

Bestselling authors of *Profit from the Core*

**CHRIS ZOOK ▶ JAMES ALLEN**

— BAIN & COMPANY, INC. —

# REPEATABILITY

Build Enduring  
Businesses  
for a World of  
Constant Change

—  
HARVARD BUSINESS REVIEW PRESS

**EXCERPT**



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ISBN: 978-1-4221-4330-8

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# Introduction

What you see depends on where you sit. If you are high in the stadium at a tennis match, you see the angles and patterns of strategy, but miss the violent physicality of professional tennis on the ground. At courtside, you see the physicality, but at the cost of the angles and positioning. And only on the court itself, in the action, do you have a full sense of the speed of the ball, and the fact that only through almost instant reactions, with repeatable and well-grooved response patterns, can any strategy be successful at the highest level of the game.

In our combined careers, we have logged more than fifty years in the business of strategy consulting, shoulder to shoulder with senior executives of global companies. For about twenty-five years of that time, we have been privileged to lead the Global Strategy practice of Bain & Company, examining the broad patterns of business success and failure. We have also been part of teams starting and managing businesses. Each position has given us a different slant on the topic of how companies find their next wave of profitable growth. Today, each is leading us to the single insight at the center of this book—the growing power of repeatable models.

## REPEATABILITY

During the last ten years, we have led a research project at Bain on this topic, reported on in a series of articles and books with Harvard Business Review Press. The books, called “the trilogy” by our publisher, looked at the three ways that companies grow (or fail to do so). These are through growth in market share and profit share in the core, growth from expansion into surrounding adjacent markets, and, sometimes, redefinition of the business model itself. We called this the *focus-expand-redefine* cycle of growth.

Yet, only after we had looked at the success factors of companies from so many different angles—both personal and research-based—did we see how the nature of strategy in business itself is changing fundamentally. What once were more lasting sources of competitive advantage—like market positioning, a unique product offering, a powerful brand, or a set of deep customer relationships—have, in many industries, become more ephemeral and fleeting, to the point where, at the time of this writing, we calculate that only about 9 percent of global companies have been able to achieve more than a modest level of sustained and profitable growth over the course of the last decade.

The nature of successful strategy is changing in three ways. First, it is now much less about a detailed plan than about a general direction and a few critical initiatives—almost a strategy on a page—built around deep capabilities that can be constantly improved, adapted, and reapplied. The reason for this is the increased speed at which information flows and change occurs in the world, compressing time. These changes are shifting the nature of competitive advantage toward deep capabilities and how they combine in a business model that can adapt and repeat successes of the past over and over.

Second, strategy is now less about anticipating how the world will change, which is increasingly difficult to know, than about superiority at rapid testing, learning, changing, and adapting.

## Introduction

Some of the great stall-outs of recent years, such as at Nokia, have occurred because of failure to adapt to change. Some of the most powerful success stories, such as at Apple, have been fueled by best-in-class systems to test, gain feedback, and adapt. Central to this responsiveness, we find, is the ability to maintain a level of simplicity of the business model (for instance, Apple has only about sixty products) in an increasingly complex world.

Third, effective strategy is becoming increasingly indistinguishable from an effective organization. The best strategies are those that the organization readily embraces, mobilizes around quickly, and provides feedback on. Such strategies almost feel as if they were pulled up from the bottom rather than pushed down from the top. When the full organization understands deeply the strategy, its ability to learn and adjust to change will have a good chance at being better than competitors'. We refer to this result as *shortening the distance* between the CEO, the front line, and the customer.

A central insight from this book is that complexity has become the silent killer of growth strategies—complexity of organizations layered with constant new initiatives and systems, complexity of messages throughout the organization, complexity of implementation across different markets, complexity of IT systems to keep track of it all. Complexity creeps up on companies, confounds learning, slows response time, and saps organizational and management energy. It is a truism that from the first product sold by the founder to his first customer, the complexity of most businesses grows exponentially, drawing senior management farther and farther away from the front line.

It is no wonder that our CEO surveys and interviews highlight the tension CEOs feel between speed of markets (and therefore the need to respond) and complexity (and therefore slowness) of organizations. Some said that by the time they

## REPEATABILITY

are partway through implementing a major new initiative, the world has changed, and it is time to launch yet another.

But strangulation by complexity is not an inevitable fate. Perhaps the most important contribution of this book is that it explains the consistent way that enduringly successful companies maintain a form of simplicity at their core. They have done so by creating what we call *Great Repeatable Models* that adhere to a consistent set of principles. We hope you enjoy and benefit from this journey of discovery.

To learn more about the ideas in this book, visit [www.repeatability.com](http://www.repeatability.com).



# The Great Repeatable Model

What do a tiffin tin, a Billy bookcase, and Michael Jordan have in common?

Each is central to a business success story that transformed its market. Each is emblematic of a company that learned to replicate and adapt its early successes over and over, often for decades, in a world of constant change.

It is an uncommon message, perhaps, in a world so dominated by change, where siren-like voices of gurus, analysts, and pundits preach “reinvention” on the part of companies. We find the opposite. Our data shows that simplicity, focus, and mastering the art of continuous change nearly always trump strategies of radical change or constant reinvention. The complexity and disruption that result are the great “silent killers” of growth and can even lead to “binge and purge” cycles that ultimately weaken the core of businesses.

We find in our research that enduring success is not about the choice of market, but about the essential design of a company

(a much more controllable variable) and about harnessing the power of continuous improvement and adaptation—driving learning and competitive advantage deeper and deeper into the fabric of a business. This book is dedicated to pinpointing the essential nature of those companies in tough and dynamic competitive arenas that have been able to change continuously in order to repeat their successes again and again. We call them the *Great Repeatable Models*.

Let us illustrate with three quick examples and then begin our journey in search of the secrets of the Great Repeatable Models.

## **The Dabbawallas of Mumbai**

Visitors to Mumbai can be easily overwhelmed by the scale and pace of India's most densely populated city. Yet every day, amid the noise, traffic, and bustle, the five thousand *dabbawallas* of the Nutan Mumbai Tiffin Box Suppliers' Charity Trust deliver two hundred thousand boxed lunches, cooked the same morning in people's homes or by special caterers, to the right people on time. At night, the system reverses, and the dabbawallas return the color-coded lunch boxes—called *dabbas*—to where they came from. The average box travels 60 kilometers on bikes, on trains, on pushcarts, and on foot and is handled by six different people.

Despite the complexity of this supply chain, the dabbawallas perform so well that the odds of delivering the wrong lunch to a customer are less than one in 6 million, a statistic that has drawn attention from operations specialists across the world and that conforms to Six Sigma quality levels. The distinctive deliverymen, dressed in white cotton uniforms and white caps, pride themselves on making deliveries in the severest conditions.

## The Great Repeatable Model

The service ethos is so strong, in fact, that when Britain's Prince Charles asked whether he could meet some dabbawallas, they insisted he schedule the meeting between delivery cycles.

The association would look little changed to a time traveler from the 1890s, when Mahadeo Havaji Bacche founded it. The service ethos has certainly been there from the start. The lunch boxes and uniforms are largely the same. The bicycles, trains, and pushcarts haven't changed a lot either. But the bare-foot dabbawallas don't ignore the march of progress; they have always been ready to take advantage of innovations. Today they all carry mobile phones and use them to coordinate deliveries and alert each other to problems. Orders are now taken on the Internet and by text messaging. The trust even tracks customer satisfaction levels through online customer polling. This careful blend of the old and the new has translated into enduring success. In the nearly 125 years since its creation, the association has become a constant fixture in Mumbai's food delivery business and is growing profitably at between 5 percent and 10 percent a year. It is a simple example of a repeatable success formula that has had to constantly adapt to change, but has driven the art of continuous improvement in its core to a high level. The combination has repelled every competitor in sight for over a century.

## **IKEA and the Billy Bookcase**

From its iconic blue-and-yellow stores to its ubiquitous customer-assembled Billy bookcase, IKEA is one of the most recognizable and admired companies in the world. It turns over 23 billion euros from 626 million visitors to its 280 stores in more than 25 countries. In Europe, it is at least 12 times as large as its nearest competitor.

## REPEATABILITY

The core features of this hugely successful company have changed only incrementally since Ingvar Kamprad opened the first IKEA furniture stores in Sweden during the 1950s. Since those early years, all wooden furniture sold in the stores has been sold in flat packs for self-assembly by the customer, all stores have been built around a flow that encourages cross-selling, all products have been designed to hit a target selling price, and the company has carefully maintained an extremely egalitarian corporate culture. IKEA has not attempted to diversify into businesses that would require a different model, nor has it ever reinvented itself.

Instead, it has focused on maintaining those differentiations, making its economics more efficient and improving product design, on the one hand, and, on the other hand, carefully selecting new product categories and geographies where the model can work. Its ability to do this is based on the fact that everyone in the company has internalized a long-held set of relatively simple, transparent rules and principles—so all decisions in the organization across all levels of employees tend to reinforce and improve the model. IKEA, therefore, is not a story of a search for hot markets—furniture has been around for a long time—it is a story of the development of a hot business model.

Some might view IKEA as a bit retro in a world of constant change—furniture, retail, low technology. Yet, the truth is that this is a market with an enormous number of new entrants in each region of the world, lots of technology in supply chain and materials, new Internet sales models, and constant change in consumer needs. The IKEA repeatable model—as with the *dabbawallas*—has adapted and endured and constantly learned and improved, while others have failed to do so. The business has mastered the art of continual change and continual improvement.

## The Swoosh of NIKE

NIKE, Inc. defines athletic innovation, speed, and constant change. It is one of the cases that started us on our path to repeatable models. In twenty-five years, from 1986 to 2011, NIKE, Inc. has grown from less than a billion dollars in size to nearly \$21 billion, with EBIT of \$2.8 billion. NIKE has averaged a 20 percent annual total return to shareholders over the entire twenty-five-year period. If you had invested \$100 in NIKE in 1984, it would be worth more than \$10,000 today. Not bad performance in a market that is time and time again defined as low growth and commodity-based.

NIKE's repeatable model is built on four core interlocking capabilities: (1) brand management (the ubiquitous swoosh), (2) athlete partnerships, (3) award-winning design and use of new materials, and (4) an efficient supply chain to Asia (it owns no manufacturing assets). In 1989, NIKE and its main rival, Reebok, were comparable in size, product line, brand recognition, and profitability. Yet, Reebok never found a repeatable formula—careening from Ralph Lauren footwear to Boston Whaler boats, to Western boots, to golf clothing. As a result, Reebok did not create a learning organization as it jumped from one *idée du jour* to another, and it created virtually no economic value in the stock market for two decades until it was sold in 2006 to Adidas. Meanwhile, NIKE posted a record-setting performance, redefined the rules of the game of its industry, and reshaped and enlarged the global profit pool that supports it.

What is especially interesting about the NIKE example is the direct head-to-head comparison with a rival. Reports at the time were referring to the pair with phrases like “Coke vs. Pepsi,” “in an intense race for America’s footwear,” “neck and neck,” and so on. Yet, the repeatable model of NIKE, and its relentless ability to innovate and improve year after year, prevailed

## REPEATABILITY

over one that was not so, while fending off new challengers in a dynamic market that has seen monumental changes in the economics of sports, dramatic shifts in media, channel evolution, and the Internet, and the advent of new materials technology and supply chain patterns.

Three companies on three continents in three very different markets. Each—furniture, athletic shoes, food delivery—looks like a commodity on the surface, yet a closer look shows that each actually has had enormous change to deal with on many dimensions, from customer needs to channel shifts to technology to the Internet. Yet, each has managed to adapt, to continuously improve, and to fend off a constantly changing onslaught of competitors. On the surface, businesses like IKEA do not look that mysterious, but no competitor has come close. Only IKEA, it seems, knows how to imitate IKEA.

On the face of it, this is a paradox. Yet, as you read through this book you will come to recognize, like us, that long-term success actually requires a foundation of enduring and stable core principles. Without the stabilizing effect of a set of core strategic and organizational principles, companies can fall prey to a form of “corporate ADD” (attention deficit disorder) that dooms them to cycles of destruction and reinvention and the endless search for the hot market that will propel them miraculously to a better world. In their quest for some kind of silver bullet, many companies have not built up the muscles of constant improvement and focus. The extremes of such behavior are not that common—how could they be?—but the more subtle and pernicious versions of it are everywhere.

During the course of this book, you will encounter companies that took the road less traveled and created Great Repeatable Models to achieve sustained performance in a wide range of circumstances. Some, like NIKE, IKEA, Tetra Pak, and Olam,

have been developing and refining their Great Repeatable Model from the very beginning. Others, like LEGO, are classic cases of management teams that prematurely abandoned their repeatable model, only to discover that their best hope was to return to it with new vigor and renewal. And still others, like DaVita, used these ideas to take a near-bankrupt company, yet one with strong underlying assets and a history of a repeatable model, and renew its growth and vitality.

Let's begin with the research.

### **The Search for Profitable Growth**

Sustained and profitable growth is rare and becoming increasingly so. A decade ago, we found that only about 13 percent of companies in the world had achieved, on average, even a modest rate of profitable growth (5.5 percent in real terms) over the decade while also earning their cost of capital. In the last decade, ending in 2010, the percentage had dropped to only 9 percent—this despite the fact that well over 90 percent of companies aspire to this level of performance in their strategic plans.

Our work on repeatable models caps a ten-year project that we have undertaken at Bain & Company on the changing origins of profitable growth and the methods for capturing it. We are finding that it is much less about the choice of hot market than about the how and the why of strategy and the business model that translates it into action. Moreover, we find that strategy is becoming less and less about a rigid plan to pursue growth markets than about developing a general direction built around deep and uniquely strong capabilities that constantly learn, continuously improve, test, and adjust in manageable increments to the changing market (as opposed to hesitancy followed by an anxious rush to make up for lost time).

## REPEATABILITY

We have used a rich set of data in the course of this research, including:

- A database of 8,000 global companies over 25 years, used to look at the relationship of patterns of strategy to results, and to identify the best long-term performers
- A database of 200 companies, with characteristics of practices, business models, and performance
- Thirty case examples, including many executive interviews
- A global survey of 377 executives conducted with the Economist Intelligence Unit<sup>1</sup>
- Focused analysis of groups of high performers—superfast growers, very long-term sustained and profitable companies, the oldest companies, and the most innovative companies
- Examination of the architecture of repeatable models in other fields, from biology to history, to the design of the Internet

That research effort has already produced a large body of work on how companies find their next wave of profitable growth, reported in numerous articles and three prior books with Harvard Business Review Press. Three “golden threads” from that work form the intellectual underpinning of this book:

- *It is more about the company.* We find over and over that 80 percent of variation in financial returns among all businesses in the world is accounted for by their performance relative to other companies within their industry, as opposed to their choice of market. Market power and influence through a strongly differentiated strategy, what we call *leadership economics*, is the greatest single explainer of relative business performance. Our



## The Great Repeatable Model

book *Profit from the Core* documented through hundreds of case examples how easy it is for businesses to lose strategic focus, fail to see the full potential of their existing assets and capabilities, and prematurely abandon their core (and later regret it).<sup>2</sup>

- *Most new growth initiatives fail.* We find that new growth initiatives—organic or by acquisition—have success rates of only about 20–25 percent, much lower than most executives realize. Moreover, most managers say, in retrospect, that their growth initiatives proved to be more complex than they had expected and often had negative impacts on the growth of the “core of the core” business itself. We found this phenomenon, which we call the *trap of false enthusiasm*, in hundreds of examples—from Bausch & Lomb to Citigroup (merged with Travelers) to Daimler-Benz (entering aerospace and later buying Chrysler, both disasters that weakened the core) and on and on. Our book *Beyond the Core* showed how the odds of success can be influenced through a more systematic approach to making growth investments, as a portfolio of bets, and to the decoding of lessons from past experiences in terms of what worked and what failed.<sup>3</sup> The odds of success depend critically on whether the idea involves current customers, on the economic distance of the idea from the company’s core, on whether the idea is part of a repeatable model, and on whether the core platform has achieved leadership economics in its primary market.
- *Redefinition rarely works.* We found that many businesses evolved over time through a cycle of core focus, adjacency expansion from the core (ideally with a repeatable model), and inevitable crisis leading to

## REPEATABILITY

redefinition. We called this the focus-expand-redefine cycle of growth. The odds of success (surviving and reestablishing a profitable trajectory) in redefinition are extremely low, less than one in ten. The exceptions—such as Marvel Entertainment (from comics to movies), IBM (from hardware to services and software), and De Beers (from mining to consumer focus and retail)—were able to rebuild their core model around “hidden assets,” deep strengths in the core business that had not been previously utilized. This was the focus of our book *Unstoppable*.<sup>4</sup> The work on repeatable models reported on in this book has the potential, we believe, to allow companies to learn and adapt sooner, faster, and in smaller increments, reducing both the potential for a crisis of redefinition and the entropy of building around a nonrepeatable model, from which few emerge as real champions.

These three findings are still as true as ever. Now we introduce another strand that pulls it all together—a how-to of business model design built around a few principles that harness the power of repeatability. A *business model* is defined usually as a blueprint that translates strategy into key decisions and actions, where the pieces are evident and self-reinforcing—a sort of virtuous cycle.<sup>5</sup> We feel it necessary to revise this view because a business model that is to endure in the dynamic markets of today must integrate strategy, deep core principles, and cultural norms with a survival mechanism to constantly improve and adapt the model (while still running the business and delivering results). This is the focus of this book—the strategic architecture of the most lasting business success stories.

## Lessons from Businesses with Enduring Success

Sustained success in a world of more rapid change is not easy. It requires the simultaneous ability to focus and improve your deepest strengths of the past while at the same time adapting your business and adding new capabilities for the future. Within the world of science, you find that the most enduring and adaptive systems, from genetics to the design of the Internet, have a set of common architectural principles at their core that help to achieve this balance of focus and adaptation. When we studied the most enduring and adaptable businesses, we found the same thing.

One elite group we called “rocket ships.” These were notable for the *speed* of their profitable growth, from a low base to more than \$10 billion within twenty years, consistently delivering more than 15 percent annual return to shareholders. In the seven public stock exchanges in our database (which excluded financial service and natural resource companies), we identified thirty-one rocket ships, which we rated on a number of dimensions, such as the strength of their core, their method of growth, and the existence of a well-documented repeatable model as expressed by the analysts who follow the companies, by business writers, and by the companies’ reports. We found that 90 percent of these super-high-performing rocket ships employed a clear repeatable model that propelled their growth strategy. The majority of these grew primarily through organic means—such as Amazon, Google, and NIKE. Though the data was not always comparable, when we extended the analysis to companies in the developing world, like Huawei, Hankook Tire, Larsen & Toubro, or Nine Dragons Paper, we found the same thing. Less than half used acquisition as an additional means to achieve growth and add capabilities—such as Danaher, Medtronic, and EMC.

## REPEATABILITY

A second elite group that we studied consisted of long-term sustained performers. We defined these by their ability to grow sustainably (5.5 percent real growth) and profitably (earning their cost of capital) for two decades. We found that three-fourths of these elite performers grew from a single primary core business replicating an easily recognizable model. About half of them participated in naturally repeatable industries like retail (e.g., Wal-Mart, Target, Lowe's, Best Buy, Tesco, and Walgreens), in which opportunities for replicating a business model are fairly intuitive. But there were also many companies that were able to replicate and adapt their initial business models across less obvious contexts, such as the distributor Sysco, the logistics company Expeditors, the medical technologies company Medtronic, or the iconic motorcycle company Harley-Davidson.

We extended this examination of long-term performers to the best performers at innovation by considering the top twenty companies on *BusinessWeek's* Most Innovative Companies 2009 list. We found that over 60 percent of these Companies scored high on our rating of their repeatable models (average of 4 or above on a scale of 5). In fact, many of the companies on this list emphasize their repeatable model for innovation, such as Procter & Gamble's (P&G) Connect+Develop program to pursue its goal that half of major new product ideas originate outside the company, and Apple with its methodical approach to launching new, innovative products.

Finally, we examined the oldest surviving companies in the world to understand the root causes of their unusual and extreme ability to prosper over centuries. For instance, the oldest currently active business is a Japanese lodging business called Hoshi Ryokan, which has focused on its core of inns in Japan since its founding in 718. Hoshi Ryokan is now managed by the

## The Great Repeatable Model

forty-sixth generation of the Hoshi family, using many principles of hospitality established by its founders. Most of the businesses we examined with the longest continuous lives stayed entirely focused on a specific niche that had evolved gradually since the company's founding around a relatively simple original model. The power of such long-standing companies, constantly refining their repeatable formula in a focused single market or niche, can be especially seen in the so-called hidden champions identified and celebrated in a book by Hermann Simon. Such focused, single-core companies, often family businesses with long histories (83 percent were over twenty-five years old and 31 percent were over seventy-five years old), are credited with being the key source of stability of the German economy that gave it such strength and resilience during the recent global financial crisis.<sup>6</sup>

For instance, take Faber-Castell, the world leader in pencils since its founding in 1761 in Stein, Germany. Today, the company produces more than 2.2 billion pencils per year and has led a market that has grown for centuries. Indeed, even during the recent recession, the revenues of Faber-Castell increased by 6 percent.<sup>7</sup> The company's first major innovation (other than figuring out how to put lead inside a wooden tube in its initial incarnation) was the hexagonal pencil that would not roll off desks. Subsequent innovations included new colors, forms of pencils with superior environmental properties, and even tiny rubber bumps on the outside of pencils making them easier to grip in hot climates. It is repeatability through eight generations of a family business.

Given our new findings that repeatable models were central to more than three-quarters of the cases of sustained profitable growth, we set out to discover what features of a repeatable business model actually matter the most and what insights can be used most readily by businesses to improve.

## **New Finding: How Repeatability Drives Success**

The starting place for us in our pursuit of the design principles of the Great Repeatable Models was a database of two hundred companies that we created to examine thirty different factors that had emerged from our case examples of Great Repeatable Models and interviews with executives in those businesses. What we found surprised us. We were able to explain 40–50 percent of performance variation within an industry just from the ratings regarding adherence to three sets of design principles. This is a remarkable level of explanatory power, given the number of other variables that we considered like choice of market, scale, whether the company was diversified or not, whether growth was organic or not, and the nature of the key metrics that they focus on.

### *Principle 1: A Strong, Well-Differentiated Core*

Differentiation is the essence of strategy, the root cause of competitive advantage, and a major driver of relative profitability among businesses. You earn money in business by being different from competitors—in a way that gives you superiority in serving your core customers or superior cost economics that lets you outinvest your competitors—not just from performing a valuable task. The Great Repeatable Models were sharply, almost obviously, differentiated relative to competitors along a dimension that also allowed for differential profitability. The unique assets, deep competencies, and capabilities that make this differentiation possible and that are translated into behaviors and product features define the “core of the core” of the business. These are the crown jewels. At their best, these core activities (such as character development at Pixar, or risk

management and arbitrage in agricultural commodities at Olam, or flat package furniture design at IKEA, or the Toyota Production System) drive learning, constant change, and improvement, and they increase further barriers to imitation.

### *Principle 2: Clear Nonnegotiables*

An important factor in success was a common understanding on the part of management and employees of the company's core values and the key criteria used to make trade-offs in decision making. We call these principles, used to translate strategy into consistent decisions and actions, the *nonnegotiables*. Clear nonnegotiables improve the focus and simplicity of strategy by translating it into practical behavioral rules and prohibitions. This, in turn, has the effect of reducing the distance from management to the front line (and back). Our data shows that today relatively few businesses can claim these attributes.<sup>8</sup>

Improving the translation of strategy to behaviors and mindset is a major improvement opportunity for many companies. Our research at Bain shows that the main driver of employee loyalty and commitment is a belief in the values of the management team and the organization's strategy. It is tough to mobilize around a change if everyone sees the world totally differently, does not understand the strategy, and does not have shared vocabulary and priorities. Yet, as the data we explore later in chapter 3 suggests, most businesses that grow over time become encumbered by layers of complexity that widen this gap, reduce customer responsiveness, and create diseconomies of scale. Think of this the next time you get lost in an infinite phone menu as you try to get advice on how to use your mobile phone, fix problems with your computer, or discuss a concern with an airline representative.

*Principle 3: Systems for closed-loop learning*

The Great Repeatable Models exhibited more self-conscious methods than their competitors, on average, to perceive and try to adapt to change. They especially tended to have well-developed systems to learn and drive continuous improvement across the business, leveraging the transparency and consistency of their repeatable model. The methods we describe later—of how Apple and LEGO and Vanguard stay in touch with their customers or how Toyota and Danaher and AB InBev stay in touch with frontline production experience—are examples.

The second form of closed-loop learning relates to those less frequent situations when fundamental change in the marketplace (like a new technology, competitor model, or customer need) threatens a key premise of the repeatable model itself. A company's inability to adapt or to have a sufficient sense of urgency in response to a potentially mortal threat has resulted in the stall-out of some of the great successes in business. Consider, for instance, Kodak confronting digital technology, Nokia confronting smart phones, traditional airlines confronting low-cost carriers, IBM confronting the PC, Xerox confronting printers and low-cost entrants, and newspapers dealing with the shift of media online. This is the phenomenon of *disruptive innovation*, well described by Clayton Christensen in his book *The Innovator's Dilemma*, which often emerges in the bottom of the market or in neglected segments and spreads almost inexorably, disrupting incumbents who underreact to the threat.<sup>9</sup>

To respond to this challenge, many businesses have redesigned part of their strategy development in order to strengthen the forms of feedback and the way the loop is closed. For example, in IBM's case, the redesign was perhaps a



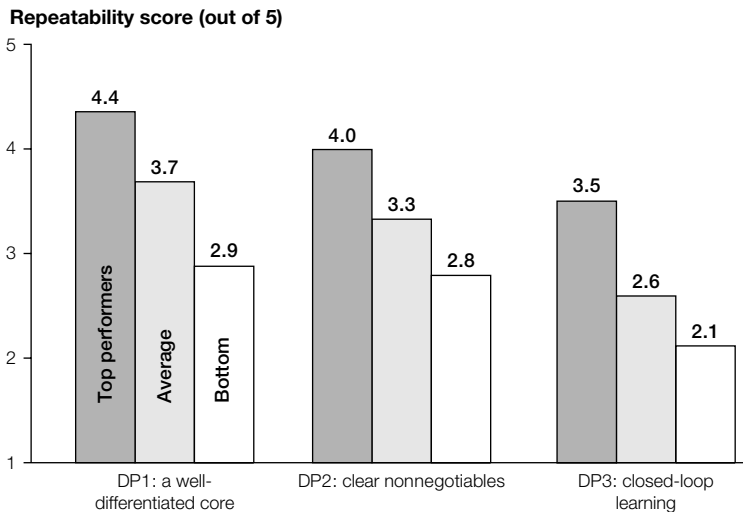
## The Great Repeatable Model

reaction to its prior crisis, which was born of slow reaction to the emergence of the personal computer. Huawei, the rapidly growing Chinese challenger to network equipment incumbents such as Ericsson and Alcatel-Lucent, has a permanent office of restructuring, which reports to the chairman and is focused exactly on identifying external threats to its model and pushing for a strong response.

These are the three design principles that emerged from our research. We found strong empirical evidence of their importance in explaining sustained performance over time and relative performance versus other businesses. The data from our two hundred–company study, to which we return throughout this book, is summarized in figure 1-1. The figure shows a

**FIGURE 1-1**

### Scores on design principles by performance group



Source: Bain 200 Company Database of Repeatable Models.

## REPEATABILITY

highly statistically significant difference in the three clusters of practices that we studied across these companies, when the companies were grouped by financial performance. The lowest average ratings and the widest differences across companies were in the area of clear systems to react to feedback and adapt.

These empirical results show the links among the three design principles and business performance. Few businesses that were rated below 3.5 (on a scale of 1 to 5) on all three design principles performed at a high level. By contrast, 70 percent of the companies that were rated at 3.5 and above for all three design principles at the same time outperformed.

The results are so central to the premise of this book—that the Great Repeatable Models are based on three design principles—that we did a further validation. We worked with the Economist Intelligence Unit in March 2011 to survey 377 executives across the world in 377 different companies.<sup>10</sup> We asked them about the relative performance of their companies and about their perceptions with regard to the practices that underpin our three design principles. We found almost identical results to those of the two hundred–company database derived from a completely different method. For instance, when we looked at which companies were rated 4 or 5 on the 1-to-5 scale regarding the existence of a well-differentiated core and a supporting activity system, we found a 2.7 times difference versus bottom performers (77 percent versus 29 percent). For questions regarding core principles and clear nonnegotiables, the difference was 2.2 times (74 percent versus 33 percent). And for questions regarding learning and feedback systems, the difference was 6.1 times (though lower for all, 61 percent versus 10 percent).

The design principles were mutually reinforcing. Businesses that adhered to one design principle usually adhered to others. For instance, businesses seen to have a clear repeatable

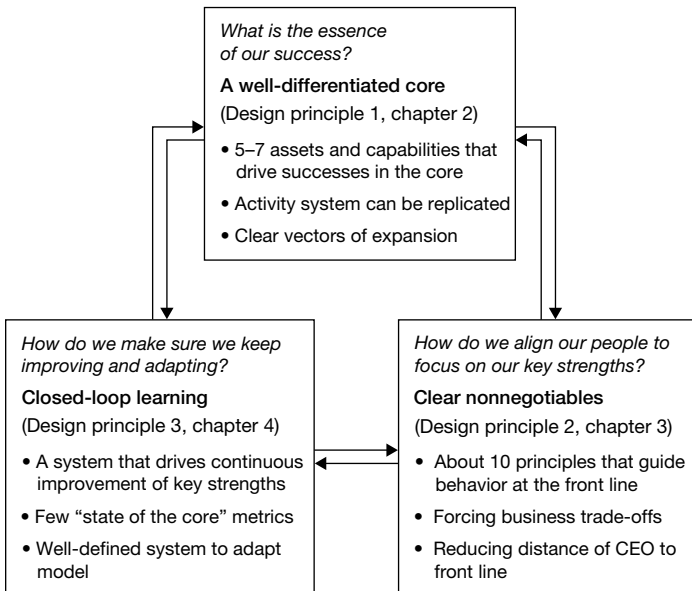
differentiation had a 64 percent chance of adhering strongly to one of the other two design principles.

## How Great Repeatable Models Succeed

In our experience, the virtuous, reinforcing cycle found in the Great Repeatable Models among the three design principles usually works like this (see figure 1-2). A clear, repeatable differentiation (design principle 1) makes common measures and beliefs easier to create and use (design principle 2), which drives more transparency, learning, and adaptation (design principle 3), which in turn pushes the entire business down an experience curve faster than less repeatable competitors.

FIGURE 1-2

### The design principles of Great Repeatable Models



Source: Bain & Company.

## REPEATABILITY

The mutual fund company Vanguard is a great example of the virtuous dynamic. Vanguard was founded by John Bogle in 1974 with eleven managed mutual funds and \$1.8 billion in assets. But Bogle believed passionately in the proposition that no actively managed fund could outperform the market in the long run. Why, therefore, should investors pay a fee for active management? He developed an alternative: passive funds that simply tracked market indexes. They would need no fund managers or researchers and could therefore charge fees considerably lower than the actively managed alternatives. Instead of providing what he saw as essentially useless stock-picking advice, Bogle felt he should offer customers responsive service and advice on the types or classes of investments that would be suitable for investors' needs. When this form of fund was first offered as Index Trust in 1976 it was derided by the popular business press. Yet the idea took hold and became the mainstay of Vanguard and its core differentiation of low-cost investing, of which index funds represented the purest form of that idea.

Vanguard has remained true to this simple, stark differentiation ever since, a strategy that has paid off handsomely. In 2009, in the depths of the financial crisis, Vanguard became the largest mutual fund company in the world, with \$1.6 trillion of assets under management (capturing an amazing 45 percent of the new money coming into the market that year). Of course, it has diversified over the years into new forms of indexed funds and new customer segments. Yet, despite its larger size, Vanguard never has strayed from its core principles of low-cost investing, long-term customer loyalty (its churn rate is one-third that of the industry), employee egalitarianism, and conservative investing, all combined in a repeatable business model.

Now let's look at the second feature. The company is named for HMS *Vanguard*, a seventy-four-gun ship of Admiral Horatio Nelson, one of the greatest strategists in naval warfare. Nelson's battles were fought generally by the rules of the

## The Great Repeatable Model

day—conventional line-of-battle approach, training in close-order combat, and signaling systems among ships. However, the line of battle typically extended beyond the horizon of sight. During the confusion and smoke of battle, and the destruction of masts, communication became worse than unreliable. Nelson’s solution to this problem was to spend so much time training his crews that each boat became a repeatable replica of his thinking and behaviors. In fact, he met with them so frequently that he named them his “band of brothers.” As a result, he could trust his subordinates to act as he would, rather than relying on cumbersome command and control tactics. Though they appeared to be separate, they were perceived as acting in an uncannily coordinated way, as a single mind, more than their adversaries had ever seen, resulting in victories with many fewer casualties over and over again against larger French fleets.

Bogle’s imitation of Nelson went beyond the name. He called employees “crewmembers,” and he laid the foundations for a distinctive egalitarian culture, strongly rooted in the company’s differentiated value proposition. The company’s activities and decisions are all guided by a set of statements called “Simple Truths” that are remarkably consistent with the initial conception of the business, though they have been added to and embellished over the years. They include the following:

- Most investors cannot “beat the market” long term.
- The best customers are loyal, long-term investors.
- We do not pay for distribution of our products.
- Low expense ratios drive high returns.
- A mutual organization owned by the “funds” is best for investors.
- Egalitarianism must define how we work together.

### **What Repeatable Models Are *Not***

It is worth taking a moment to reflect on what we do *not* mean by a repeatable model, for the word *repeatable* can have many connotations beyond the idea of repeating your greatest successes systematically. Here are a few things that a Great Repeatable Model is not:

- It is *not* the performance of a repetitive task like a robot. We are talking about the essence of a business requiring constant judgment, but needing some consistency in order to drive learning.
- It is *not* the mechanical replication everywhere of a business concept. Our focus is where and how to modify a concept so that it can repeat its greatest successes and adapt to new conditions. Indeed, many of the best Great Repeatable Models were not in “naturally repeatable” businesses, but often were companies that brought a new level of clarity and

The distinctive features of Vanguard’s business model reinforce each other; its management even uses a diagram of a self-reinforcing cycle to describe the company’s strategy (see figure 1-3). Vanguard’s strong differentiation and leadership in the area of indexed funds (mutual funds constructed to track the averages) both inform and are driven by its investment philosophy. Similarly, Vanguard’s low-cost position (its expenses charged to customers are one-sixth those of its competitors) is reinforced by its belief in not paying for distribution and its commitment to a mutual structure in which profits are shared with the investors. Finally, Vanguard’s heavy investment in its telephone representatives and customer advisers

discipline—as IKEA did—to a market that was messy and undisciplined.

- It is *not* an endless to-do list handed down to every frontline employee. That form of repeatability suppresses feedback and is demotivating and soulless. Our search is for repeatability that creates freedom, but within a framework.
- It is *not* the repeatability of nonstrategic functions. Every company has critical functions in finance, tax, real estate, and on and on. These are essential enablers, but we are focused on the handful of differentiators that really drive competitive advantage. This is the essence of strategy today.

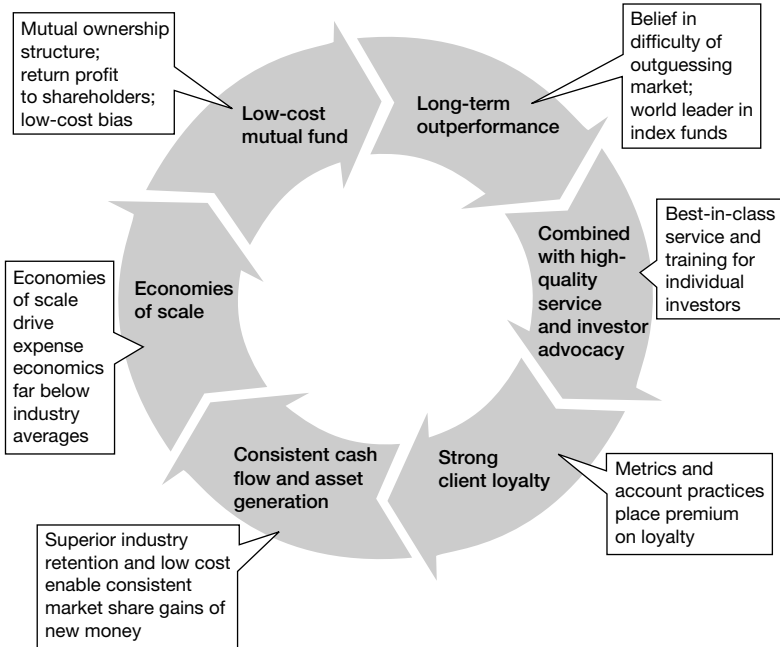
We could list many other things that repeatable models are not meant to be, including boring, demotivating, mindless, or overly mechanical. These trade-offs and tensions are at the center of why it is so hard to do it well, yet so powerful and differentiating when you get it right.

not only reinforces the core beliefs in loyalty and the key role of employees as the customers' interface with Vanguard, but also enables the company to obtain direct customer feedback in ways that competitors without the same frontline service investment have trouble matching.

Reflecting on the company's stellar performance, CEO Bill McNabb told us, "The secret to our success is how we have managed our repeatable model to get better and better every year, while still adapting and adhering to the deep business principles that were set in place at the time of John Bogle. This discipline has not only led us in the right direction, but often prevented us from going astray."<sup>11</sup>

FIGURE 1-3

**Vanguard's self-reinforcing cycle, with examples of practices driving the strategy**



Source: Company materials.

The power of repeatable models can also be seen as a key motivator behind a number of major M&A deals. Take the case of Pixar, which the Walt Disney Company bought for \$7.4 billion in 2006, despite the fact that it had produced only six movies and accumulated revenues of only \$3.2 billion, less than half of the purchase price. What Pixar had (and still has) was a remarkable model for producing animated movies. Eleven straight releases were number one at the box office in their first week—a Hollywood record—and Pixar won seven Oscars between 2003 and 2010 for best animated movie. *Toy Story 3*, released in 2010, is the most profitable animated film of all time. Pixar's is a repeatable model that may ultimately transform the whole of Disney's movie business.



## **There's More Than One Formula**

When you read about companies with Great Repeatable Models like IKEA and Vanguard, it's tempting to conclude that somehow the company has come up with a dominant business model. In a sense, this is true. A Great Repeatable Model will dominate non-Great non-Repeatable Models. But that doesn't mean that there's only one possible Great Repeatable Model in an industry. Our research of the high performers shows that in fact there are multiple Great Repeatable Models in almost any industry, even in highly competitive, mature ones—which reinforces our finding that performance is more about managerial decisions than the business you happen to be in.

Take the airline business, arguably the toughest way to make money. In the ten years from 2000 to 2010, the airline industry destroyed more than \$200 billion in shareholder value. During this period, 90 percent of the top one hundred global airlines did not even earn their cost of capital, scant reward for the valuable service that each performs. Forty-eight bankruptcies in the United States (including United, Pan Am, TWA, US Airways, and Delta) were filed in the same period. Yet, amid all this horrible news, two very successful airlines have created very different Great Repeatable Models.

One of these is the low-cost carrier Ryanair, whose stock price increased more than threefold in the decade from 2000 to 2010, not a great period for the airline industry in general. Its Great Repeatable Model is about stripping the airline experience and cost model down to its absolute basics. The company was one of the first to charge for checked bags and was a pioneer in online check-in, which is now mandatory for all passengers. This value proposition is deeply internalized. As CEO Michael O'Leary puts it, "We're open about our policies: You're not getting free food. We don't want your check-in bags. We're not going to put you up in hotels because your granny died. But we

are going to guarantee you the lowest airfares in Europe, by a distance . . . And that's what people really want—affordable, safe air transport from A to B. It's a commodity. It's not some life changing sexual experience, which is what the other high-fare airlines have tried to convince you it is.”<sup>12</sup>

The model of Ryanair differs sharply from that of Singapore Airlines (SIA), whose financial performance is about its only point of similarity with Ryanair. SIA has been profitable every year since its founding in 1972 and has won the Readers' Choice Award for Global Airlines from *Condé Nast Traveler* an astonishing twenty-two of twenty-three times by offering passengers just the type of service that O'Leary derides. It is able to do this, however, because its organizational qualities relative to the competition's have made it an extremely cost-effective operator. One detailed study of SIA's economics concluded, “It's intriguing that SIA has combined the supposedly incompatible strategies of differentiation—which it pursues through service excellence and continuous innovation—and cost leadership. Few firms have executed a dual strategy profitably . . . the dual strategy has become part of the airline's organizational DNA over the years.”<sup>13</sup> Differentiation? Organizational DNA? To us they sound like elements of a Great Repeatable Model, one that's very different from Ryanair's.

## **How Repeatable Models Stop Repeating**

We believe after years of study that the underlying principles of the Great Repeatable Models provide the best recipe for creating a lasting competitive advantage. However, every strong idea brings with it some potential vulnerabilities that must be recognized and guarded against. Consider the following.

## The Great Repeatable Model

Dell, Nokia, and Starbucks are three iconic businesses fueled by some of the Great Repeatable Models of the past twenty-five years. Dell was the top-performing large global firm of the 1990s. Nokia captured more than 90 percent of the profit pool of the global handset market through most of the 1990s, decimating a series of tough competitors from Samsung to Motorola. From the early 1990s through 2006, Starbucks' stock price grew by more than fifty times as it opened twelve thousand stores and became the company in the world with the largest number of different customers encountered every day. Each company was a model of focus and a paradigm of repeatability. Yet, all stalled out for different reasons that a highly successful repeatable model could be prone to.

Two prominent reasons why once seemingly invincible business models lost momentum are loss of focus on the core and failure to adapt rapidly enough.

The most common reason is *loss of focus*, often accompanied by an erosion of operational excellence in the core and an increase in entropy or a sense of heightened disorder at the front line of the core business. Some version of this syndrome of distraction characterized about two-thirds of the cases of stall-out of repeatable models that we examined. In none of these cases was the stall-out due to the inherent invalidity of the model or the disappearance of the more fundamental customer need it was trying to fulfill—quite the opposite.

For instance, from 2007 to 2009, Starbucks saw its market value decline by more than 70 percent, including a drop of 42 percent in 2007 alone. Its founder, Howard Schultz, returned as CEO, and the company closed seven hundred stores and undertook a major effort to return to its coffee core. On his return, Schultz wrote a memo to his management team saying that uncontrolled growth of the model had caused a “series of

## REPEATABILITY

decisions that, in retrospect, have led to the watering down of the Starbucks Experience, and what some might call the commoditization of our brand.”<sup>14</sup> He highlighted the company’s movements into movies, music, forms of cooked food in the store (melted cheese) that contaminated the distinctive coffee aroma, and on and on. He set about to reverse this trend, rejuvenating the repeatable model of the past, returning the value of the company close to its historic high. The problem was not the model, but how it was being implemented and no longer constantly improved, and how its consistent success created the opportunity for distraction. This was a common pattern—boredom, neglect, loss of focus, but ultimate return to a next generation version of the core formula—seen in a range of stories of corporate renewal cited throughout our research, from Procter & Gamble to LEGO to Hilti.

The second key reason that successful, repeatable models hit the wall is *failure to adapt fast enough* as changing markets and technologies weaken the original source of competitive advantage that propelled the company in earlier years. This characterized about 30 percent of the cases of stall-out or decline that we examined. The reversal of fortune for Dell and the flattening of its stock price from 2000 through 2008 was the result of the customer, cost, and product advantages of its unique direct model (tailored PCs, near-zero inventory, 12–15 percent cost advantage, direct customer contact) gradually narrowing versus competitors. Dell is now reinvigorating its business model and playing catch-up in adaptation. Recent earnings and stock price results are showing positive early signs of renewal. This is an easy trap to fall into for a company with a fantastically successful formula, and it is the reason why our third design principle emphasizes highly visible, objective, and strong feedback processes with clear links to decision making.

## The Great Repeatable Model

Often the changes in the marketplace that companies face are incremental, as was the case with Dell. Sometimes, however, a true paradigm shift occurs in an industry, often built around a new technology, that threatens to render obsolete some or all of an incumbent's repeatable model. Despite this being the case in a relatively small percentage of models that lost momentum, it receives much press, perhaps because it creates newsworthy crises in its aftermath.

Clayton Christensen has extensively described and studied disruptive innovation of this sort. It can take the form of a new market segment emerging at the top of the market or a low-cost model that first attacked the segments of lower interest to the leader, sort of flying under the radar. An example of the former is Nokia and the threat to its handset business from the emergence of smart phones. An example of the latter is the newspaper business, as with the *New York Times* confronting the challenge of free and instant information over the Internet. Both are disruptive innovations that threatened the heart of a once dominant form of repeatable model. Take Nokia, for instance, to see how this could happen.

Nokia is the world's leading mobile handset manufacturer and at one point, the sixth most valuable brand in the world. A true national treasure of Finland, it has accounted for 1.6 percent of the country's gross domestic product. In the mid-1990s, Nokia captured more than 40 percent of the global market share of mobile phone units and, by our estimates, more than 80 percent of the profit pool. It took on dozens of competitors over this time and won handily. The closest one, Samsung, achieved market share only one-third that of Nokia. Nokia's business model defined the gold standard for a repeatable model. The form factors and manufacturing configurations were repeatable across models and years, driving enormous scale. Its world-class supply chain system made it the number

## REPEATABILITY

one firm in the world in an independent study of supply chain management in 2007. Business schools and management teams everywhere studied the brilliance of its accomplishments.

During the era of the first-generation mobile handsets, Nokia would score off the charts on most of our design principles. It was differentiated on cost, reliability, and the breadth of its channels. It had strong core principles and beliefs that pervaded the company and created a powerful culture. And it had systems for short-term product adaptation to customers and to suppliers. For instance, in India, starting in 2006, the Nokia handset designed through detailed work in rural areas (water resistant to monsoons, stronger light for blackouts, Hindi language, etc.) captured about 70 percent of market share—a successful example of short-term adaptability.

On top of this, Nokia had not only the incentives to invest to protect its core model, but also the resources. The company was so awash in cash (for instance, more than 9 billion euros on the balance sheet in cash in 2002, just before smart phone developments emerged) that it was paying out 30–40 percent of profits in large dividends and buying its stock back aggressively—not always a great sign for a technology-centered company facing an existential challenge from new technology; this concerned analysts who followed the company.

By 2010, Nokia had grown to be a company with nearly 43 billion euros in revenues, and with almost 2 billion euros of pretax profit. But it was in crisis. Though the business still held more than 32 percent of global market share, its share of the profit pool was dropping like a stone. Yet, by June 2010, just a few months before the board moved to replace Nokia's CEO and others on the team, Apple had sold \$21 billion worth of iPhones and applications, according to the *International Herald Tribune*. That was about half as much as Nokia sold worldwide of all its forms of mobile phones.

“Stifling bureaucracy led to lack of action on early smart phone innovation,” the *Herald Tribune* headlined its well-reported article. The article continued: “A few years before Apple introduced the iPhone in early 2007, the prototype of an Internet ready, touch screen handset with a large display made the rounds among upper management at Nokia. The prototype developed by Nokia’s research centers in Finland was seen as a potential breakthrough by its engineers that would have given the world’s biggest maker of mobile phones a powerful advantage in the fast-growing smart phone market.”<sup>15</sup>

So, it was not that Nokia had insufficient time, resources, or knowledge to pursue the next wave of products (though enormous ramping up of capabilities would have been required). The hesitancy to invest heavily enough, soon enough, allowed Apple, Research In Motion of Canada (the maker of BlackBerry phones), Samsung and LG of South Korea, and others to jump out in front in pursuit of the next profit pool.

This is a case where adherence to the design principles of the Great Repeatable Models fell one principle at a time, like dominos. It started with internal resistance to a major assault on the next-generation phone despite available technology and enthusiastic bench scientists early in the market development. It soon rippled into an eroding differentiation in the core business model and its flagship product.

Our research shows that many of the Great Repeatable Model companies that stalled out due to a disruptive innovation had ample time to react, resources to deploy, and a mortal threat to motivate them. Moreover, in most cases the disruption did not replace the entire business model or the fundamentals of customers’ needs. Rather, it changed a couple of major ways that those needs could be served, while still leaving lots of elements of the repeatable model of the past that could be built on.

This is what happened in the transformation of IBM to a company centered on services and software. It is what happened in the shift of the model for Marvel Entertainment from comic books to movies using the same characters and stories.<sup>16</sup> The key is not usually to discard the entire model of the past, but to invest aggressively in those elements (the phone, the camera technology, the delivery vehicle for Spider-Man) that are changing. We realize that this is easier to say than to do.

The work of Christensen around the innovator's dilemma highlighted the many barriers to change that exist in a successful organization.<sup>17</sup> But in most cases, the truth is that there was nothing threatening the entire business model—just parts of it. We would still take a Great Repeatable Model as the starting point for growth and deal with the demons of adaptation, rather than take a model that is the pattern of no pattern and deal with strangling complexity and lack of clarity.

### **Delivering Enduring Advantage**

As we noted earlier, there's an interesting paradox about Great Repeatable Models. On the face of it, the advantage they deliver ought not to be very durable. Their differentiation is stark. Their values and organizational structure are usually well publicized. Case after case gets written about the likes of Apple, Singapore Airlines, NIKE, Toyota, and IKEA. It still seems somewhat remarkable that Toyota has a history of allowing outside groups to study its factories and production system. This brings us back to a question that people often ask: How can companies like IKEA deliver their sustainable competitive advantage year in and year out if everyone knows their secrets?



## The Great Repeatable Model

We've identified three answers that jointly and severally explain why Great Repeatable Models stay ahead:

**By compressing the distance between management and the front line.** First, and this may seem paradoxical, the very simplicity of the Great Repeatable Model raises a barrier to entry. As companies move into new businesses and markets, they grow, their risks and uncertainties multiply, and the claims on managerial attention increase. At the same time, they face growing competition from new sources. All these external realities tend to create more and more organizational complexity—more systems, more measures, more conditions, more special products, more processes, more coordinators at the interfaces. As a result, the company's leadership becomes ever more distanced from the front lines of the business. This is where the features of the Great Repeatable Model prove so powerful. Great Repeatable Model leaders don't have to make so many decisions themselves if the people in the organization, like Admiral Nelson's crews, all understand the value proposition, the values, and the trade-offs—which is much more likely if they are simple and clear to begin with. Leaders can, instead, engage in the kind of external focus on customer trends and market evolution that will help them more quickly recognize important factors and threats that demand immediate response. Perhaps if Nokia's leaders had retained that external focus and had not been as absorbed, as it appears, in the need to manage internal complexities, the company might still be the undisputed leader in mobile telecommunications.

**By deciding better and faster.** In a world where the pace of change is increasing, the ability to decide and act more effectively than adversaries—to stay inside their decision cycle—is

## REPEATABILITY

an enormous advantage both in the field and in targeting innovation resources faster and more precisely. It is at the heart of accelerating the delivery of results in complex markets and organizations. Great Repeatable Models are well placed to compete in this environment. Their learning processes help them recognize change early, their strongly rooted cultures enable them to reach consensus on a course of action quickly, and their trust in employees makes it possible for people on the front line to make decisions more quickly, based on better information.

**By mastering the art of continuous improvement.** Anyone with a background in finance knows that small differences compound to make very big ones. The famous golfer Tiger Woods had an outstanding year in 2009, winning an amazing eight of the twenty tournaments he entered. By contrast, 2010 was his worst year ever. If you look at the details of his shot-making statistics in these two dramatically different years, shown in table 1-1, you can see that his big fall-off in performance was explained by narrow differences in a few key

**TABLE 1-1**

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**Tiger Woods: small differences in repeatability,  
big differences in results**

	<b>2009</b>	<b>2010</b>
Greens hit in regulation	68.5%	64.1%
Putts from 10 feet made	90.4%	87.3%
Driving (on fairway)	64.3%	57.2%
Three-putt greens	2.0%	2.8%
Scoring average	68.1	70.3
Tournaments won	8 (of 20)	0 (of 17)

Source: <http://www.tigerwoods.com>.

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performance statistics. The same thing happens in business. If a company could—through a superior system for continuous feedback and improvement—reduce overhead by just 15 basis points (0.15 percent) per year better than competitors and at the same time reduce variable costs by just 30 basis points (0.3 percent) per year, over ten years this would increase its value (all else equal) relative to competition by nearly 50 percent—with about four-fifths from earning improvements and the rest from higher market value per dollar of earnings. This is why even Albert Einstein cited compound interest as the most powerful force in the universe.

The advantages that flow from a simple business model are powerful even in a stable industry. They are, however, trump cards in industries that are highly dynamic, in which other sources of competitive advantage—scale, dedicated distribution channels—can swiftly become liabilities. And these days, industries are becoming more rather than less dynamic.

Consider this regarding the speed of change: it took radio thirty-eight years to reach 50 million people; television only thirteen years; the Internet four years; and Facebook just two years. Foxconn, the Taiwan-based outsource manufacturer of the iPhone, began its business in the 1970s but really took off in 2000. Today, the company has more than \$62 billion in revenues and has just exceeded the amazing level of 1 million employees—more than the combined employment at Apple, Sony, Microsoft, Dell, Intel, and HP. It continues to grow at a rate of about 100,000 new employees per year. To put this in perspective, manufacturing employment in the entire U.S. computer sector is 165,000—lower than it was even in 1975.

In this complicated world, keeping your business simple is a tremendously powerful advantage.

## **The Structure of This Book and Its Promise to the Reader**

This book has a simple structure and an even simpler message. Hopefully, it is a metaphor for our topic of the power of simplicity in a world of escalating complexity, the silent killer of sustained and profitable growth. Most systems deal with complexity by adding more—more systems, more measures, more internal meetings, more units, more custom products, more unique processes, more new initiatives, more coordinators at the interfaces, and on and on. Our belief is that for more companies, the antidote to escalating complexity—and to the greater distance between management and the reality at the front line—is simplification, creating greater focus and liberating energy.

Chapters 2, 3, and 4 examine each of the design principles one by one and draw out the implications for people managing businesses, illustrated with many examples of practices from successful businesses with repeatable models. (Appendix 2 provides a repeatability model diagnostic that you can use to assess your degree of repeatability relative to other companies.) Chapter 5 examines what we refer to as the strategic “dilemma of the CEO” trying to balance the framework of the model with the freedom to act and change. Finally, chapter 6 concludes with a short summary of our main findings and some reflections on the epidemic of complexity that a world of constant change has inflicted on companies and how to allow simplicity to triumph.

# Notes

## Chapter 1

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## REPEATABILITY

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