

Profit from the Core (video transcript)

By Chris Zook

As few as one in 10 companies in the world now achieve even a modest level over a 10-year period of sustained and profitable growth. Two-thirds of Bain's strategy studies have as their No. 1 recommendation something that tracks back to hidden potential in the core. In its time, which was during with the Internet bubble period, *Profit from the Core* actually became a bit of a classic associated with the topic of understanding your core and the concept of focus itself. But if it was important then, it's actually even more important in the confusing world that we live in today.

Why focus matters today

1. Focus is more difficult to achieve, yet more important to have.
2. In a world where you have to focus and where resources are now actually more scarce, focus becomes actually even more important.
3. During difficult times, followers' margins have a swing that is three to five times as great as that of leaders. This is a very interesting period of time for companies that have leadership in their core to seek out interesting and new forms of growth.
4. The world is filled with industries that are restructuring: media, automotive, energy, telecom. Everywhere you look, two-thirds of the global profit pool is now in industries that are restructuring. This makes the challenge of finding profitable growth extremely difficult.

The odds of profitable growth are going down every single decade and are now only one in 10, and the odds of CEO's remaining in their job has steadily declined. So as that becomes more difficult, more challenging, more risky it's more of an issue for clients.

So we began with what is now been a 10-year journey, to identify and mine insights from the enormous Bain archives of case examples around the world on what are the repeatable lessons and ideas and models and formulas for companies to use and for us to use to help our clients in that mission.

The full potential of the core

By far, the most central finding of all the work is what we call full potential of the core. Over and over and over we find businesses underestimate the full potential

of their core and management teams don't have consensus on what their greatest strengths are. If you don't know who you are, it's hard to know what you can be. If you don't know what you are, it's hard to know where you can go.

A second major finding is what I would call the cold truth about hot markets. There's an enormous amount of excitement in businesses, in the press, in the media about the search for hot markets. Yet, statistically 80 percent of Sustained Value Creators were in lower-growth businesses, but had clearly focused strong cores: companies like Toyota, in automobiles, not a high-growth market; like Nike, in athletic shoes, not a very high-growth market.

Another absolutely critical finding from the work is what we call the paradox of leadership. Companies always focus on the weaker businesses and say let's try to get them up to the level of the stronger ones, which proves to be impossible. Yet, ironically, it is the stronger ones with stronger focus that over and over have more potential.

What every CEO should think about

My No. 1 piece of strategy advice: Take the time to achieve consensus. What is the core? What is core of the core? Therefore, what really are the crown jewels, today and in the future of the company?

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