such as Steve Blank, correctly argue that time horizons are narrowing as digital disruption increases. However, in response to the rapid pace of change, the need to develop a new businesses that serve new needs is increasing. Building new businesses still takes more time than most corporations give to traditional innovation cycles.

- **Resources.** When leaders allocate resources to innovation, the default assumption is "We will allocate *x*% of our discretionary budget to innovation." They measure success by the new revenues resulting from the new products and services. For incumbents, the discretionary budget is frightfully small because of each manager's span of control. When budget time comes, all managers justify their span and ask for a bit more. As a result, all of next year's costs are based on last year's revenues. Good luck to any CEO who wants to increase discretionary spending to invest in new products and services.

- **Attitude toward failure.** As Jeff Bezos says, "You cannot invent and pioneer if you cannot accept failure. To invent, you need to experiment. If you know in advance that it is going to work, it is not an experiment." Pilot programs are meant to succeed, but all too often, if companies fail at a decision point, they drop out. The typical innovation funnel starts wide and ends narrow, because as pilots fail their test, leaders stop the progress. Business building is more like a pipe. You fail, learn and advance.

Micro-battles are designed to introduce new propositions, challenge the repeatable model or spikey capabilities, and redefine the market. The scope goes beyond innovation or a simple pilot program. And so, you approach micro-battles as business builders.

Test for transferability, repeatability and materiality early and often

The teams must constantly test whether their prototype is transferable and repeatable. This isn't just a one-and-done exercise. As they solve one failure point, they move to the next, until they've tested the proposition across the full failure-point schedule. It's easy for a micro-battle team to get caught in endless cycles of proposition testing. But, as discussed, business building is far more than a proposition. Assume the proposition is right. How do you get it to market? In one micro-battle, the proposition was a new frozen food. But the scaling issue was whether the team could build a freezer network, because the food demanded bespoke, branded refrigeration. There was no point in refining the frozen packaging until they solved the freezer issue. The best micro-battle teams advance quickly through multiple failure points—from proposition to distribution, from distribution to partnerships, and from partnerships to routines for execution.[18] We recommend putting a sign up in the micro-battles team room: "It's all about the customer, and the customer needs more than a good prototype."

Leading micro-battle teams assume they have to move fast, and therefore, they solve for scaling fast. This is straight from the insurgent playbook. Speed is fundamental to micro-battles and it leads to very different results than normal corporate innovation teams. Solving for speed forces the team to think externally and consider partners. If the goal is to scale quickly, what will change about the prototype and the rollout? If the firm assumes that it will do everything by itself, the prototype will go down a very different path. The best approach is to assume that you need to roll out fast and find external partners to make that happen.

As teams build a scalable, repeatable model, they should also involve executors and plan the deployment creatively. Everyone acknowledges that scalers need to work closely with disrupters to ensure that new ideas translate into firmwide routines. But executors also must help with the Win-Scale pivot. Why? Executors can build "pull," or support for the micro-battle. The best micro-battle teams work with the executors to answer questions like, "How can we make those who have to deliver this new business love it? What brings joy to the executors' day? Do they want better sales, higher profits, etc? How can we make this new business part of their daily routines? How does this change what we're prototyping or how we're thinking about scaling?"

Everyone knows the alternative for creating pull. At the end of the micro-battle, someone will need to "push" the new business through the organization. If the team hasn't designed a business that makes frontline lives better, there will be resistance. Creating pull requires creativity. Many think of prototyping as the creative phase and deployment as the analytical phase. But successful micro-battle teams deploy their left and right brains in both winning and scaling.

For one restaurant company deploying a new business model, the team realized that it needed the energetic support of the kitchen staff. It invested a huge amount of time to run tests of the new process with kitchen staff and create a video to demonstrate how the new business model made the kitchen more fun and easier to run. It invested as much, if not more, time with internal marketing to scale the idea and external marketing to bring the new business to customers.

The best micro-battle teams also consider the material impact. They seek out the largest possible opportunity. They emerge from the prototyping phase with a basic idea, but as they move to scale it, they ask themselves, "How can we grow this idea to 10 times the original? What do we need to make this huge?" Just as the need for speed forces the team to think of new ways of doing things, the need for expanding the scale forces them to think more broadly. Astro Teller, former head of Google X, is a proponent of "10x," arguing, "It's often easier to make something 10 times better than it is to make it 10 percent better." Teller says that a 10% approach pits a firm against more competition, because everyone's trying to go 10% bigger. In addition, a 10x approach provides a clean sheet, allowing teams to imaginatively approach an issue that nobody else is trying to solve.[19] In discussing the gospel of

10x, Doerr refers to Google's launch of Gmail, noting, "The main problem with earlier web-based email systems was meager storage, typically 2 to 4 megabytes." Gmail, on the other hand, supplied users with a gigabyte of storage. "That, my friends, is a Big Hairy Audacious Goal ...," he says. "[Gmail] reinvented the category and forced competitors to raise their game by orders of magnitude."[20]

Force the Amplify team to work hard

The best Win-Scale teams work hard to get resources from the Amplify team. Early on, they fight for scaling resources, to ensure they're considering scaling issues from the start. As Stanford professor Robert Sutton notes in his book *Scaling Up Excellence*, "Scaling requires grinding it out, and pressing each person, team, group, division, or organization to make one small change after another in what they believe, feel, or do." It requires a highly diverse team from different talent pools. While others in the firm are recruiting to design a better mousetrap, the Win-Scale teams are looking for people who can build a new mousetrap business. They need access to the people—whether functional talent, training experts or salespeople—who can help them work through deployment issues. It's the Amplify team's responsibility to make this happen, supplying resources from across the organization.

When requesting resources, micro-battle teams need the Amplify team to assume their success. Too many corporate initiatives receive resources under the "wait-and-see" principle. Leaders wait and see if the initiative will succeed, provide slightly more resources, then wait again to review performance. The best micro-battle teams presume their own success and start mobilizing for the resources to achieve it. They use Amplify team reviews to market their new business and ask for more resources to make it happen.

In addition to making the Amplify team work hard on resource issues, great micro-battle teams engage the Amplify team on capability gaps early on, particularly when scaling the micro-battle challenges the firm's core repeatable model. Most micro-battles assume that the new business will be built on the firm's existing spikey capabilities. But occasionally, the micro-battle needs a new set of capabilities that fundamentally challenges the company's existing repeatable model. Here's an example. One digital insurgent was working on a micro-battle to increase customer conversion. It had invested significantly in a social media campaign that gave potential consumers digital currency to spend on the company site. But the conversion levels were low. As the company began to prototype new ideas to increase conversion, it realized that each prototype was very successful. Each one increased conversion and achieved a lofty return on investment. The problem was that each prototype strained the existing technology capabilities. Each one required changes to a repeatable model built for a one-size-fits-all solution. The prototypes needed more customer data, the ability to customize online offers and changes to the customer experience. The micro-battle team realized that its success didn't depend on testing new prototypes further, but rather a fundamental discussion with the senior leadership team about how much it could evolve the firm's repeatable model.

There were pros and cons to doing this, but for the micro-battle team, the real lesson was the importance of escalating capability issues early. These are tough debates, but they can make or break the micro-battle. There's a compelling argument for not allowing micro-battle teams to challenge existing capabilities. However, if micro-battle teams are learning that the firm's model isn't fit for purpose, they need to force the conversation.

2. Identify and build the Scaling Community from the start

We've discussed the importance of building a Scaling Community and shared our research on how to identify great scalers. But, how do leaders do this? In our work with companies on micro-battles, we've seen five best practices emerging.

Form a community

Scalers don't know they are scalers. While disrupters and executors tend to cluster around specific jobs, scalers are lost. These potential scalers are probably frustrated—they're often seen as opposing innovation because they challenge business-building initiatives. But they're simply trying to highlight the scaling challenges ahead. Scalers need a community. The Amplify team should establish one, and encourage members to meet and set their agenda. The discussion topics should include how to identify more scalers, how to develop the current community and how to put the scalers into the right roles within micro-battles. One company coined the term "international fighters" to describe a community of scalers that was specifically deployed to micro-battle teams in order to check whether the propositions were transferable and repeatable in other markets. As a community, these scalers could effectively compare notes on scaling prototypes across markets and bring these insights to the disrupters to help guide prototype testing.

Elevate scaling as the critical skill of business building

In addition to forming a Scaling Community, leaders need to talk about scaling as a critical skill. Most companies understand how to talk about disruption, showering creative thinkers with praise and rewards. They understand the importance of execution and, assuming they have the right culture, treat executors as the heroes of the company. But few talk about the importance of scaling, nor do they value and reward the people who bridge the gap between the wall of Post-It notes and the mountain of new sales. The good news is that a commitment to micro-battles forces the conversation.

Create mentor stacks to focus on level 4 and 5 behaviors

In our research with The Chemistry Group, we evaluated the Scaling Community on a 5-level scale for 11 key behaviors of high-performing leaders. While scalers performed well on every behavior, they scored around 5 for processing information and improving performance. What's the significance of a 5? Here's how Chemistry distinguishes level 3, 4 and 5 scores:

- Those who score 3 exhibit good use of the behavior. Others recognize the habit in the individual. They demonstrate the habit for specific tasks or situations. They're "good" at this behavior.

- Those who score 4 use the behavior constantly in a broader way, or beyond the initial task at hand. They're masters and role models of this behavior.

- Those who score 5 go beyond personal mastery of a given behavior to create an institutional capability that outlasts them. A rare breed, good scalers seek to make themselves dispensable. They create habits and love rituals. They cultivate a culture that instills the behavior in others.

In his book *Measure What Matters*, John Doerr quotes Brett Kopf, cofounder of Remind, who once said, "Effective leaders keep firing themselves from jobs they did at the beginning." Some of the best founders are 5s who exhibit scaling behaviors by constantly firing themselves from tasks that don't fit their deep work. They also leave a legacy of their behaviors behind with the organization. In our book *Repeatability*, we shared the story of how Paul Polman, former CEO of Unilever, turned the strategy into a compass, or a set of nonnegotiable behaviors that helped translate big ideas into daily routines. The CEO of Mey taught his team to use "double-hatted leadership." Omnicell founder Randall Lipps had a coatrack at senior leadership meetings where team members would physically place their jacket and, symbolically, their ego. As 5s, these leaders are incredibly unique. This institutionalization of their habits is the highest achievement in scaling.[21]

Can you teach the behaviors of 5s? Chemistry Group founder Roger Philby explains, "There is good news for companies that don't yet have great scalers. You'll have people who have exhibited level-5 behaviors—just not in the two main behaviors of great scalers. Given that the way leaders move from level 4 to 5 is an approach common to all behaviors, you can use level 5 talent from any behavior to help build your Scaling Community." Leaders can focus ruthlessly on creating 5s by building "mentor stacks." The 5s coach the 4s, the 4s coach the 3s. If there are no level-5 scalers, those with level-5 behaviors in other areas can start to work with the level-4 scalers. Mentoring is an easy way to start a discussion about personal development for scalers. In fact, the idea of identifying and honing level-5 behaviors should be part of every leadership training.

Give scalers the opportunity to learn and challenge the other communities

Scalers are made, not born. Micro-battles are designed to give them practice as they help teams move through each iteration of the Win-Scale pivot. As scalers learn their craft, they'll play a vital role in challenging the other communities. They help disrupters shift their orientation from innovation to business building. Great scalers don't second-guess disruptors, but they do challenge the disruption community to generate ideas that scale. This forces disruptors to move quickly beyond the first failure point, which typically focuses on the proposition itself, and toward the full failure-point schedule.

Scalers also help executors become more adaptive. Ultimately, the new business must be translated into routines and behaviors. Scalers encourage executors to improve those routines and behaviors, making them more responsive to change. Flexibility starts with the IT architecture. Can it be made more modular, to support new businesses without mandating a wholesale change? Throughout the Win-Scale cycle, scalers should challenge every aspect of execution. If executors are pushing back on a prototype because salespeople are too busy, scalers might say, "Yes, we understand that most salespeople have 30 visits a day, which limits their ability to explain new propositions. But can we form a small group of salespeople who focus on fewer, deeper conversations with our most important customers on new business ideas?" Scalers and executors need to cooperate in developing and testing of new propositions with the organization's most important customers.

Systematically address organization enablers and blockers

Finally, senior leaders should identify the parts of the operating model that advance or block the development of scalers. We've discussed the first two impediments already: there are no natural jobs for scalers and there are no natural rewards for scaling behavior. To address these blockers, senior leaders need to form a community to connect scalers and include scaling skills in the development and rewards systems. The Amplify team will identify and address many more enablers and blockers as they go.

In particular, spans and layers are major blockers. To develop communities, firms need to recommit to the idea of craftsmanship. They need to show individuals that it's far more important to develop spikey capabilities than to move toward the CEO (layers) or collect more resources to control (spans). Many business thinkers agree that the guilds of yesteryear are returning and on the rise.[22] These communities of practice are bringing modern "craftsmen" together. More importantly, these craftsmen are rediscovering the art of their craft, the desire to become a master and the idea that a career-long apprenticeship is as important as rising up the ranks.

3. Consider Engine 2 to accelerate business building

By default, micro-battles should focus ultimately on changing the core of the company, or "Engine 1." But there's always the option of starting the micro-battle program in a new organization, or "Engine 2." How should the CEO choose? In general, we argue for Engine 1, with a few key exceptions. In some cases, the core business is under such clear and irreversible assault that the company must build an Engine 2 to maintain sustainable growth. Think of tobacco companies, creating an Engine 2 based on next-generation nicotine products. In other cases, the core business is generating so many new opportunities that there's a strategic imperative to build new businesses without distracting the core. Think of LEGO, which has a crystal clear core business of the brick system, but also generates huge opportunities in education and entertainment. Sometimes, if the core business is going through an obvious change program that doesn't require a test-and-learn approach, micro-battles could be distracting. However, new businesses could benefit from new ways of working in Engine 2. Think of a struggling bureaucracy in free fall. The CEO must embark on a sweeping complexity- and cost-reduction program, but doesn't want it to destroy the new businesses in progress. And finally, if the core business is simply too resistant to change or is, in fact, hostile to new business building, Engine 2 is the right choice. Sadly, of these exceptions, this is the most common.

While we challenge CEOs to focus on Engine 1, we find that great micro-battle programs often start in Engine 2. We encourage CEOs to consider how to balance the near-term objectives for Engine 1 with developing the next wave of businesses for the future. By starting the first waves of micro-battles in Engine 2, organizations can explore entirely new ways of working, including an increased reliance on partnership. They can consider different funding options for micro-battles, such as bringing in third parties to coinvest in business-building ideas. They can recruit specifically for micro-battles, taking advantage of new talent pools that might not be attracted to Engine 1. Focusing micro-battles on Engine 2 can have real strategic advantages. However, in most cases, CEOs should be building new capabilities that can work in the core. Leading CEOs might start the journey in Engine 2, but they remain committed to transforming Engine 1.

While most companies expect investments in Engine 2 to someday help the core business, good old Engine 1 isn't always your friend in the journey to build Engine 2. Engine 1 is big and splendidly predictable—at least to senior leaders. After all, they're veterans and smooth operators of Engine 1. Their systems are fine-tuned to run it brilliantly. In fact, they're so good at running this business that almost all of their systems run with tolerances of less than 1%. Their factories run as anticipated. Their sales operations generally hit monthly revenue targets. But Engine 1 leaders, with all of their perfect models, can often be *terrible* managers of Engine 2. Why? Many Engine 2 businesses are filled with unknowns. They're collections of start-ups, new partnerships, or new-to-the-world products and services. They have no demand forecasting. You can't run an Engine 2 business with the tools and capabilities of Engine 1. The new capabilities required are hard to build, take time and challenge current norms. Leaders must build them with a new mindset—one that's more like a venture capitalist than a corporate leader. The good news is that these capabilities will help expand Engine 1 at some point. But until then, there are three rules of the Engine 1 vs. Engine 2 partnership:

- Engine 2 businesses must be liberated to grow however necessary—even if this includes the full cannibalization of Engine 1. If organizations start to create rules about where and how Engine 2 can play, they might as well shut it down. It's hard enough to start a new business. It's impossible with a rule book of things you're not allowed to do.

- Engine 1 can beg, borrow and steal all the good ideas generated by Engine 2. Rather than allowing the Engine 1 leadership team to complain about the challenges created by Engine 2, tell it to replicate what Engine 2 is doing and compete.

- There's no foolproof organizational solution for the appropriate distance between Engine 1 and Engine 2. If leaders keep Engine 2 very close to Engine 1, folks from the core business will probably kill Engine 2. They'll smother it with Engine 1 ways of working, or kill it slowly because they don't like the new kid on the block. If leaders keep Engine 2 entirely separate from Engine 1, then they're not the best venture capitalists. They bring nothing to the table from Engine 1 but corporate overhead. Regardless of the organizational structure, executives will need to invest to mitigate the inevitable risks.

Engine 2 makes the CEO's life more complex, but it might be exactly what the company needs to rediscover the art of business building—a prime example is Netflix, which used Engine 2 to evolve its business from DVD rental service to content creator. Business building successes in Engine 2 can motivate leaders in Engine 1 to win not simply through scale, but also speed and adaptability. The CEO can even bring the leaders of Engine 2 micro-battles back to the core, to challenge and inspire others.

Sometimes the hardest part of a transformation is the first step, and starting micro-battles in Engine 2 allows the CEO to get started on a new, creative business, without challenging the powerful, but often inflexible, Engine 1.

4. The journey will lead to profound culture change, but it starts with behavior change

Micro-battles guide the cultural change needed to transform into a scale insurgent. But companies should never launch the program as a "horizontal" cultural change program that takes place almost independently of customers and frontline people. The reason is simple, albeit a little cruel. If you feel that you need to change your culture and rediscover your Founder's Mentality, then you don't want the group of people that contributed to the loss of Founder's Mentality starting the recovery program. They might start horizontally and approach it bureaucratically. They'll be clear on the process, but vague on the destination.

The sequence of the journey to scale insurgency matters. Learn to excel at micro-battles first. Let the micro-battle teams figure out what works and what doesn't. Let them pressure senior leaders to transform their behaviors. Then start thinking about culture. Too many companies launch micro-battle teams, but fail to take the Amplify review seriously. Their intention is noble. They want to focus on vertical initiatives and empower their teams to get started. But senior leaders really do need to change their behaviors. This is a simple lesson: Run micro-battles across Win-Scale *and* Amplify.

With each stage of micro-battles, the company is moving toward broader cultural change *(see Figure 11 and our blog "Ten Steps to Scale Insurgency")*. There are four major stages of micro-battles:

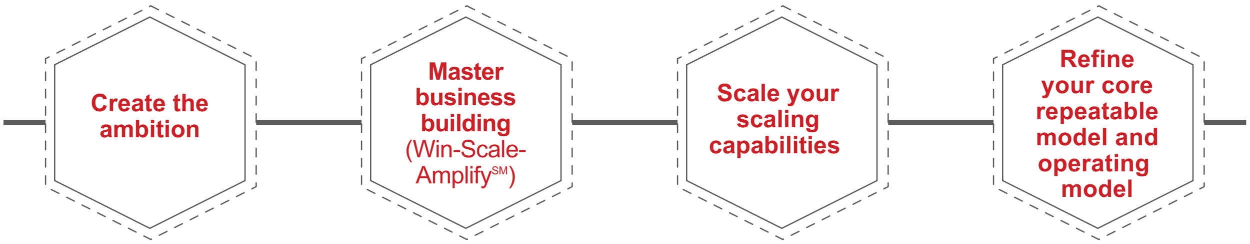
1. **Create the ambition.** The team needs to align on the ambition of scale insurgency and the point of departure—in most cases a loss of Founder's Mentality. They should understand the need for business building and recognize the importance of vertical action.

2. **Master business building.** The leadership team launches micro-battles. Through the Win-Scale cycle, the individual teams learn how to build businesses. The Amplify team focuses on the behavioral change required to accelerate individual micro-battle results.

3. **Scale the firm's scaling capabilities.** Senior leaders build the Scaling Community, while continuing to expand the portfolio of micro-battles. The company adds missing digital capabilities. As leaders master running the portfolio, they scale the micro-battle program by cascading new Amplify teams into other parts of the business.

4. **Refine the repeatable model and operating model.** As the micro-battle approach begins to dominate the agenda, senior leaders begin to focus on the broader horizontal changes required. They refine the models that are repeatable and can grow without too much complexity. They decide how the operating model needs to change in order to continue supporting micro-battles and take advantage of spikey capabilities. Micro-battles free up senior time to focus on what drives value—

Figure 11: Micro-battles provide the framework for a ten-step journey to scale insurgency



1. **Create excitement around the goal of scale insurgency** and commit to a focus on business building
2. **Agree on the basic shape of the transformation** by focusing on micro-battles and the internal programs that will enable them
3. **Launch the first wave (three to five micro-battles)** with the aim of mobilizing your strategy, serving customers, engaging the front line and battling competitors
4. **Master scaling** through the Win-Scale pivot and the three communities to turn micro-battle wins into new businesses
5. **Transform leaders' behaviors** to make them accelerators of growth
6. **Build the Scaling Community℠** to address scaling issues and close capability gaps
7. **Build a portfolio of micro-battles** by freeing up funds and resources. Cascade the approach to transform company culture
8. **Design the ongoing choreography of transformation,** blending vertical and horizontal actions to refine the repeatable model
9. **Radically simplify the rest of the corporate agenda** based on new priorities from micro-battles
10. **Create a new deal for talent** that celebrates expertise and teaming

Source: Bain & Company

time that governance meetings used to spend discussing functional excellence programs. By understanding what remains core, these leaders can radically simplify the rest of the corporate agenda. Stanford's Robert Sutton, an astute student of scaling, has a good rule of thumb for simplification: "If you aren't upsetting people, you aren't pushing hard enough ... Subtraction often entails removing the old and familiar and replacing it with something new and strange (or nothing at all)." Finally, through micro-battles, leaders learn how to operate two systems. One is an Agile organization supporting micro-battles; the other is a simplified hierarchical structure managing scale. Hierarchies will remain, because almost all attempts at purely flat structures fail. Sutton writes, "It is impossible to find groups or organizations where all members have roughly equal status and power. Whether researchers study people, dogs, or baboons, hierarchies are evident after just minutes of observations."[23] Instead of eliminating structure entirely, leaders will shift their best talent to mission-critical roles and develop a new rewards system.

Eventually on the journey, every company will reach the point where everyone wants to make profound strategic and organizational changes. But micro-battles emphasize an early focus on vertical initiatives for three reasons. First, people demand it. They want to be involved with winning in the market, delighting customers and beating competitors. Second, leaders will learn far more from vertical actions than they will from horizontal. For example, one global transportation company was starting yet another global reorganization. It was a classic horizontal program. But the CEO launched a couple of micro-battles at the same time. One battle was focused on gaining 100% of the top customer's global business. At the end of the program, the CEO acknowledged that he learned more about how to redesign his global organization from the initiative to win with a customer than the horizontal initiative to reorganize. Third, the Amplify team will be a different team a year into the process than it was at the beginning. It will be acting more like a scale insurgent, and frankly, we trust this new team to make better decisions. That's why companies should wait on the big horizontal moves until stage 4.

But stage 4 will inevitably arrive and require leaders to ask a series of critical questions:

1. What are the implications of micro-battles on our repeatable model?

2. What changes to the operating model will help us invest in micro-battles and support our core capabilities?

3. How can we radically simplify the rest to free up resources to fund these investments?

4. How can we offer a new deal for talent that relies less on the rewards of the professional management system (spans and layers)? How can we create thriving communities of disrupters, scalers and executors? How do we reward energy and a focus on deep work? How do we celebrate the scalers who simplify new ideas?

5. How do we continue to refine our culture until we have the culture of a scale insurgent?

The answers to each of these five questions will differ by company and by CEO. But in working with companies on these questions, we've seen one common thread: the need to celebrate continued adaptability and change. During a century of professional management, great companies have been formed and managed well, and have adapted with changing markets. But there was a pattern to how this change was managed internally. The CEO made the case for change and promised a change program that would be painful, but ultimately leave the company better off. More importantly, the CEO promised the change would eventually end. Change was a transition between the company you were and the company you'd become. Before change and after change, there would be stability—because only with stability could the professional management system operate at full potential.

In the era of the scale insurgent, the journey doesn't end with stability. The journey ends with the promise of more change, because firms will survive only with endless change and adaptability. Selling this to employees is hard. One executive described the journey, saying, "The thing I struggle with most is that everybody wants me to tell them about our destination. When will we arrive? What will we look like? When will I know my final job and career path? And I have to keep telling them, 'Come on, let's celebrate the journey itself. I can tell you where we'll be in a month, but I don't know where we'll be in a year, much less five years. And I don't care.' But we're all trained to care. If you start a journey, you have to know the destination!" The journey to become a scale insurgent will be a wild ride. Success will depend on creating a culture that celebrates a journey of constant change, not a culture that demands immediate clarity on the destination.

Implications for the CEO agenda

Bain has been running CEO forums around the world for years, inviting leaders from incumbents and insurgents to come together and share lessons on their agendas. The CEO agenda is predictable—almost every CEO has the same list of issues he or she must tackle, from strategy, to people, to communications and execution, to leadership issues. But from these discussions, we've found that three major issues conspire to make the job nearly impossible:

- **Time.** The job is overwhelming. CEOs must constantly struggle to remain focused on their agendas, while thousands of forces try to distract them (for more on these forces, read the Bain Brief "Resolving the CEO's Dilemma").

- **The growth paradox.** For CEOs, the growth paradox is omnipresent. When the company is at its most successful—growing faster than the market—the CEO knows it's most vulnerable, because the company is adding soul-destroying complexity. Sadly, CEOs also know the paradox doesn't work in reverse—slow growth periods don't reduce complexity or restore growth.

- **Levers for change.** The CEO has a vast arsenal of levers for change. But the company also has a vast institutional memory of how these levers have been used in the past. Over time, the CEO finds that pulling those levers almost never provides the desired result. When strategic levers hit cultural memory, CEOs seldom achieve their strategic goals.

Micro-battles try to address each of these issues. Each wave of micro-battles focuses more of the organization's time on customers and the front line that serves them, gradually liberating the CEO agenda from the tyranny of functional excellence programs. Micro-battle teams cut through complexity and the professional management system that supports it. The teams have all sides of the three great conflicts represented, enabling them to solve problems without escalating decisions. Micro-battles also reorient CEOs' levers from horizontal to vertical, encouraging CEOs to tilt the agenda toward initiatives that connect them directly to the front line.

In the context of micro-battles, the CEO is the chairman of the Amplify team. As chairman, the CEO should consider three specific issues.

The lost engines of growth

Through the evolution of business, we've moved from the barter system and arrived at an organization called a "firm." Business is more than simply exchanging apples for spices, or coal for gems. Firms are meant to build businesses. In a firm's early history, everyone knows how to build and adapt businesses, but complexity inevitably erodes the skill set. One of the CEO's most important jobs is to rediscover the lost "engines of growth."

The customer-led growth engine. Insurgents are obsessed with customers. Each customer is integral to growth—they're either happy and promote you, or unhappy and destroy you. Product developers aren't solving growth problems, they're solving customer problems (and growth follows). As the Amplify chairman, the CEO has to get this focus back. Shift business building from the organization to the customer. Move people from the office to the field—and follow them there.

The capability engine. Insurgents have spikey capabilities—they're world class in two to three areas that enable them to compete and build new businesses. They accept being average in the other areas. A huge amount of growth comes from the capability engine, as leaders ask, "Who else would benefit from this capability? Are there new customers? Can we partner with another business that could create value from these capabilities?" But over time, functional excellence programs, spans and layers distract from the focus on core capabilities. It's almost impossible to reallocate resources to the few areas that could boost growth. The CEO needs to refocus the company on its spikey capabilities, by turning more costs into discretionary costs that can be reinvested in those important areas.

The disruption engine. Insurgents hate their industry, having declared war on behalf of underserved customers. They're constantly challenging industry boundaries, disrupting competitors and their own propositions. As the firm grows, its leaders become less disruptive; gradually, they convince themselves they can create more value for shareholders by protecting what they've created. They become the defenders of the industry. It's up to the CEO to bring back disruption, repositioning the company from defender to attacker.

The choreography of transformation

As micro-battles help the firm rediscover the lost engines of growth, the CEO needs to ask, "What's the right order and pace for our transformation? How do we keep momentum?" Part of the choreography is the notion of vertical vs. horizontal initiatives. But there are four other issues for the chairman of the Amplify team to consider.

Resources. Micro-battles stress the system. Their leaders, rightly so, demand all the funding and talent they need for their initiatives. But managers resist, having already committed those people to activities agreed upon in the budget. The CEO must stretch the system to its breaking point, forcing top talent on to micro-battles teams and putting other objectives at risk. But the CEO can't fully break the system. Throughout the journey, the hardest calls will involve resourcing.

Engine 1 vs. Engine 2. Bain research shows that CEOs believe nearly half of all revenue growth will come from outside the core in the next 5 to 10 years *(see Figure 3)*. Three-quarters of CEOs know they must bring in new talent and capabilities. And yet, CEOs say they're allocating only 19% of their resources to business building. But as we discussed, CEOs can use Engine 2 to kick-start their micro-battle program and business building. Engine 2 can open up micro-battle teams to creative resourcing, partnerships and new investors. It can also help the CEO develop early momentum for micro-battles and build confidence that the firm can build businesses. With this new confidence, the CEO can bring micro-battles back to Engine 1.

Leadership changes. One goal of micro-battles is to change executive behaviors. But not all leaders can change. The CEO has to know when to replace key leaders because they're slowing down the program.

Chief cheerleader. Ultimately, a micro-battle program introduces the idea of constant change to the organization. The CEO is asking employees to define their careers in terms of the results they achieve and the teams they join across micro-battles. The CEO is asking leaders to shift their people from direct line accountabilities to cross-functional teams, where senior control is at best a dotted line and advisory. While the journey will be rewarding, we also recognize that, at moments, it will be very hard for everyone. The CEO will be the chief cheerleader, celebrating successes along the way, rewarding the heroes that emerge and championing the behaviors of senior leaders who get on board. The journey demands encouraging leadership.

The five tensions

In observing how strategy has changed over the past 30 years, we noted that every strategy is ultimately about managing five tensions:

- the core business vs. adjacencies;
- competing through scale vs. speed;
- horizontal initiatives vs. vertical initiatives;
- excelling at industry rules vs. trying to change the rules; and
- strategy as a map (from point A to point B) vs. strategy as a compass (a framework to guide your way).

In this context, the CEO needs to keep the leadership team in balance. If everyone's shouting for more speed, the CEO should ask, "Are we investing enough in, and benefiting enough from, scale?" If everyone's running micro-battles, the CEO should ask, "What horizontal changes can I make to ensure these micro-battle teams are productive?" Keeping balance means asking the questions that aren't being asked. In the era of the scale insurgent, this will be more important than ever.

Conclusion

We're in a transition between eras, and it will be messy. In the era of the scale insurgent, the CEO can defend or attack. This demands that the firm competes on the basis of speed and scale. For founders and CEOs of younger companies, micro-battles help them maintain their vertical focus, while developing scaling skills that don't rely solely on the professional management system. For CEOs of established incumbents, micro-battles help them compete on the basis of speed, while retaining the ability to compete as a scale player. Micro-battles help all leaders rediscover the art of business building.

1 This is our fifth edition of our work on micro-battles. As readers of past editions know, we run our micro-battles program as a micro-battle itself, with constant rounds of testing, feedback and adaptation. For this edition, we've also created a website with all of our tools, videos, workbooks and other training materials as a resource for those on the journey.

2 While the founders of this era seem anticompetitive, they viewed themselves as probusiness, and therefore, prosociety. They lived in the world of boom and bust, where entrepreneurs, like the gold diggers, rushed into industries with low supply and high prices, only to create oversupply and the collapse of their businesses. The best industrialists stabilized supply and demand, creating sustainability. John D. Rockefeller once said, "I wanted the best for my company. I had to do what I did to succeed. Everyone was lowering their prices to beat their competition, so I did the same. I eventually beat my competition. Then I raised my prices since there wasn't any competition." J.P. Morgan felt similarly; as *Forbes* blogger Greg Satell argued, "J.P. Morgan believed in trusts. It seemed to him that excessive competition diminished profits and undermined capital formation, which he saw as essential to building a modern economy. Although that may seem like a strange point of view today, it was one widely held by 19th century industrialists. That view became an anathema in the 20th century as the focus of business shifted to competing effectively."

3 For more information, see our trilogy: *Profit from the Core*, *Beyond the Core* and *Unstoppable*.

4 The private equity industry often relies too much on the professional manager. In almost every deal, the "management" shares are primarily distributed between CEOs and the executive committee. Little thought is given to whether the top professional managers should have more value at stake than a top designer or salesperson. This is slowly changing, but it highlights how top management is associated with value creation. Leaders should be skeptical.

5 In their book *Time, Talent, Energy*, Michael Mankins and Eric Garton estimated that weekly executive committee meetings at one company required 300,000 hours of management time preparing for, running and following up the meetings annually.

6 This echoes Derek Sivers, founder of CD Baby: "To me, 'busy' implies that the person is out of control of their life."

7 During thousands of talks with leaders on Founder's Mentality, we've found that there are immediate steps executives can take to rid the organization of energy vampires and reintroduce deep work. More often than not, employees are *dying* to tell leaders about the vampires. Executives can employ 360-degree feedback, asking, "Does this person focus you on deep work and give you energy? Or do they create shallow work and suck energy from the room?" Then leaders have a problem. Will they have the courage to take action, even if some of these managers deliver great results?

8 Of course, there's a longer discussion on how the relentless focus on shareholder value led to excessive short-termism at best, and fraud at worst. "The pressure to keep share price high drives public companies to adopt strategies that harm long-term returns: hollowing out their workforce; cutting back on product support and on research and development; taking on excessive risks and excessive leverage; selling vital assets; and even engaging in wholesale fraud," notes Lynn Stout in her essay "On the Rise of Shareholder Primacy, Signs of its Fall and the Return of Managerialism."

9 CEOs are increasingly concerned about macroeconomic uncertainty. A recent study by the World Economic Forum revealed that 85% of CEOs are expecting major political confrontations in 2019.

10 Digital is particularly pertinent here. A 2016 study by Dell Technologies states that 78% of business leaders consider digital start-ups a threat, and 45% of global business fear they may become obsolete in the next three to five years due to competition from digital born start-ups. Similarly, a more recent JPMorgan Chase study says that 43% of executives are vulnerable to businesses with disruptive technology.

11 Amazon truly reinvented the recommendation algorithm. In his article, "Amazon: Everything You Wanted To Know About Its Algorithm and Innovation," author Michael Martinez notes, "Until [Amazon started its new algorithms in the 1990s], algorithms were 'user-based,' and they recommended the next purchase based on what people with similar interests and purchase patterns were finding. Instead, Amazon devised an algorithm that began looking at items themselves. It scopes recommendations through the user's purchased or rated items and pairs them to similar items, using metrics and composing a list of recommendations. That algorithm is called 'item-based collaborative filtering.' Our online shopping hasn't been the same since."

12 Through Prime, Amazon has effectively determined and leveraged which Elements of Value®—fundamental benefits in their most essential, discrete and concrete forms—matter most to consumers in mass merchandising. In fact, the more elements Amazon layers onto the core asset of Prime, the higher its customer loyalty and subscriber growth. Selecting the right elements can elevate the repeatable model. The inverse is also true. Think of the failure of the Fire Phone (Amazon's 2010 move into smartphones). The Fire Phone promised integration into Amazon's core assets, including Amazon.com, Kindle and Alexa, but this wasn't what mattered most to consumers. Consumers preferred the networks of iOS (Apple) and Android (Google), which enabled a whole ecosystem of app developers. In the end, Amazon's repeatable model wasn't competitive in mobile.

13 In his article, "Product and Platforms," Brian O'Kelley, CEO of AppNexus, explores how Amazon built its businesses on a foundation of core capabilities. While O'Kelley's uses "platform" to describe what we would call a "repeatable model," we agree fully with his argument when he said, "[Amazon] started by building a platform with distinct capabilities … These capabilities rest on sophisticated machine learning technology that took years to build and scale and require ongoing development and refinement. Amazon subsequently rolled these capabilities into distinct B2C and B2B products … Working from a platform-first approach enabled Amazon to scale its businesses in an initial vertical (books) and … in adjacent verticals like music, film and clothing. But all of its products … rely on that underlying platform."

14 This idea of wearing different hats is a big theme in founder-led organizations. Apoorva Mehta, the founder of Instacart, is a great example. He not only helped code for Instacart, but also acted as a personal shopper. This seems to be the inspiration behind his decision to ask the engineers and other employees to shadow the personal shoppers. In this context, his engineers were delivering the benefits of scale to customers, but by working alongside the personal shoppers, they were learning about the benefits of intimacy.

15 The lack of alignment on citizenship isn't a fault of just scale insurgents, of course. It's also a debate among incumbent CEOs, as evidenced by the August 2019 "Statement on the Purpose of a Corporation" from the Business Roundtable, which made clear that businesses are accountable not just to shareholders, but also to customers, employees, suppliers and communities.

16 In *Scaling Up Excellence*, Sutton gives an excellent example of testing for repeatability in his description of the early days of Starbucks. At this point in the coffeehouse chain's history, CEO Howard Schultz wanted to bring a perfect model of an Italian coffee shop to the US. Sutton describes the prototyping, writing, "At first, each store was a faithful replication of an Italian espresso bar, but Schultz kept making changes to fit American tastes. So when customers complained about the stand-up coffee bar and blaring opera music that he has imported from Italy, Schultz added chairs and changed the music … Schultz took much care to replicate a complete template that worked elsewhere. Then, when evidence emerged that some elements didn't travel well, [he] had the humility and flexibility to remove, revise and replace them with better solutions." In a similar way, when LVMH helped bring De Beers into the retail business, the board looked for what it called, "The Code." As leaders tested each store, they questioned consumers and employees to understand what was working and what wasn't. With each iteration, they would improve the code. Finally, after about 200 adjustments, they had defined the repeatable model for the store and rolled it out everywhere.

17 For more on growth mindsets, see Sutton's *Scaling Up Excellence*, which describes how Facebook uses a six-week bootcamp to instill the right attitudes toward scaling.

18 The failure-point schedule is critical to training. We've developed a workbook, "The Winning and Scaling Workbook for Micro-battle Teams," to help micro-battle teams create a revised schedule with each cycle.

19 For further reading, we also recommend Peter Thiel's *From Zero to One*.

20 Later in his book, *Measure What Matters*, Doerr cautions that companies need to measure the *right* thing when setting those Big Hairy Audacious Goals, or BHAGs. He notes that when YouTube managers were working with their new owner, Google, there was a fundamental disagreement around the definition of success. For YouTube, watch time was everything. It wanted its consumers to remain engaged. For Google, success was about speed. It wanted its consumers to find what they needed and move off Google to their new discovery. In another example, Doerr notes the importance of BHAGs in setting aggressive infrastructure goals. By thinking big on their goals, YouTube managers were able to think more aggressively about their IT architecture, which ensured they were better prepared for future growth.

21 The "habit books," including *The Power of Habit*, *Bounce* and *Atomic Habits*, are very important to founders. James Clear's "Golden Circle," from his book *Atomic Habits*, really resonates here. The Golden Circle describes the three layers of behavior change: outcome, process and identity. He notes that most people try to create better habits by focusing on outcomes. For example, smokers often try to quit by declaring, "I want to quit smoking." Clear argues that it's better to start with "identity" and move to process. The smoker says, "I am a non-smoker and now I need to take a first step to act like a non-smoker." Similarly, level-5 scalers start with identity, establishing the truth, "I am a scaler." This leads them to ask what processes they can put in place to increase the firm's scaling capabilities.

22 For further reading, see the *Harvard Business Review* article "Communities of Practice: The Organizational Frontier" by Etienne C. Wenger and William M. Snyder, and the Medium article "Start a Business Guild" by Jurgen Appelo.

23 Sutton elaborates on his views regarding hierarchy in *Scaling Up Excellence*: "We reject calls by gurus, including Gary Hamel, that 'bureaucracy must die' and that top-down control is 'toxic.' Even small organizations can't function without hierarchies and specialized roles, groups, and divisions. Well-crafted rules and processes create predictability, reduce conflict, facilitate coordination, and reduce cognitive load because people (often with help from computers) are armed with proven responses to routine situations—rather than having to reinvent the wheel each time." All firms thrive with a healthy conflict between routine and disruption, and between scale and intimacy. Scale benefits demand some form of bureaucracy, as long as it doesn't overwhelm the need for disruption and intimacy.

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