Bain stories from the early years:
The education of a consultant

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BAIN & COMPANY

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Harry Strachan's first assignment with Bain began during the summer of 1978. He joined the firm full time in 1979 and became a partner in 1983. During his 30 years with Bain, Harry has worked in a great variety of sectors: financial and medical services; agribusiness to heavy industry; software and information to consumer products; airlines and hotels. His clients have been both multinationals and private family business groups with activities around the world. Within Bain at one time or another, he has been a consultant, a manager, a partner, a director and a director emeritus, and served on various governance and compensation committees and been an active trainer. In his emeritus status since 1998, living in Costa Rica, he helped build Mesoamerica Partners, which focuses on M&A advisory services and private equity. He devotes a significant portion of his time to pro bono investments, as a teacher, NGO board member, and president of the Strachan Foundation, but he makes sure he has enough time for golf and poker!

A brief history of **Bain**

These are personal stories, not an official history or a consulting handbook of Bain & Company. While they touch on historic events, there is no pretense that they cover the major events in the firm's evolution or even its strategy. The stories are true to the best of my memory and reflect the angle from which I viewed the events, but I was often at the margin, so there may be unintentional distortions for which I request forgiveness.

Consulting concepts and practices are also described in the stories, but this is not a manual of how Bain goes about consulting. I hope you'll learn something of use, but as you read, keep in mind the standard disclaimer for teaching business cases: "These are not intended as a prescription of how business should or should not be done." In fact, if anything, you are encouraged to look in the stories for lessons that are not obvious.

Let me provide a brief history of Bain & Company for those unfamiliar with the group. In 1973, Bill Bain and three of his colleagues left the Boston Consulting Group (BCG) to found their own consulting firm. While Bain shared many strategic concepts with BCG, it wanted to develop its own distinctive approach to consulting. The company grew rapidly, opening its second office in San Francisco in 1978, and a third in London in 1979. By 1988, it had grown to six offices with a staff of 900.

Around 1988, Bain hit a major slowdown and then a reversal of its growth. There were many contributing factors, including general economic conditions, but it was also a matter of issues of ownership, debt and governance that led to the loss of key personnel. In 1990, after various reorganizations failed to stop the slide, Bain Capital's Mitt Romney negotiated a recapitalization of the firm and a transfer of ownership from its founders to its active partners.

As part of the agreement, Mitt assumed the position of managing director. In 1992, when he turned over formal leadership to Tom Tierney as managing director and Orit Gadiesh as chairman of the policy committee, the turnaround of the firm was underway.

When Tom Tierney finished his second term at the end of 1999, John Donahoe, one of the leaders from the "next generation," assumed the post of managing director. The firm by then had grown its 1990 revenue four times, with 27 offices and 1,650 professionals. Two terms later in 2005, when Steve Ellis became the managing director, its offices numbered 31 and its professionals 2,150.

I've been privileged to participate in various ways in this history during the 30 years of my association with Bain and to observe first-hand Bain's amazing success. My objective in writing the following stories is to help preserve some of the special DNA that I believe is the reason for this success, and to do so in stories that are fun to read.

Steel and **coaching**

When I joined Bain & Company full time in 1979, it quickly became obvious that I was not a typical Bain consultant. Instead of earning an MBA, I had a law degree and a Doctor of Business Administration degree, which equipped me better to teach business than to manage one. I was older than my cohort group, having spent 10 years as a business school professor. I felt like a "duck out of water," a feeling I've since found is shared by most of the people who come to Bain. In fact, the existence of a typical "Bainie" is a myth; most of us feel "out of it" when we first start. It's part of the secret of a firm that draws in people with an extraordinary variety of nationalities, academic backgrounds, and life experiences.

Probably, though, I did have more to "unlearn" than others and a more difficult time fitting in. More precisely, it wasn't so much the task of unlearning, as needing to leave my old skill set at the door while I acquired the Bain tools and consulting style. Once I had done that, I found I could go back and pick up the former skills of a lawyer or professor, and they added to what I could contribute. But laying them aside for the short term was hard, as was the loss of status symbols like a private office and secretary. This contributed to a sense that I was a square peg in a round hole. Fortunately, I had many colleagues who helped me integrate into Bain.

In 1979, when our offices were in Faneuil Hall in downtown Boston, my desk was on the top floor across from Darrell Rigby. Above us, the rafters of the roof sloped downward and the beams were open, creating the cozy feeling of a loft. Darrell had joined Bain in 1978, and he already had the reputation as a star consultant, polished and productive.

Darrell was my case team leader for my work on a project with a steel company. The client head was Steve Schaubert. My job, a solo project, was to build a financial model that would incorporate the experience curve. It required taking historical financial data to demonstrate how much of our client's poor financial performance was due to its weak strategic position, rather than just the "unfair" competition from Asia. If the model worked, it would permit us to more realistically forecast future performance; but it wasn't easy to isolate from the other factors that were causing declining profits the quantitative effects of being 11th in an industry that was going global. We hoped to use the results to persuade the CEO and the board to accept some of our team's more audacious strategies. In those pre-computer-spreadsheet days, the model was algebraic. The results, to be convincing, required plenty of detail—and something more ambitious than anything yet attempted by Bain. It was not clear if it would really work with the data available for coefficients.

Having Darrell as a coach was essential to our success. He made me feel that what I was trying to do was not only feasible, but critical. He was there to listen when I got stuck on a tough analytic problem. Often his questions or suggestions did the trick; sometimes just talking to him opened up a way out of a dilemma.

His greatest help, though, came when the analysis was completed and it had confirmed what we'd suspected. We needed to find a punchy way to describe this complicated model and its implications to these steel industry executives, most of whom already had an enormous distrust of anything that sounded academic. My communications training to that point had been writing legal briefs and academic papers in which the emphasis was on thoroughness and on preemptively addressing potential objections and questions as the argument was advanced. Shifting my medium from prose to slides proved relatively easy. But creating slides that were crisp and concise was much harder. Hardest of all, though, was shortening and simplifying the presentation. Even after multiple drafts, I still had more than a hundred slides of text and data, and I was absolutely convinced that each one was critical to the whole.

Darrell showed me how to get it down closer to 30 slides. He introduced me to the "answer first" methodology, which made explicit all the work we had done without depicting it in excruciating detail. There were some great scatter charts showing correlations that were captured in the coefficients. Many slides were shifted into backup where they could be extracted should a question or objection come up. There was a dramatic slide highlighting the high R-squared showing the model's predictions over the past 20 years. It closely traced actual performance and gave credibility to the model's sobering forecast for the next five years under the current strategy. If my memory is correct, we even found a metaphor for our client's predicament: We told the executives that being 11th in an industry going through a shakeout, was like being farthest out on the pirates' plank, high over the sea of bankruptcy, and pushed out even farther by competitors with a better strategic position. In other words, absent a new strategy, our client was one of the weakest in its industry and was likely to be the first to go under.

Darrell's contributions to the case work were huge, yet he made sure I got a lot of the credit. In the larger case-team meetings with Steve Schaubert, he had me present the work and downplayed his own contributions. And then he encouraged Steve to use me in front of the client.

Orit Gadiesh, who had joined in the same cohort group with Darrell, was leading another case team for the same client. She had already become famous in the firm for her work in the steel plant, standing up to gruff chauvinistic steel men with a mixture of humor and determination. Orit and Darrell's projects didn't overlap, but Steve liked to bring the various case teams into a larger meeting where we could see the bigger picture and discuss some of the challenges a client was facing. As a newcomer, I was generally silent, but in one meeting I remember raising an issue that had some uncomfortable implications we hadn't already addressed. In the discussion that followed, my suggestion seemed to fall into a black hole. I figured they probably deemed it too obtuse to waste any more energy on it. Feeling I had failed to make a useful contribution, I withdrew into my shell. More than ever, I felt I was out of my element at Bain.

The meeting over, walking out deeply discouraged, I remember Orit slipping up alongside me, putting her arm through mine and saying something like. "Harry, I thought your idea was terrific! I'm not sure we can use it right now, but I suspect in six months we're going to come back to it. I really appreciate what you add to our group." Her comment completely changed my experience of the meeting and my sense of belonging to the team.

Steve ultimately took all the work, including the model slides, to the board. The top-down strategic vision and bottom-up cost work came together in a major client success story. He made sure the whole team celebrated the victory, and by the end of the case, I was part of the Bain family.

I suspect that none of those three teammates even remembers my first months at Bain or how much their coaching meant to me. But I think they made the difference between my success or my failure there.

What they taught me about effective coaching is that it's about much more than feedback on mistakes, though that's important, too. And it's about much more than teaching or suggestions, though, again, that's important. At its core, effective coaching is about encouragement, "cheerleading." It is about making someone feel that the work he or she does is valued, and that it can be fun, even if there is room for improvement.

By the way, I had to go through the process of "unlearning" and learning new roles more than once as I moved from consultant to manager to partner. There is a deep truth in the saying, "What got you *here* won't get you *there*." Each new role required a similar humility in laying aside a comfortable skill set in order to learn new ones. In each I found I needed coaches.

Of insecticides and **client respect**

My very first assignment at Bain actually took place before I joined the firm full time. It was the summer of 1978. I was still a faculty member at the Harvard Business School, and a project at Bain gave me a chance to evaluate whether there was a fit for me in the firm. I had already decided that the time had come to move into my second career as a business person. I had looked at several positions in New York in banking and investment banking, but I hadn't found any that excited me. I had enjoyed consulting as a professor, wanting to learn how the best in the business did it, and I figured it might be a stepping stone into a management position.

At that time, McKinsey and Boston Consulting Group were considered the top-two management consulting firms, and I interviewed with both of them; however, several things intrigued me about Bain & Company, a new start-up firm with about 50 professionals and its only office in Boston: One was that, in each of the previous two years, the top student in my section had chosen this largely unknown firm over the leaders. I was also attracted to Bain's concept of consulting. Their product was not advice or analysis, it was results. A Bain partner had one responsibility: make sure that the client realized at least five dollars of measurable value for each dollar it paid Bain. I also liked that Bain sought long-term relations. They stayed around long enough to find out if their advice worked. Having taught hundreds of cases, I was eager to find out whether my recommendations really worked or if they were simply plausible, but flawed, theories. It made great sense to me that results occur where the conditions for them, like CEO support, are in place, and getting those conditions in place is important from the very beginning.

For my trial run, I was assigned to a case for the largest client at the time, an agri-business company headquartered in the Midwest. Ralph Willard, one of the original founders of Bain, was the client head. He had recruited me and was my first mentor in the firm. He had a happy personality, but he could be critical and abrupt if he felt the work was not up to par.

The CEO of our client had questioned the accuracy of the experience curve, citing his firm's history with insecticides. Ralph took this as a personal challenge and organized a project to demonstrate the power of the curve in that industry. My job on the case team was to use my proficiency in Spanish to collect 40 years of data in Central America on insecticides on cotton going back to the early years of DDT.

The team to which I was assigned was all new to Bain except for the manager and the case team leader, a consultant with previous experience. The manager was tall, dark, and handsome—something akin to a movie star—and was immediately noticed by all the women in any setting. The team leader was quick-witted and could be quite sarcastic. After a visit to the client's headquarters, I was off to Central America for my part of the project.

I found a treasure trove of historical data that had been kept for much longer than the eight years required by firm policy. It included the costs and prices for each type of insecticide, but also the scientific data on the phenomenon of "resistance," that is, the degree to which pests develop an ability to survive the insecticide, ultimately rendering it ineffective.

Using Bain tools to calculate an experience curve, we first deflated the prices by the price index to get a measure of the constant costs and prices for the insecticide. We decided that the real product was "the protection of one hectare of cotton" through one growing season. The amount of insecticide needed in the early stages of a new insecticide tended to come down as the optimal means of applying it was discovered. So also did the costs of producing the insecticide as scale plants were built. Later, however, the amount of insecticide required would slowly grow as resistance rendered it less effective. When this "cost of protection for one hectare" was plotted against the "cumulative experience"—that is, the cumulative number of hectares of cotton planted in Central America—you got a curve that looked like the bottom of a bowl. It went down steeply but ultimately leveled out and eventually rose again.

There had been four or five insecticides introduced to control cotton pests in the 40 years since World War II. Each had an experience curve that looked like a bowl. What was fascinating—and what strongly confirmed our hypothesis—was that when a line running along the bottom of the bowls was plotted to measure the most cost-effective protection for a hectare, it came down a slope of about 75 percent. We got a textbook experience curve in which, with every doubling of cumulative experience, the cost of effective protection for a hectare of cotton was 25 percent cheaper than it had been at the start of the period.

The slide showing the experience curve under various generations of insecticides turned out to be decisive in convincing the CEO that the experience curve was at work in his industry, and that the secret to "staying on the curve" was effective R&D to find the next generation of insecticides. That slide also became for many years a part of Bain's standard presentation on the experience curve.

Before taking the final presentation to the CEO and his top management group, as was common practice, we "pre-wired" it up the chain of command. The client's executives in Central America were fascinated with what we had done with their data. The results, though unexpected, fit their intuitive sense of what was happening.

At headquarters, however, as we worked our way up the chain of command, we ran into more questions and some resistance to our conclusions. The Bain manager was convinced that much of the opposition was political, coming from staff at the headquarters who felt threatened by outside consultants. A more charitable interpretation was that they were simply skeptical as they struggled to understand why we were using logarithmic scales to measure percent changes or constant prices. In one pre-wiring meeting, the atmosphere was tense and the exchanges became testy. Nevertheless, the Bain manager and senior consultant who ran the meeting were persistent and ultimately secured a guarded buy-in.

As we rushed back to the airport after the meeting, the Bain manager and consultant began to mock the client's managers with withering, sarcastic comments. I sat silently in the back seat with the two other new members of the team, occasionally laughing at a particularly witty send up, but I felt uncomfortable. The sarcasm seemed unfair, and my laughing felt complicit. I also felt cowardly about not coming to the defense of the client's executives. I wondered if these two made the same comments about me when I was out of the room.

The summer came to an end. I had my final meeting with Ralph Willard to discuss the results of the summer before I went back to a final year of teaching. I was open with Ralph. I told him I had loved the problem, the concepts, the opportunity to do a much more thorough study than is possible preparing or writing up teaching cases. I'd enjoyed the client interactions, and being part of the final presentation to the CEO had been a real high. My only concern, I told him, was one of cultural fit. As I told him about the pre-wire and its sequel, I made it clear that the manager and consultant had successfully done their jobs with the client, but that their derision made me uncomfortable. "To be effective," I said, "I need to be in an atmosphere where there is respect for everyone, both the clients and the team members. In my opinion, consulting is a "helping" profession, and I don't believe you can help others unless you really care about them and at some deep level respect them."

Ralph, who had been slouched in his chair, suddenly sat up. It was probably at that moment he decided I belonged at Bain. "Harry, most of us are from the middle class. We're not preppy. We're not witty. That atmosphere of care for our clients is what we want at Bain. It's a culture that's got to be built from the bottom up as well as from the top down. We want you to join us in helping build that culture at Bain." He made his recruiting speech sound even more sincere when he added, "This is confidential information, but X (the manager on my case) is leaving Bain. Though he has all the other tools to be successful, clients have picked up on the fact that he doesn't really care about them, and we all feel he'll be more successful in another career."

In my experience, respect is a key to success. If clients know you care deeply about them, it's amazing what they'll forgive. Very few of the bright young consultants coming to Bain are intentionally disrespectful. They are often, however, insecure, eager to show their brilliance, and easily frustrated by the resistance they encounter in clients. That insecurity can come across as arrogance.

I've found a paradigm to help me remember this lesson: When I am faced with a client who is giving me grief or being difficult or who is himself disrespectful, when I find myself tempted to think, "this client is not very bright," or "I'm at least twice as smart," then I remind myself about the brain research that shows how our unconscious is about nine times smarter than our frontal lobe. The client sitting in front of me has seen many things in his multiple years on the job, and that information is lodged somewhere in his brain. If I'm correct and my frontal lobe is twice as smart, that still means his unconscious is about four times smarter than my conscious mind. "The implication, Harry," I say to myself, "is that if you have any brains at all, you're going to find a way to unlock what's in his unconscious and together come up with a solution that neither of you on your own is capable of finding." When I act on that insight, it's amazing what happens!

Thirty years since that first assignment have only reinforced the importance of client respect. It isn't a matter of being nice. It's pragmatic realism. It's not just winning over the client. It's getting to the right answer and creating conditions for implementation. The big, often unexpected bonus from adopting this attitude is that what begins as basic respect may over the months of working side by side on tough problems turn into a deep, mutually satisfying lifelong friendship.

The flying pig and **communications**

Shortly after promotion to junior partner, I was put on an assignment to work with a small non-core division of a large pharmaceuticals company. For Bain it was something of a test assignment to see if we could add value before being used in the main business of the larger corporation. My division produced and sold an established over-the-counter pain reliever.

Historically, the division had been slow-growing but profitable, although its profit margins were lower than competitors' margins. A new CEO of the parent company, convinced of the greater potential, had several years prior brought in a "marketing whiz" as division president to kick the growth rate into double digits and improve the profit margins. This division manager instituted a series of brand extensions, new product launchings, and expensive marketing programs. They failed. Two years after they were started, as the dust from these efforts was settling, it became clear that sales were only modestly higher, and the operating profit had deteriorated dangerously, a swing of $50 million in the wrong direction. The division was now losing money.

The marketing whiz was fired. A new division manager was appointed, and Bain was brought in to help him find a strategy to restore profitability and achieve double-digit growth in sales. The CEO and top management team remained convinced that the product and the brand had a lot more potential than it was realizing, and that the failures of the marketing whiz had been of strategy and execution. To illustrate the unrealized growth, they had a handful of anecdotal examples of new uses and market segments for the division's main product.

After our initial data-gathering and interviews, our hypothesis was that there was more profit potential than had previously been realized, but perhaps not as much sales growth. While there were some new medical applications for the product and perhaps specialized segments of the market that were under-penetrated, in the main market segments where the bulk of the sales were located, it looked like it would be heroic just to hold market share. There had been a number of new pain killers with different characteristics introduced in recent years. Many of these were taking market share, and when you looked at the European markets, you saw that these new products had an even larger share of the market than in the US.

At the time there was nothing in the Bain tool kit or in the client's analytic bag that seemed to promise a convincing answer to the heated internal debate regarding the potential for growth. After several discussions, we persuaded the client to let us try to answer the question of growth by doing a somewhat theoretical, perhaps impossible, analysis. We'd build a market map of all the medical uses for our own and for our competitors' existing products at the current prices. We'd ask the question, "If consumers had all public information and full comprehension of the medical research regarding the products and made their purchase decisions as economic animals, what market shares would we expect for our own and for our competitor's products in each sub-segment of the market?" Assuming actual market sales would tend toward ideal market shares, we'd then estimate potential growth rates by comparing actual with ideal shares.

The resulting analysis confirmed that our client's pain killers had already exceeded ideal market shares in certain segments. As customers got wiser about the variety of products available, we might actually begin to lose share. The analysis also helped explain the results of the earlier line extensions and marketing expenditures and why in some segments marketing investments had been "busts" while in others they had worked well.

An unexpected bonus of the analysis was that the database suggested a potentially valuable set of targets for under-penetrated segments and line extensions. It clarified where we should expect declining market shares and therefore needed to work hard to reduce costs and improve efficiencies in order to maintain profitability. It pointed to segments where we should double up our marketing expenditures and go for further penetration. It also offered some fresh ideas for the best messages or arguments to use in their advertising.

The strategy wasn't easy to explain, particularly to a headquarters group suspicious of any division that tried to negotiate down their growth and profit targets. The complex nature of the analysis, the many different market segments, and the esoteric nature of the pros and cons of different products for different medical conditions were difficult to explain in a convincing way until we found a metaphor that gained great popularity in the company. We presented our analysis in the following way:

> *If you have a pig, you can waste a lot of money trying to make it fly like an eagle. But if you accept that it's a pig and treat it right, you'll receive a lot of bacon. The strategy we're proposing is not to try and penetrate markets where medical evidence suggests our product is not the best, but to concentrate our efforts where we are both the superior product and the superior value for the client. We're going to get our cost structure in line to deliver maximum value. We expect by doing this, we can grow the top line of the business in the low single digits, but grow the bottom line by double digits for the next five to 10 years. We think we have a wonderful pig with lots of potential for superior profitability in the segments where it belongs. But we're not going to pretend it's an eagle that can fly into markets where it's not the best.*

Sure enough, the client had five great years of bacon and ultimately divested at a very attractive multiple to another drug company. I learned several important lessons. First, you make a lot more money doing what's right for the end customer rather than trying to persuade him to do what is not in his or her best interest. Second, after all the analysis, you need to find a simple, vivid way to communicate the key message—a metaphor or paradigm that sticks in the mind and that "clicks" with the audience's instinctive wisdom. You need to find your "flying pig."

Hospitals and **strategy**

About the time the flying pig led to work in other divisions of our new client, the situation in one of our major flagship clients, a healthcare company, did not look good.

John Halpern, the client head, had developed a close relationship with the CEO of the company, and though the CEO was quick to enumerate the many areas in which Bain had helped transform his company, he had decided to wind down Bain's role and perhaps bring in a fresh group of consultants. Among the factors leading to this decision was that the CEO and his board had chosen to undertake a strategic course that went against Bain's recommendation.

Bain's work with the client had started when changes in healthcare reimbursement began to significantly impact their profitability. Bain's recommended program involved important strategies of capacity rationalization and cost cutting. In spite of these measures, margins were shrinking. The solution investment bankers had proposed was that our client acquire a company roughly its own size in the health sector. A Bain team was called in relatively late in the negotiating process, and they concluded there wasn't enough synergy between the two companies to justify the premium that would have to be paid. Although knowing that the CEO and his board were strongly inclined to do the merger, the Bain team stuck by its analysis and advised against the merger.

Nevertheless, the board went forward with the acquisition and merger. As a result, I suspect the CEO, while respecting Bain's integrity for sticking by its analysis, felt he needed a new navigator at his side for the voyage he had decided to undertake. When you're in port deciding whether or not to sail, you want a navigator who will give you dispassionate advice and assessment of the odds. Once you're out on the high sea and in the midst of a storm, you want a navigator committed to making the voyage a success, determined to find some way out of the problems rather than thinking, "I told you so."

Undaunted, Bill Bain and John Halpern thought Bain could play the role of the navigator at sea, but decided it was best to put fresh faces on the client management team, hopefully without losing any of the accumulated experience in the team. They were able to persuade the CEO to give us a chance to play that role, and I was asked to come over to head the one team still working with the client. Our mandate was to complete several specific projects and take a stab at developing a strategy for the newly combined entity.

I was flattered to be chosen for an assignment that I was told would require some "fresh, creative strategizing." I was much less excited when I realized they expected me to leave my client in New York with nearly three times the monthly billings. After our success with the flying pig, we had begun working in other parts of the organization and were in that exciting phase of completing a strategy with huge potential for the core business. I tried my best to persuade them to let me work on both clients, fearful that my compensation would be negatively affected. Frankly, I also figured the odds were not that good for turning around the client relationship.

Patiently, John convinced me that if they were making the decision to reallocate scarce resources from a higher to lower billing client, it was because they believed it could be successful, and it would have a greater long-term expected value for the firm. I could, he assured me, trust that the Bain compensation system would reflect real value, not monthly billings.

I began to fly out to the Midwest from Boston on Mondays and stay through Fridays, trying as rapidly as possible to absorb all the work that Bain had done in the various divisions of our client. John introduced me to other members of the client management team and let me sit in on his meetings with the CEO. I debriefed him on all my meetings and shared with him my impressions, hypotheses, plans, and drafts of any presentations. He asked good questions, made suggestions on both content and tactics, but gave me lots of freedom and encouragement to explore new paths. I felt he was trying to set me up for success and also give me room to assume a partner role in the client's eyes.

I began to walk the halls of the client's headquarters to get to know the staff and top management team. Immediately after the merger, in an attempt to ensure that the human resources of both companies were not lost, the two management teams had been merged. Instead of one CEO and six vice presidents, there were now 2 co-CEOs and 12 vice presidents. There had been little reallocation of responsibilities. Everyone knew that the current organization was untenable for the long term, but until the strategic direction for the combined organizations was clear, this was regarded as the best way of maintaining momentum and assuring people that they would have a legitimate chance to prove themselves in the new entity.

Initially I was reluctant to ask for someone's time unless I had a specific topic for the meeting or some interesting analysis to share. Soon, though, I found that my best interviews were when I came in with no fixed agenda. Instead, I approached the VP and his business with a curiosity about what he or she thought needed to change, what he or she would do in the CEO's shoes, and so on. The conversations initially were guarded as the atmosphere was highly political. I took copious notes since I knew I didn't know enough to recognize what was worth remembering and what wasn't. I promised confidentiality of anything that might be interpreted as critical, and I took the promise seriously. As a result, the tone of the meetings soon changed; we punched down to a more authentic level of communication.

But what I was hearing was a lot of anxiety, frustration and resentment, some of which included past resentments against Bain. Many in the client firm and virtually all in the newly acquired merger partner believed "real managers don't use consultants." There were negative feelings about all the changes introduced by the merger, as well as the normal conflicts between divisions and departments in a large corporation.

Although it wasn't comfortable to bear the brunt of these negative feelings, anytime I heard of someone bent out of shape by Bain, I'd follow the advice of fellow Bain partners and walk into the unhappy VP's office "bearding the lion in his own den"—going to the person directly to understand the source of their criticism. As a new face, I was lucky that I didn't have to pretend to know a lot about the business and that I had no political baggage other than my relationship with the CEO and eventually the co-CEO. I was not forced to judge or defend any particular position. I could be loyal to everyone and presume good intentions for what was being done.

I did, however, try very hard to distinguish when the concerns about strategy were based on data or on tradition. I assumed that buried in a tradition of "this is how we did it" were two important elements: First, we needed to preserve and build upon the things they did that had made them great—what, in the business jargon, are called core competencies. Second, we also had to identify those things that in the new regulatory and competitive environment were no longer adaptive and had to be changed. Many times they were hard to separate.

I also spent a lot of time with the consultants and managers who had been with the client before I arrived. They were a dynamic group led by Jim Gilbert. At times, it felt as if we were looking for a pony in all the horse manure. But gradually a strategy began to emerge that integrated ideas from a number of different sources. To me, this strategy was brilliant, though at this point, I'm not sure I recall all the elements in it.

It started with the hospitals' needs. Our client basically sold supplies and services to hospitals. Some of Bain's work showed that hospitals on average spend about $1 in managing supplies (selecting, negotiating, storing, and moving them) for every $1 they spend on the actual supplies. And virtually no one in the hospital was happy with the results, neither the time it took to get supplies nor the "fill rate", or frequency of outages.

From work with other clients, we appropriated the "VMR idea" based heavily on the Japanese model of vendor relations. "Value Managed Relations" had been written up in a famous *Harvard Business Review* article by others in the firm. The idea was that in purchasing supplies, it makes sense to substitute the traditional annual auction between vendor and buyer with a long-term agreement in which both parties commit to sharing information about the value chain, set up mechanisms to share the savings, and ensure the buyer that his costs will come down the experience curve. In the auto industry, the savings in time and capital made possible by this approach represented most of the competitive advantage achieved by the Japanese over their US competitors in the 1980s.

Under the severe cost pressures of the environment, the new strategy for our client would be to expand services into new parts of the value chain. Our client would provide services involving inventory management and logistics. The merger had given our client by far the largest line of products and services, so they were now in a unique position to help hospitals solve their supply chain problems, help them buy better, manage inventories better, and deliver products to the floor in a more timely fashion. The hospitals would receive guarantees of cost containment and a share of the savings that came from rationalizing supply management. Our client's position in the value chain would be strengthened. It could eliminate huge amounts of cost from selling and logistics, and thus still be profitable selling to hospitals at lower prices. Growth could come from the new products and services our client could now profitably acquire or develop.

The amount of change required by the strategy was huge. It required a new relation of trust with clients. It involved consolidation of many of the historic sales forces and a new way of selling based much more on economics and hard analysis. It required the development of skills and systems for delivery of these new services to hospitals. It required new pricing and long-term contracts in an environment where inflation was not insignificant. It required consolidation of plants and distribution centers across the United States. And it required above all a redoubling of efforts to get all unnecessary costs out of the system.

My memory is that it took about three months of walking the halls and reviewing the data for the elements of the strategy to start to come together, but when they did, things moved very quickly. One afternoon, we shared with the CEO in draft form a presentation that pulled together the major pieces of the strategy. It wasn't highly polished. He listened intently, asked a few questions, didn't signal whether he agreed or disagreed, but he immediately called a meeting of his top management team and staff for the next afternoon in the largest board room. We worked with the team most of the night trying to get the presentation onto acetate slides in a more polished version.

The next day, I was expecting to deliver the presentation to 14 people, but I was shocked to walk into the room and find almost 60, including the two co-CEOs, the 12 VPs and about 40 more of top management sitting or standing around the room. The slide presentation began with the industry trends. We argued they would continue as in the past, and would likely put even more severe pressure on prices and profits. We then covered the needs and economics of hospitals with the data we'd collected on the costs of managing supplies. There followed a section introducing the logic of VMRs and marshaling the evidence from the automobile industry and several others that showed that it worked and, more important, had significant economic impact. Finally, we pulled all these ideas together in a coherent strategy for the client and made clear the major areas of change that would be required, if not yet exactly how those changes would be accomplished.

In the presentation, we went out of our way to use client language and to give credit for their ideas that we had incorporated. We tried to show how our strategy built on the traditions of both companies, but also fit the demands of the new industry environment.

I thought the team had done a great job on the presentation. My fervor for it showed. So it was quite a letdown to sense a chill in the room when I finished. There were some questions of a technical nature, a request to clarify certain of the economics, but underneath the questions, the skepticism was palpable. The CEO remained a silent master of ceremonies and let the criticisms and skepticism mount. They reached a new level of hostility when one of the VPs, who headed up one of the sales groups most likely to be changed, basically called the strategy idiotic, unfeasible, one that could only have been hatched by consultants who didn't understand the industry. The room went silent.

I would normally have counted on John Halpern to help handle the situation, but because of the late notice, he had not been able to make the meeting. It was clear the CEO, like everyone else, was waiting for my reply. I had learned as a case method professor in the classroom that the best way of handling these attacks is a jujitsu approach. Ignore or deflect with humor any personal insult, restate the substantive objection so it is clear you understand it, and then throw the onus on the group to address it with a question like "Does everyone agree?" or, "What do the rest of you think?" This time, though, it seemed to me we needed to defend our analysis, and that the client needed to realize that it was not choosing between a safe status quo and an audacious strategy, it was really choosing between a status quo course bound to fail and a strategy that at least had a chance of succeeding.

"You may be right," I replied addressing the VP. "I recognize that it's an audacious strategy and that it requires major changes from both companies. We can't prove it will work. But everyone knows that the current strategy is doomed to fail. Virtually all of you in private have made it clear to me that the current strategy and structure is not and cannot be made to work. The ideas Bain has pulled together in this strategy draw on the deep historic strengths of both companies. The strategy incorporates the best creative ideas we've been able to find talking to all of you and the people in your organizations. We've also scoured the experience of Bain's other clients for ideas and strategies that have worked in situations with some of the same characteristics. The strategy is audacious, but it is coherent. Yes, it will take a lot of work to refine it. Yes, it will require organizational changes. But it's the best all of us together have been able to produce. You really have only two choices: staying on the course you know in your heart won't work, though it may be comfortable in the short term, or begin to implement this new strategy, which is risky but promises both growth and profitability. All of us on the Bain team recommend this strategy—strongly—but you are the ones who have to make the choice."

My speech was delivered with a heat that probably reflected my having been stung by the attack of someone I felt I had befriended on various occasions. I wondered as I finished if I had crossed the line of respect. However, it turned out that showing both passion and conviction was the right move. As we finished, many heads were nodding in the audience; I sensed the majority in the room were with us. Following the silence, one CEO for the first time took a position. In a very forceful way, he indicated that he believed this was the strategy the company needed to follow; it had his total support. He asked the group for its support and indicated he was going to take it to the board.

He took me into his office afterwards and asked me to clear my calendar for the next two weeks. He wanted us to visit each of the board members and share the analysis and recommendations with them in private prior to the special meeting he was calling to approve the new strategy.

He also asked us to prepare what today we would call the "full potential program" of Bain assistance, recognizing that he needed all the help he could get in turning this large ship around. Within a week, we had a three-year program of multiple consulting teams. It turned out to be the largest program up to that point in Bain's history.

This case was rich in lessons for all of us on the team. Besides learning that sometimes it's important to defend with passion your position to your client, it ratified the wisdom of many of Bain's values inherent in its consulting practice:

- the importance of listening and walking the halls;
- the value of teamwork;

- the idea that structure follows strategy, in other words, that organizational structure should be driven by strategy, and not the other way around;
- the importance of coherence in a strategy and how powerful a lever such a strategy can be for leadership.

The major insight I took away from the experience, though, has to do with where you find that strategy and what makes it work. I realized reflecting on the experience that we had not really been the "authors" of the strategy that captured the allegiance of our client. We had been its "discoverers and articulators." When a new strategy clicks for an organization, it is because it has emerged from their experiences and insights. The inner reaction of the executives is not, "Wow, that's a fascinating new strategy." It is much more, "That's a great way of putting what I intuitively know into words that make sense to me." The corollary of this insight is that we consultants don't earn the right to articulate the new strategy until we have really tapped the full wisdom of the organization, understood its culture, and learned to use their language.

I discovered that any strategy is likely to work only when it answers positively the following questions:

- First, does it explain what made the organization great and successful in the past? Any corporation of significant size has to have done a lot of things right in the past to survive the Darwinian winnowing process!
- Second, does it explain why, given the current environment, continuing to do what was done in the past will no longer succeed? Does it clarify why change is absolutely necessary?
- Third, does it lay out a path into the future that can be competitively successful and answer the challenges of the situation?
- And finally, does it resonate with the values and aspirations of the people? Is it motivating to them? Is it articulated in language that they understand and reflects their aspirations?

Potholes and **people management**

In the mid-1980s, I was really hitting my stride as a Bain consultant and had been promoted to partner. I appeared to be having great success with clients and felt that I belonged and knew what I was doing. It was at this point that I hit a "pothole." I was blindsided by some devastating feedback.

The firm was growing at nearly 50 percent a year, much faster than the competition. We felt that we had a unique approach to creating value that seemed to appeal to both clients and recruits. We didn't even want to call it consulting. We were working very hard and operating at one of the highest levels of utilization in our industry. This meant battlefield promotions, good bonuses, and work that was intellectually exciting. We assumed, therefore, there must be high morale in the troops.

A rash of consultant and manager resignations suddenly woke us up to the fact that perhaps things weren't as much fun for the associates, consultants and managers as we thought. It also became clear that with our turnover rate as high as it was, we weren't going to be able to recruit and integrate enough people to continue the high rates of growth.

At first many of us believed it was the unchangeable nature of the work, the long hours and extensive travel that were causing the discontent among some of those recruited; they probably weren't really cut out to be consultants. But early diagnosis in some exit interviews and among some of our star associates and consultants suggested that it wasn't primarily the hard work or travel. It was the frustration of being poorly managed.

Bill Bain in his typical deliberate way spent some time doing analysis, called in some outsiders to help, and discussed it with the other founders. He realized that while we all gave lip service to good people management and teamwork and listed it as an important promotion criteria, the reality in the informal Bain culture was that the client's satisfaction and demand for continued work counted for much more in the promotion and compensation process than case team's contentment. If your case team felt abused, your boss would call attention to your people management deficiencies, but so long as the client was happy and you were selling a lot of business, your case team's unhappiness didn't really affect either your bonus or your promotion.

One of Bill Bain's first actions, therefore, was to bring in a consulting firm to execute a 360-degree feedback on each partner. The plan was to start with the partners who were the worst offenders, and only after solving the problem at that level, to push the solutions down through managers and case team leaders. The anonymous feedback forms were detailed and comprehensive. They were filled out by all the people you managed, also by immediate colleagues and supervisors. When we got them back, the evaluations contained not only hard scores and comments, but also how we ranked against all the other partners in each aspect of management. We found out in what decimal of the firm we were rated.

It was a total shock to me to sit down with the outside consultant and be told that I had been rated in the bottom 10 percent of my cohort group in the firm. My first reaction was to assume I had been given someone else's scores, but the outside consultant quickly made it clear that "No, Harry, that really is the feedback on you. I've checked it out."

My next reaction was to wonder if I had in some unwitting way made enemies among my team or colleagues and was getting scores made artificially low because of some personal hostility or animus. "If anything," the consultant told me, "your colleagues and direct reports have pulled their punches because they recognize your good intentions and like you."

Perhaps, I asked, the scores were distorted because some of my direct reports were among the weakest on our staff, and I had been trying to be honest and direct with them on their own performance. But no. "I checked your scores and actually the highest performers in the firm are the ones who are giving you the lowest scores. Some of the best have learned to work well with you, but you don't make their life easier or more pleasant."

When I accepted the ratings and started focusing on the feedback I was getting, there were more surprises still. One was that "little things" that I had treated as unimportant were, in fact, quite important to the people on my team. For example,

- *"Harry doesn't always remember to let us know in a timely fashion what he learned in a client meeting. Sometimes we learn something several days later in a case team meeting that would have saved us unnecessary work."*

- *"Harry may think it's easy to read his reaction to my work, but I often have a hard time knowing whether he's happy or not, agrees or disagrees, or even if he's aware of the weekend work I put in to get it done. He doesn't seem to realize how motivating a word of thanks can be."*

- *"Sometimes I wish after we've spent an all-nighter getting ready for a client meeting that went spectacularly well, that in the airport waiting for the plane that will take us back to Boston, Harry would 'celebrate' our success, that we'd all have a drink and savor what went on in the meeting. Instead, over drinks, we're already talking about next steps."*

These comments were hard to hear, but the heart of the feedback, the things that apparently put me in the bottom 10 percent were also perplexing because they seemed to be inseparable from the things that were making me successful with the clients.

- *"Harry needs to make his suggestions a lot earlier. He is meddling with the presentation up to the last minute. Yes, his contributions make it better, but they also add unnecessarily to the stress and late night work, sometimes all out of proportion to the value they add to the presentation."*

- *"Harry makes way too many changes to the work plan over the course of the project. Things he initially felt were critical to the answer, he downgrades once we collect some data, and other "critical questions" he introduces late in the process."*

- *"Harry over-promises and seems constitutionally incapable of saying 'no' to the client. It's unhealthy the way he kills himself on behalf of the client, but it's worse when he also kills us. He needs to learn to push back and educate the client on how long and how much work it will take to deliver the answer to certain questions."*

- *"The reality is that Harry is not very organized. He is always juggling too many things, trying to put 10 pounds of shit into a 5-pound bag. He needs to learn to prioritize better, organize things in advance, and manage his and our time and efforts better."*

Faced with this feedback, I recognized that to do for the team what it needed, I had to get better organized. I consequently asked for and got the firm's support in taking a time management course. I also went around to some of my cohort group who were famous for being well organized and asked for their secrets. I was sufficiently stung by the feedback to make a determined effort in the six months following the feedback to get organized and to improve.

It was therefore doubly devastating on the next round of 360-degree feedback to find out that while my people recognized the great effort I was making to be better at my managerial responsibilities, they still considered me in the bottom 20 percent of my cohort group in terms of people management.

The despair I felt on getting this feedback, had it not coincided with some major client successes, might have been enough to cause me to start looking for another job better suited to my talents. Instead, I talked with Bill Bain about experimenting with a different way of dealing with my deficiencies.

"In spite of my best efforts," I told him, "I don't think I'll ever be organized enough to be a good people manager. What I'm asking for is that you give me some of the best partners and managers to work with me. Give us the freedom to redefine our responsibilities so that they can cover for my weaknesses and I can focus on the things I do well." He and my other bosses agreed.

With my direct reports, we did a one-day offsite retreat, which later became an annual custom. I shared openly with them the feedback I had received and my deficiencies of organization, with which they were quite familiar. I also let them know of my extraordinary effort to improve and how, at the end of the day, despite the hard work, I'd only become marginally effective. To really solve the problem we needed a *modus operandi* in which we redefined roles in a way that was unusual for Bain, but permitted them to use their strengths to make up for my weakness and for me to make the contributions that truly added value. My suggestion went something like this:

"I want and need to be involved in the work. You may think I'm a good salesman, but I know that any success I've had in that area comes from having been so deeply involved in the analysis and work that I can see the potential for wealth and make it come alive for the clients. So I need to be able to get involved in focusing the work at the beginning and adding ideas and changing priorities as we go through the work from beginning to the end.

You have to give me permission to throw out ideas and make suggestions throughout the process."

"But so it doesn't kill you and the teams, I'm going to give you the responsibility for deciding which of the many ideas I throw out will actually get worked on. You'll listen, sift through them, calculate their cost-benefit, and decide which ones you'll set aside as not worth the effort of the team."

"The first time I make a suggestion, you don't even have to tell me if you've decided to ignore it. However, if I raise the idea a second time and you still feel it's not a priority, then you need to come back and tell me. At that point we'll discuss it and reach a decision that we both feel comfortable with. If I feel it's critical, you can make me give up some other piece of analysis to make room for this. If you convince me I'm wrong, then I'll stop making the request or we'll find some easier way to get an answer that will satisfy both of us."

"I'll commit to turnaround times on presentations or decisions that affect the case team's work and to keeping you informed of my meetings. It's your responsibility, though, to get on my schedule so that I'm not seeing the work for the first time the night before a presentation and can get you my suggestions in a timely enough fashion so that, if you feel they improve our work, you can include them."

Along with these policies, I began the practice of having at least one lunch a month, one on one, with each direct report. To this monthly meeting we'd each bring a list of the three most important objectives ("HLAs," or Highly Leveraged Activities) we had for the next two or three months in order for us to succeed. We'd also note what support, if any, we needed from the other. We'd discuss these in the context of how things were going in our lives and with our clients. We'd agree on HLAs for the next two or three months; I'd get my assignments for the next month from them and they'd get clarity on my expectations.

To an extent that surprised me, the monthly discussions tended to spill over into topics outside the scope of work, and the relationships I developed with my direct reports turned into deep friendships, which were maintained even if they left Bain.

Around that time I concluded that, whatever the organization chart says, we all very much need a boss. Sometimes that boss is the supervisor on the organization chart; often parts of the role of a boss can and need to be played by other colleagues or direct reports. Whatever the situation, it is my responsibility to find and train my boss to do what I need.

A good boss, I codified for myself, does four things:

- Helps define priorities and focus efforts on the key activities;
- Helps mobilize resources, including adequate staff and time to get the job done, as well as brainstorming, participating in certain client meetings, or specific coaching;
- Helps collect and interpret feedback;
- Makes sure his or her people are treated well by the organization—namely, that they get the right compensation, promotions, and assignments, and that they get credit and thanks for their contributions.

I never developed a "balanced comb;" that is, I never became someone who was equally good at all aspects of the job. But the new *modus operandi* worked. Shortly after implementing these changes, my ratings jumped dramatically, often into the top decimal. It was an unexpected bonus to find that the redefinition of roles didn't just help me become more successful, but it greatly expanded the role of my direct reports and accelerated their own development as managers and partners, as well as their job satisfaction.

For many years I was embarrassed that I had solved my problem by abdicating my leadership functions, until one of my direct reports told me, "Hell, Harry, you're not abdicating leadership! You're stealing the solution the President of the United States has chosen. He gets his orders every day from his Chief of Staff."

Luxury goods and getting fired

Let me back up to a time before I was a partner, when I was still a manager working with Ralph Willard. He gave me principal responsibility for a small client located in Wisconsin and situated a considerable distance from any major airport. The firm had a product line that was both utilitarian and a status symbol, but its luxury brand image had been slipping. It was under assault from Japanese competitors, losing market share and barely profitable.

Complicating our project was the fact that there was also tension between the CEO of the company and the marketing director, who had been hired to restore the brand's position and sales growth. The CEO was a frugal Midwesterner focused on costs. The marketing director had an international resumé and a low regard for Midwesterners that was palpable. He believed you had to spend money on marketing and host lavish events if you were going for the high end of the market.

The first phase of our project ended in a major success. We found a way to unlock the value of the brand and restore growth and profitability. Our analysis was elegant from a political point of view, as it suggested that both the CEO and marketing director had part of the truth. When we presented our recommended strategy and implementation to the board, it seemed to be a big hit, and we received nice compliments. The strategy required some ambitious changes and asked the company to make a major investment in our consulting. But our analysis suggested that if they did so their return would be at least fivefold. Both the CEO and marketing director explicitly indicated their support for the program and promised to get it approved by the board, so we confidently believed the project we proposed had been sold and asked for the extra team that would be required. To iron out some last-minute details and plan the new kickoff, I traveled alone on a Friday to Wisconsin for a meeting with the CEO. The work was to start the following week.

The CEO seemed more reserved than usual when the meeting started, but I jumped right into the substance of the agenda using some prepared slides. He listened for a while, then said, "I don't think we are going to be able to do that, Harry." I thought he was referring to the specifics of the work plan, but he quickly clarified things, "No, no. I'm not referring to the work plan, I'm referring to the fact that we can't afford the program."

I was shaken, but still assumed that if we could come up with a program with a lower burn rate, they would still want our help. I started to suggest some ways we could perhaps accommodate their need for lower fees.

"You don't understand, Harry," the CEO interrupted, "You're fired! The board has decided that it is not going to go with the consulting program that you've laid out or the recommendations from the initial work. You should also know that the marketing director has been let go."

I left his office in shock. I immediately called Ralph Willard, who asked me to come by when I landed in Boston and give him a full debriefing. During the two-hour drive to the airport and the three-hour flight back to Boston, my mind kept reviewing all that had happened and my stomach churned. On top of a deep sense of personal rejection, I was fearful that this failure—whose causes I didn't understand—were coming early on at my time at Bain and might mean a quick end to any success at the company.

By the time I stopped by Ralph's condo, it was dark. He was in his upstairs gym peddling the exercise bike and didn't stop while I went through my conversation with the CEO in as much detail as I could remember. When I was finished, Ralph said, "Their decision sounds pretty final, and I don't think we should try to change it. What's behind the decision isn't clear. It might be good to try and find out more about it on Monday. I'd be surprised if it's the quality of our work or mistakes we made in the selling process. My guess is that we've been blindsided by the poor performance of the company and politics at the board level. In the meantime, Harry, get some rest this weekend, and don't beat yourself up. These things happen. They never were an ideal client, anyway."

He went on to give me a general truth: "Bill Bain will tell you that when you think things are going great and your relationship with the client couldn't be better, it's likely that things are in your favor 51:49. When it seems that things are going to hell in a basket and you're close to despair with the client, things are probably going against you 49:51. In other words, things are never as good or as bad as they seem. You have to learn to keep an even keel in this business, and not get too high or too low."

I left his place feeling better—maybe not good, but better. We found out later that the board had revolted against both the fired marketing director and the CEO, who was also fired shortly thereafter. The cancellation of our work was more a by-product of that action than a rejection of our recommended strategy.

Given Bain's test of success—bottom-line results—we'd clearly failed. However, our failure was less one of analysis or of relationships than a failure to involve all the players, including the board, more fully in the project and ensure that the conditions for success were in place before undertaking the work.

I didn't get fired by Bain and was soon at work on another larger client. And I was reminded often in subsequent years that Bill and Ralph were right: "You're never as good—or as bad—as you imagine." And even when you've done great work and invested wisely in client relationships, getting fired is always a possibility.

Listening and asking good questions

Many of my most important lessons regarding consulting began prior to joining Bain. Unfortunately, they have often been lessons I had to learn multiple times.

In late 1976, while I was a young faculty member at the Harvard Business School, Yoon Shik Park, a Korean friend who years earlier had been in the doctoral program with me, called me up to ask if I would serve as guide and host for a Korean friend who was visiting the campus. His friend, he explained, was the third son of the legendary founder of one of Korea's biggest groups. He would likely be the successor chairman of the group. The visit to Cambridge was to learn about the Advanced Management Program and how it might help him in his own preparation or in the development of the group's other executives.

When I met the son, he was in his mid-30s, my own age at the time. He was polite, had limited English and seemed shy. We spent part of his several days in Cambridge visiting classes and seeing the campus. I introduced him to some of the more senior professors at Harvard. He would ask them their advice for a group like his, and they would give him three or four pieces of counsel. We also sat in on some classes discussing international cases.

During his stay, we had various meals together. Though he was pleasant and likeable, his limited English made conversation awkward. So I began to ask questions. My doctoral thesis, based on research in Nicaragua, had been called *The Role of Family Business Groups in Economic Development.* In it, I had advanced some hypotheses regarding these groups as modernizing agents, successful because they compensated in part for deficient financial markets, and because they provided countervailing power in arbitrary political systems. In doing research for my thesis, I found that often multiple-choice questions punched down to a deeper level of honesty and insight, so in my conversation I structured some of my questions to him as such. The questions were directed at understanding how his group worked, what its "core competencies" were, and how it might compare with the groups I knew in Central America. With Yoon Shik's help as a translator, the son became more animated; he seemed to particularly like the multiple-choice questions and opened up about some of the substantive organizational issues his group was facing.

At the end of his visit to campus, he presented me with a beautiful painting and said that he would be honored to have me as his personal guest in Korea. I bowed back, thanking him as graciously as I could, and assumed that he was offering the polite Korean equivalent of "if you're ever in town, please call me."

A few days later, however, Yoon Shik called to find out my plans. I didn't know what he was talking about until he clarified for me that the son's comment was actually a very specific invitation for me to visit his group in Korea as his personal guest—that he wanted me to undertake a personal consulting project, getting to know all the companies and then advising him and his father.

I was flabbergasted. I told Yoon Shik, "I really know nothing about Korea; I don't even know anything about Japan (the country they thought of as a good model for them). You should invite some of the senior tenured Harvard faculty to whom I introduced the son. They know Asia and are much better suited for the job than I am."

"No," he replied, "he wants you. The fact that you don't know Korea and will have a fresh view is what he wants. You know how to ask good questions."

So that's how I spent six weeks in Korea. The following summer, I led a group of Harvard professors back for a four-week advanced management program with the top 60 senior executives of the group. Then, shortly after I joined Bain, we organized a consulting project with their construction division.

Why are questions more powerful than statements? For one thing, they are less risky. You can put a hypothesis in the form of a question without looking stupid or offending anyone, since you're not pretending knowledge. Also, a good question stimulates another person to think in a different way, and when they do, they often discover to their delight something they didn't know *they already knew*. Some of the most effective Bain presentations I've ever seen were really organized as a series of questions rather than an "answer first." The presentations actually start with structured questions, followed by data that is relevant to the question. They may suggest various alternative answers, but they give the client the satisfaction of choosing the right answer. Most people follow through with more passion and determination when they feel they've reached the answers on their own.

My mother had a great quote, "It's better to be silent and thought a fool, than to open your mouth and remove all doubt!" It points to a fear many of us have. If we ask questions, are people going to think we're dumb? In fact, smart questions can have just the opposite effect. Yoon Shik told me after the son's visit to Cambridge that, while he had been impressed by the experts at Harvard and had appreciated the insight they had given him in the interviews, he thought I was one of the most brilliant westerners he'd met on his trip. This totally surprised me because, so far as I could remember, in all our conversations I never once gave any advice; I had only asked questions.

It's a shame to admit that this is a lesson I needed to relearn frequently while at Bain. With many of the consultants I most admire, we've often laughed at how often we forget that "listening" is the best way to go. We go into meetings with too many slides that will have us talking, not listening. We jump too quickly to the business at hand without taking time to find out what's on the client's mind and where he or she is coming from. When clients ask questions or make statements, we assume we know what they are saying, and immediately begin to prepare our response. If we asked questions and listened closely, we'd uncover the true messages and concerns.

Midlife crisis and **career planning**

In the early 1980s, though successful in consulting at Bain, I'd periodically go through a midlife crisis. Was this really the right job for me? Was the wear and tear of long hours and travel worth it? Should I be putting my energy somewhere else? This was not a new pattern; previously I'd had similar periods of restlessness and discontent as a professor at Harvard and at INCAE, a Harvard-related business school in Central America.

My way of dealing with this inner restlessness was to spend hours imagining other careers or jobs and writing long journal entries articulating the pros and cons of different career choices. While still teaching, I had visited a variety of cities exploring jobs in investment banking, academic think tanks, and the World Bank. I even considered returning to a law career.

Somewhere around 1983, I had a major insight which, while not totally eliminating periods of restlessness, did dramatically change my experience of being at Bain and my job satisfaction. I realized that searching for "the perfect job" was futile; there was no job out there that was perfectly aligned with my talents and ambitions. This was not surprising because my objectives were many and varied: making money, getting promoted, having impact, making friends, ending poverty, adding to the world's knowledge, and so on. Most effective organizations have to be far more focused and spend their resources on their clients, their growth, and their own self-perpetuation.

Instead of asking, "What job?" I needed to ask myself, "What is it that you should be doing? What things are worth your time, energy, and talent? Imagine, Harry, without falling into the trap of grandiose self-inflation, that you have a unique set of talents (not better or worse than others, just different), that you live at a unique moment in history, that you have a unique set of life experiences, and that you're on this earth to do something. What is your mission and what type of person do you have to become to achieve it?"

Approaching the problem this way, the focus shifted from which job to do to which activities, roles, and contributions to make—in other words, the list of things I wanted to be doing. These weren't necessarily easy to identify, but it was much easier to make a list of these things than to find a perfect job.

Then next question I asked myself was, "What organization is the best platform for me to do these things?" The schools at which I'd taught, INCAE and the Harvard Business School, had been great places for an earlier period of my life, but they were not what I needed in the 1980s. When I had a list of goals that seemed right, I was surprised to find out how many of these could best be achieved from the Bain platform. Bain had obvious advantages on so many dimensions: learning, self-direction, encouragement for community contributions, financial income, and investment opportunities.

Bain wasn't the cause of my restlessness. It hadn't put significant constraints on me. It wasn't unbalancing my life. I was doing that to myself. Many of the other things I wanted to do, like staying in touch with Central America and contributing to that region, I could do by being on the board at INCAE or linked to Harvard. That, in fact, was actually complementary to my work at Bain. Bain was encouraging me to get involved in my community; Bain wanted me to live a "balanced life."

If this insight was relevant for me, it was also relevant for everyone on my team. About that time, I began to say to my direct reports and teams, "None of us were born to make Bain a big success. Bain & Company exists to help each of us, individually and collectively, achieve our mission or goals in life. What are they? How can we organize our work to help you advance your life plan?"

Implicit in this was the recognition that for some this would mean a two-year stint at Bain before another platform became the vehicle for their contributions. For others it might be a stint of eight or 10 years, and for others perhaps Bain would be the best vehicle for their entire career.

In one of the first weekend retreats in Nantucket with my direct reports, we began the session by going around the circle of eight and have each person share his or her long-term aspirations. One admitted that some day he hoped to be Secretary of Navy, and after that, for his last career, once he was financially independent, a professor. Another had his heart set on becoming CEO of a Fortune 500 and had had this ambition since before college. A third, with a strong high-tech talent and a fascination with personal computer products, wanted to head the product development division of a major software company and, once wealthy, become a filmmaker. A fourth was drawn to private equity. Several visualized themselves with Bain for their entire career, but even they had different aspirations: one felt the role of office head would fit her life, while another was more interested in writing books and becoming a recognized expert.

When we later focused on the main agenda of our retreat—the full potential for clients, our account plans, and our marketing and sales efforts—we were surprised to find the number of creative ways these activities for Bain could be organized and allocated so they also advanced our personal longer-term plans. In the year that followed, we not only continued to tailor assignments in the light of long-term objectives but found that, now that we knew what each one wanted, we could help each other in other ways—with introductions, or with suggestions for publications to read. We became invested in each other's larger mission in life, and that made us closer friends. It even made our Bain work more motivating and gave it an added sense of importance.

The names of the seven in that first session blend in my mind with the names of many others who rotated in and out of the group. Each contributed to the team and to Bain, many staying longer on the Bain platform than they had originally planned. Sharing in some small way in the later accomplishments of these colleagues was also deeply satisfying for most of us. I look back now astounded at what a truly talented and diverse group they were and how enriching it has been to know them.

Bain **Costa Rica**

The original concept of these stories didn't include anything on Bain Costa Rica. This little office was far from Bain's central strategy, and I did not think of it as part of the early years. Friends, however, have urged me to include something on this period of my life at Bain because they argue that what was done in Central America is a good example of the power of Bain DNA and its entrepreneurism, and 1993 is, for many, part of the early years. Bain Costa Rica is the story of a first-year manager, a first-year consultant and one decrepit director.

The Roots

In 1992, Jorge Leis was a recently promoted manager. His parents, Cuban citizens, emigrated to the United States and, in their ambition to see their sons well integrated, never taught them Spanish. Jorge got a doctorate from MIT in engineering, followed by an MBA. He joined Bain's Dallas office. His motivation for volunteering for the Bain Costa Rica project and taking Ann, his wife, and his two daughters and a son to Central America was to learn Spanish, discover some of his roots, and do something he felt could be important.

Matthew Meacham, a Brit, was a first-year consultant. He had joined Bain as an associate consultant in London and had taken advantage of opportunities to work in Australia and Hong Kong prior to getting his graduate work. Having completed an MBA at INSEAD, he chose Dallas for his next Bain office. His wife, Catherine, had grown up in Spain. I think what attracted them to the Costa Rican project was that they liked the idea of living in a Latin culture, doing something out of the ordinary, and being given the opportunity to play a larger role than that of a normal first-year consultant.

I was the director, 50 years old at the time. Between 1989 and 1992, I'd had a hip replacement, followed by several heart attacks, which ultimately required a triple bypass. During my forced medical sabbaticals, I had to face my mortality. I listened to my body and studied my dreams for what they were trying to tell me. The answers I heard suggested I needed to make some major changes in my life, changes related to diet and exercise, but also to the management of stress and my marriage. They also reminded me that I was beginning the last decade of my life's work, and if I wanted to be involved in public service, I needed to get going.

The external situation gave me the freedom to consider radical changes. The Bain turnaround and transition from the founders was well underway. My commitment was to the other partners to stay until Bain was once again profitable and growing (or until we decided together to throw in the towel), and that commitment had been met. Thanks to Bain Capital, I had reached my personal goal of financial independence. I had enough to take jobs that didn't pay and still live comfortably. My kids were off to college and on their way into adulthood. I felt free to consider all my options.

In the "life plan" I had developed back in 1970, I envisioned a three-pronged approach to my career: a decade as an academic, a decade in business, and a final decade in public service. My initial vision of public service had been a position in the US government in Washington, DC, doing work related to development assistance. However, my experience in Washington working with development banks and then with the Presidential Commission on Industrial Competitiveness in 1985 had convinced me that I was not cut out for government work. A highly political environment would be toxic for me. Increasingly, it seemed that I belonged back in Central America where my assets would be put to better use.

These assets included friends in the Evangelical community who had worked with my parents and grandparents and who were now running hospitals, schools, daycare centers, and radio stations. In 1980 through 1982, I had taken a two-year leave of absence from Bain to return as Rector of INCAE and to help establish a second school campus in Costa Rica. Friends on the faculty were eager for me to get involved with INCAE's teaching programs. There was also a group of friends, former clients, and fellow investors in Bain Capital who had seen the power of Bain technology close up. They wanted us to set up a private equity fund for Central America à la Bain Capital in which they could invest. Many of these people, after years in exile, were also returning to live in the region and wanted to get involved, not just in business, but also in social investments, foundations, and schools.

Central America was coming out of a devastating decade. The violence related to the Sandinista Revolution in Nicaragua and the civil wars in El Salvador and Guatemala had not only left a wake of physical destruction, but also deep social divisions. The violence, along with the debt crisis and the spike in oil prices at the beginning of the decade, had sent Central America into an economic depression the likes of which was deeper and more prolonged than the one the US had experienced in the 1930s.

By 1990, however, there were some encouraging signs. Elected democratic governments had been re-established in the six countries of Central America. They were all groping toward a more promising economic strategy, shifting from government-led import substitution to a market-led export strategy similar to that which had worked so well for the countries of Southeast Asia such as Singapore.

I had done some research that suggested that the challenges to business leaders under this new strategy were formidable. As tariff barriers dropped from 200 percent to below 20 percent, the research showed that, to be competitive, local companies would have to reduce their costs by half and double their quality. This meant dramatic changes in the way all firms did business.

And if business leaders failed in their job, if business did not become efficient and create jobs, it was not likely that the democracies would survive. Class divisions would not be healed, nor would there be any money for the social investment so badly needed in education and other social services. In an environment in which politicians, military leaders, intellectuals, and even church leaders had suffered a significant loss of respect, it also seemed to me critical that leaders from the private sector not only be good businessmen, but step up to the larger task of creating a more cohesive vision for the whole society and take greater responsibility for the problems of poverty, education, and health.

As I reviewed my assets, I began to get a vision for my role in public service. The focus of my work would be in Central America. My job would be to help business leaders make their companies and groups competitive, help them to reinvest in the region, grow their companies, and create jobs. Because of my experience with both Bain and Bain Capital, I had access to probably the best available business technology—the tools and concepts for doing all that. These tools would have to be adapted to the region and the small size of the companies (at the time, there wasn't a company in Central America large enough to meet Bain's minimum size requirement). We'd have to find ways to make our projects considerably cheaper, as Bain flagship billings were more than 100 percent of the profits of most of these companies. If the consulting and private equity turned out to be profitable, I decided to use my income to set up a nonprofit foundation. It would focus on innovative projects, not unlike the hospitals, schools, daycare centers, radio stations, and other enterprises set up by my parents and grandparents.

Tom Tierney and Orit Gadiesh, who were then managing director and chairman, respectively, had accompanied me on my journey of introspection, and their feedback was very useful. They knew I was thinking of returning to Central America, and therefore, when I approached them in 1992 with my decision and letter of resignation, they were not surprised. I felt I should resign because, as a member of the Strategy Committee, I knew that it was not a Bain priority to be in Latin America, and it made no sense for Bain to invest in a Costa Rica office.

Both Tom and Orit, however, encouraged me not to submit my letter of resignation. "If what you're going to do is consulting work that creates real value, we'll make the exceptions you need," they told me. "Don't feel you need to leave Bain. You still have a lot to contribute, and you can be a pathfinder for the rest of us in defining appropriate roles for the later part of a Bain career."

They suggested I join the Dallas office, the one closest to Latin America, and use it as a base of operations until the time to move to Costa Rica was ripe. We'd call Bain Costa Rica an "experiment." They also encouraged me to stay on the compensation committee and get involved in worldwide training. I was delighted with their response, as I knew with Bain support, my chance of success in Central America would be much greater than going it alone.

I was more surprised and equally pleased by the response of my new Dallas partners. Although they must have worried that Bain Costa Rica might negatively affect the Dallas partner bonus pool, they made me feel welcome, introduced me to Jorge and Matthew, and encouraged me to feel free to move directly to Central America if that increased the probability of success. They offered help in any way they could, and over the years delivered it.

The Strategy

With the help of Jorge and Matthew, we set about developing the "product" we'd bring to the region. Although some friends wanted us to skip the consulting and go directly to the private equity, we felt that we needed to prove we could create value in the businesses first. Our major product was a four-month "strategy review and profit improvement program" for a client's core business. Put simply, it had two major elements: The first was a strategy review. What was the core business model? Was it superior? How could it be improved? Was there a strategy for driving to leadership or defending the leadership position as multinationals invaded the region? Was every business creating value for shareholders? If not, could it be fixed or should the business be exited?

The second element focused on operating excellence. How do we double quality and reduce costs by half? How do we build a professional organization and align management and worker incentives with those of the owners? How do we organize the family to make sure owners play the role they should? We began by benchmarking against the best companies in the world, and then looked for best practices from outside the region and how they could be transferred to the realities of Central America.

We then focused on how to do this strategy and profit improvement program cheaper and quicker. Part was by using a smaller team. We encouraged clients to give us key people on the team we could train, or even to hire an MBA from INCAE whom we'd incorporate in the Bain team for the duration of the project with the intent that he or she stay on in a line management position to help implement the strategy. We were ruthless about applying 80/20 to our analysis, reducing sample sizes and only collecting enough data to convince ourselves and our clients that our hypothesis was 95 percent certain. We considered hiring cheaper local staff, but ultimately decided against it. We needed top-notch consultants and did not want to create second-class citizens. We reduced billing rates somewhat, but not so much as to jeopardize the Bain partner profit pool. We were determined that Bain Costa Rica would not be subsidized by Bain & Company, but that it would make a positive contribution.

Although our product was less than half the price of what it would cost in the United States, it was still $250,000 for the four-month project. This was a huge percentage of most of our potential clients' profits; many had never paid more than $25,000 for consulting, so it was not at all clear there would be buyers.

We decided that, before anyone moved to Central America, we had to generate business; therefore, we decided to test the market in a two-week trip to visit five prospects, all friends from my days with INCAE, several familiar with Bain Capital. If we sold even two projects, we'd bring a small team into the region and get started.

The sales presentation started with an overview of what was happening in the region—the change from an import substitution strategy to an export-oriented one and the new pressures it would put on companies in the region. We then shared the data we had collected on the magnitude of the change required to become competitive—a rapid reduction in costs and improvement in quality significantly beyond that hitherto envisioned and in the eyes of some impossible.

The process of improvement we'd use to accomplish these changes was what Bain used with its clients and Bain Capital with its own companies. The presentation included a slide showing the "multiplicative power" of combining strategic focus and operating excellence.

I was deliberately low-key in the close. "This is very expensive. I can't guarantee you it's going to work. You're going to be a test case. I'm going to ask you to help us refine the product, and we're going to measure exactly how much of a return the consulting provides. If we can't get a 5x return, we'll know the experiment isn't working. I'm going to allocate my time to work on your problems versus allocating time to selling business. If our project creates great results for you, I'd like you to commit to finding the next clients and to helping sell our services to others. We all know if the private sector can't get the Central American economy growing, employment up, wages and living standards rising, our fragile democracies will not survive.

"If we make money, you can feel good that some of our resources and profits are going to be plowed back into the region in "social" investments. We're hoping you'll do the same and, if so, we'll be there to support you. The project is going to cost $250,000 and lots of your personal and your organization's time. Do you want to sign up?"

The sales trip was far more successful than any of us expected. The two-week trip netted six firm orders, nearly a year's worth of work. Jorge, Matthew and I packed up to move to the region. Jorge and Matthew recruited an enthusiastic young team from Dallas, and we hit the ground running in January of 1993. Our first offices were in a hotel room, and we later moved into an office building while it was still under construction. By mid-year, we had doubled the planned size of the office to 13 professionals and were actively recruiting at INCAE, in the US and in Europe.

To make the new model work, we experimented with various modifications. Because of the small size of the teams, we deliberately broadened each person's role. Everyone had client responsibilities. In addition, consultants learned they had to do the job of both analysts and managers. Managers had to play the role of partners, but also do the job of consultants. Both Jorge and Matthew more than stepped up to their new roles and quickly became the true leaders of our activities in the region. The overlap of roles made us more efficient, improved the quality of our product, and strengthened the bond with our clients. We were frequently surprised at how analysts and consultants exceeded our expectations in their work; the added responsibilities also accelerated their own development.

I had allocated about 30 percent of my time for pro bono activities, which quickly filled up with teaching assignments at INCAE and speech-making around the region where I emphasized the challenges facing business leaders and the need for them to play a broader role in society. We dedicated part of the time of the office to consulting projects with nonprofits or on public policy issues. The speeches and these studies turned out far more effective than any marketing activities at making us known and introducing us to new potential clients.

We even made our selling activities pay off. We developed a "live case" as a way of screening potential projects. It was modeled on a Harvard Business School teaching case. We'd invite the management team of a potential client to the office, collect on the blackboard the sort of data that would go into a teaching case, identify the strategic and operating decisions they were facing and their options. We'd then lead a discussion among the executives regarding these decisions, not so much with the objective of reaching a decision, but rather to understand where there was consensus, where there wasn't, what they knew, and what they knew they didn't know, and finally to identify what analysis or experiments or data would be useful in getting to the right answer.

For clients too small for a project, this was often very helpful. In other cases, at the end of the day we had a ready-made project proposal the client had decided to buy. Several times this approach was expanded to include a month's worth of data collection and then a strategic retreat of owners and management out of which often came a more-focused strategy and implementation consulting program. We didn't try to "roll over" work, but in order to give support in implementation and monitoring, we developed a retainer for periodic and systematic follow up. That, coupled with early handoffs to the management team that had worked with us, allowed us to hold the cost of the project down, yet still get a high yield in results.

In our communications, we emphasized the region's needs, rather than bragging about our expertise. We focused on tools of great impact, rather than following the latest management fads. Our clients recognized our commitment to them and went out of their way to help us get established. We let the quality of our work and our client referrals do the bragging for us, and this in itself seemed to enhance our image. We tried not to lose sight of the fact that our work must always be about creating vibrant businesses and solving the social problems of our region; we turned down assignments we didn't feel were going to do that. And we tried to help the managers we worked with get better at their jobs and encouraged them in their larger civic roles.

We discovered that Bain's technology, both its analytic tools and its communication strategies, are as relevant in small developing economies as in the larger rich countries. They create enormous value when applied to nonprofits and public policy issues. We learned that the transfer of technology is almost as complicated as its development. It happens much better if it is "pulled" into a company or situation by insiders who understand their environment and the needs, rather than being "pushed" in by outsiders.

Using Bain technology, we did an important study of the experience of countries with open strategies, the economic strategy implicit in the Central America Free Trade Agreement. We collected data on not only the impact of this strategy on growth, but its impact on the poorest 10 percent in the society. The data we collected studying more than 80 countries convinced us and many in the business community who might otherwise have been threatened that joining CAFTA was critical to the long-term health of the region. Our work became the basis for communications that helped get CAFTA passed in both Central America and the US Congress.

The personal changes I made in my own life probably added to, rather than subtracted from, our success. I had discovered in my time of reflection that my propensity to undertake difficult projects—pushing a rock up the proverbial hill—added greatly to my stress level. To reduce that, I promised myself that I would treat everything I did as an experiment. I decided to let two markets signal to me which projects to pursue and which to abandon. The first was the "supply market;" it had to say "yes." For every activity there had to be a team of talented young people who wanted to see it completed and who had the capacity to see it through to the end, even if I had a heart attack in the middle of the effort and had to abandon the project. The second was the "demand market;" there had to be clients or sponsors who believed enough in the project or activity that they'd pay for it. If one or the other of these two markets said "no" or were unenthusiastic, I'd listen and refocus my energies elsewhere.

I also resolved that I'd only work with people I respected and liked. There were potential clients I knew who were difficult or incompetent. However attractive their money, we'd leave them for the other consulting firms. I recognized it would be less stressful and have more impact to be a coach of world-class athletes than to be an emergency room doctor trying to resuscitate cadavers.

The Results

Fortunately, even with all our selective screens, the opportunities in the region were so great that we had more to do than the capacity to do it. Bain's consulting office in Costa Rica rapidly developed a stable of successful clients in Central America who to this day consider themselves clients of Bain and its sister organizations. Our office grew to include 13 resident professionals and generally between five and 10 other professionals on assignment from the Dallas office.

We were careful to monitor results as we'd promised, and they were surprisingly good—the payback using Bain's cash flow methodology turned out to be eleven times our fees. Though the firms were relatively small, the percentage improvements were dramatically large, reflecting the speed with which they became globally competitive. Many of these clients were among the most aggressive in expanding out of their national markets into other countries in the region. Most of the local management teams, rather than resisting the import of best practices, were hungry to get better and did so far faster than their competition. As a result, they generated great returns on their assets. Middle management appreciated our investment in their skills and became among our best references. The honorary "Bainies" who remained to implement the work saw their careers accelerate and became loyal alumni.

From the first month, Bain Costa Rica was a profitable office with a positive net contribution to Bain's worldwide profit pool. During the years the office was open, we operated at a utilization rate of more than 80 percent, nearly 20 percentage points higher than what was then Bain's average. Both Jorge and Matthew were made partners in record time. Later Jorge as director out of the Dallas office became a retail guru. Matthew started Bain Mexico and went on to become one of Bain's youngest managing directors in Dallas. He is now the office head in Spain. The experience was similarly positive for most of the consultants and associates who worked in the region or were hired into the Costa Rica office.

While I had priced our work to "share my bonus" with clients in the region, the financial success of the office permitted a bonus that has translated into an endowment for the Strachan Foundation, which in 2008 makes more than 30 small grants a year totaling more than half a million dollars to nonprofits in the region, mainly in the area of education.

In 1997, the "supply market" began to signal the need for some changes. Paradoxically, the most talented Central Americans who had been recruited into Bain and trained by Jorge and Matthew wanted to move into either private equity or investment banking activities, while the talented South Americans and Europeans wanted to exercise their consulting on a larger playing field. Bain's strategy also now called for offices in Latin America. We, therefore, decided to relocate the Bain Costa Rica office to Mexico to permit the core group of managers and consultants, under the leadership of Matthew, to serve that larger market as well as Central America.

Several other consultants moved to Bain São Paulo or London as part of their own career development. Jorge supported Matthew from his base back in Dallas.

Bain Costa Rica also spawned some spin-offs similar to Bain Capital. In 1996, we started a $20 million Mesoamerica Fund I to invest in companies. Luis Javier Castro, one of the Central American Bain consultants, was one of the two general partners. Many of our key clients, also investors in Bain Capital, invested along with a number of Bain and Bain Capital partners in this fund. In 1998, we modified this experimental fund into a single-purpose telecom investment vehicle of $200 million, and it became the model for a number of follow-on investments in energy, cable, and other businesses managed by Mesoamerica Capital Partners.

In 1998, when Bain Costa Rica moved to Mexico, I remained involved in consulting part time but moved my own office in with Mesoamerica Fund. Shortly thereafter we started the second Bain Costa Rica spin-off, an M&A advisory boutique called Mesoamerica Partners to help clients negotiate their alliances, divestitures, and acquisitions. Mesoamerica's private equity activities became a division of this investment bank. Mesoamerica Partners worked closely with Bain Mexico, interchanging staff and helping to support Bain's consulting projects in Central America. As it ends its first decade, Mesoamerica Partners has almost 40 professionals and plans to open a second office in Colombia in 2008.

How did my personal rules work? Did treating things as experiments and letting the various markets direct our efforts prove smart? Did working only with people we respected lead to less stress?

These years have been both far more productive and fun than I expected. I'm convinced the greater productivity is due to giving others more room and getting out of their way. I'm also realizing how much less anxiety and stress I feel. Recently, one of INCAE's senior professors was talking about the anxiety he faces as he grows older of keeping up his level of success and student ratings; he can't stand the thought of his performance slipping or his latest book not being a big success. Though I am as competitive as he, I realized that by treating everything as an experiment, I've largely escaped the fear of failure. The experiment is a success even if the answer is "stop doing what isn't working; do something else!"

On a personal level, I'd have to say these last 15 years have been among the best of my life. Besides having done some wonderfully satisfying work, I've learned to love well and be a better husband; I play golf for exercise and poker to keep the gray matter alive; and I enjoy many interesting friends.

Along with my Bain and INCAE friends, I've added many extraordinary client friends. They are owners and managers, great leaders of their groups and highly respected in the community. They are also interesting, thinking, and caring people whose values I share. We vacation together. We support each other's nonprofit projects and foundations. Six of us with 16 grown sons between us have organized a father-son group that each year takes a long weekend in some fun spot to enjoy sports and also to talk about serious topics that would be hard to discuss one on one. My son and nephew now have five "uncles" they respect and can call on for help. I, myself, have fourteen "nephews" who are already outstanding young leaders in the region.

Conclusion: **Looking back**

I was sitting at my desk recently drafting a slide presentation for a client retreat. The participants were to be directors and executives in a large family business group with whom both Bain and Mesoamerica have had a close relationship for more 15 years.

Trying to flesh out their major strategic options in a way that would stimulate the most productive discussion, I found myself assembling a presentation full of Bain slides relevant to their strategic situation. In it were two from more than 30 years ago: an experience curve and its accompanying ROA/RMS showing how leadership generally corresponds to superior profitability. But there were many more slides reflecting recent research on profits from the core, supply chain management, and organizational effectiveness—all powerful concepts from Bain's arsenal, as relevant to Central America as for other parts of the world.

At noon I stopped for a quick lunch at my desk, and as I was eating, I looked out the window of my office up to the southern hills of San José, Costa Rica, trying to locate my childhood house. I mused about how improbable my life journey had been. How did I go from being a missionary kid in Costa Rica to a Bain consultant?

Few of us have mothers who raise us to be a "consultants," that's for sure, but in my missionary home, the notion wasn't even on the list of possible occupations. We were expected to prepare for lofty vocations—missionaries and preachers doing the Lord's work, or doctors, teachers, and scientists who served humanity in very important ways. Business was not highly regarded—didn't the Bible say it was harder for a rich man to get into the Kingdom of Heaven than a camel through the eye of a needle?

Both my parents died before I was out of school. Were they to appear on the scene and ask me to report on my life, I'd have to tell them that in spite of taking a path different from the one they envisioned for me, I've been incredibly lucky—no, a better word is "blessed." Their perception of the importance of business was wrong, and I was lucky to find work that suited me well, made me financially independent, and permitted me to make contributions in public policy, the nonprofit sector, and perhaps most important of all, to the economic motor that sits under the development of our societies. I had the benefits of being an academic without its disadvantages. I didn't get locked in a job that was mainly administrative or management or limited to just one industry.

I'd also tell them I was privileged to link up with an outstanding group of professionals and with them, to help build a very special firm, Bain & Company, which I've seen go from 50 professionals to a premier global consulting firm. I got to participate in the formation of Bain Capital, an amazingly successful investor in private equities. Both groups have made important contributions to the concepts and practice of business. And I have had the privilege of being a part of them for quite a bit of the journey, learning, serving with them and enjoying the financial rewards.

And I'd tell them that what still amazes me is that when my personal mission diverged from that of Bain and I felt it important to return to the land of my birth, to tiny Central America, to help the family business groups of the region become globally competitive, my partners in Bain encouraged me to remain a part of the Bain family. They gave me freedom and resources to adapt Bain technology to the needs of the small companies in our region. Their help made us far more effective at helping businesses, contributing to the national strategies, and supporting pro bono efforts than we ever could have been on our own. Through invitations to participate in new partner training and attend the worldwide partner meetings, I have been able to stay in touch with close friends and have gotten to know many of the new generation of Bain partners.

Consulting has not only made possible a life with much variety and constant learning, but permitted me to meet people that have greatly enriched my life. I have to feel grateful because I don't recall this being on my list of pros and cons when I was struggling to find the "perfect job." While both of my parents were people-oriented, I somehow came out very task-oriented, taking it to an extreme. I rarely gave friendship the priority it deserved. In spite of that, I've been fortunate to become good friends with a wonderful group of people—some older, many younger, former students, clients, and colleagues. Together we work, play, invest in new businesses, support nonprofit initiatives, and advocate political policies and economic strategies for the region. We share books and ideas; we are uncles and aunts to each others' children.

It was in this reflective mood that I thought, "What have I learned about consulting that might be useful to others?" Immediately stories—not axioms—came into my mind, most of them from the early years as a consultant, manager and young partner. Many of the stories involved concepts and frameworks that have become part of Bain's intellectual heritage. The stories, though, that felt most important to me were those involving the softer aspects of consulting—stories that are more about attitudes, relationships, and values, and go beyond consulting to other areas of life.

I have written them down and pass them on as a way of thanking the many in Bain who taught me so much and have enriched my life with their friendship. I hope they prove useful to those of you who in the future will continue to use Bain as a platform for your life work and who in the process will continue to build a great enduring firm.

Acknowledgments

Feedback on the earliest drafts urged me to tell more about the people mentioned. When I started doing that, later readers suggested that the additional information broke the flow of the story.

I ultimately decided to minimize names in the stories and to use this section of acknowledgments to thank not just those who helped me write these stories, but those who played important roles in my education as a Bain consultant. I hope those from the early years whom I failed to mention because of my weak memory will forgive me. And I hope the many important Bain friends from my later years will understand why they are not included.

The vision of consulting and the passion for results of Bain's first four founders set us on the right course. They, along with the first directors who led the firm through the 1980s, were for many of us larger-than-life figures. I was privileged to have six of them as direct bosses and to benefit from help from the others. The founding four were Bill Bain, Pat Graham, Ralph Willard, and John Halpern. The directors who joined them in those early years were John Theroux, who led the London office, George Denny, in the San Francisco office, as well as Richard DiPerna, Steve Schaubert, and John Rutherford. Mitt Romney belongs in this early group of leaders as well; he was one of the role models for those of us joining the firm, and then later as our leader in the turnaround.

Pete Dawkins, of football and Army fame, joined Bain & Company around 1989 to try to help us when we suffered our first significant downturn. This period coincided with my first heart attack. It was a great surprise that, on the day after he became CEO, with all the demands pressing in on him, he showed up in my hospital room to wish me well.

My cohort group includes those who joined around the time I did and progressed through the ranks alongside me. Because we were assigned to different clients and many went to other offices, I often only got to know them well later and in unexpected ways—at the bar in a partner's retreat, on the tennis court, on a plane returning from a far city, serving on a firm governance committee, or through some special assistance they gave me. Besides Orit Gadiesh, Darrell Rigby, and Tom Tierney, whom I've mentioned in the stories, there are many others I need to thank: Bill Achtmeyer, Vern Altman, Colin Anderson, Bill Antle, Chip Baird, Andy Banks, David Bechhofer, Grenville Byford, Tom Day, Ed Connard, Gary Crittendon, Mike D'Amato, Chuck Farkas, Jean Pierre Felenbok, Greg Hutchinson, Jake Jacobsen, Chris Jenny, Dave Johnson, Ralph Judah, Kelt Kindick, Earl Kivett, Eric Kriss, John Lamb, David Nierenberg, Neil Novich, Jack O'Malley, Stan Pace, Fred Reichheld, Adrian Slywotzky, Carl Whittaker, and Royce Yudkoff. All have earned my respect, affection, and friendship. Some moved on to success in other spheres; many stayed to provide critical leadership in the succeeding years.

If you've read the story about the "pothole" I hit, you know that any success I had at Bain was due to extraordinarily talented consultants, managers, and partners who were willing to work with me and compensate for my weaknesses. Alison Higgins, my administrative assistance for many of these years, probably should lead the list. My debt to each of the following people is great: Jimmy Allen, Keith Aspinal, Bob Bechek, Jane Brock-Wilson, Robin Buchanan, Martin Cannon, Mike Choukas, David Crane, Paul DiPaola, Paul Edgerley, Jim Geraghty, Dwight Gertz, Jim Gilbert, Barry Harrington, Bill Haylon, Jim Hildebrandt, Alice Howard, David Kenny, Michael Kolowich, Al Lewis, Jay Lucas, Bob Maginn, Joan Magretta, Jon Mark, Rob Markey, Ann Merrifield, Steve Pagliuca, David Poldoian, Carole Prest, Pat Profeta, Liz Ramos, Robin Renn, Judy Rosen, Eric Schwalm, Peter Seldin, Tom Shannon, Joe Shlesinger, Jeremy Silverman, John Smith, Paul Smith, Mark Speers, Paula Speers, Jay Troger, Kent Thiry, Hiroshi Uchida, Vijay Vishwanath, Lisa Walsh, Mike White, Phyllis Yale, and Chris Zook. The extraordinary talent of this group is evidenced by what they have accomplished both at Bain and elsewhere.

In 1983, Bain Capital was started as a separate company, but for me it has always been a part of the Bain family. When I came to Bain, one of my objectives was to achieve financial independence in 10 years. A study we did for a client on wealth management convinced me that, because of the erosive effects of inflation and taxes, I could only get halfway there using the traditional financial forms of savings. If I wanted to achieve my objective, I had to earn double the nominal return on these assets. Therefore, when the idea of Bain Capital was raised, I was an enthusiastic supporter and signed up for a commitment that would absorb most of my actual and anticipated savings. I believed in Bain's powerful wealth-creating engine. While Mitt Romney tried to persuade me to reduce the commitment in this first fund, mine ended up being the largest of any partner other than the founders.

Half of the first fund was to be non-partner friends, not institutions, so Mitt Romney and I traveled to Miami to meet with a group of my former clients and friends from Central America who were looking for good investments. They signed up for almost 20 percent of Fund I; and Ricardo Poma, one of my best friends, became one of the three members of the Bain Capital Investment Committee. Over the years, these Latin American friends have loyally rolled over investments in succeeding funds, actively participated in Bain Capital's May investor meetings, and are still today one of the largest investor groups in Bain Capital.

Steve Pagliuca, one of the stars of our consulting group, along with David Dominic moved over to Bain Capital to manage the second fund. Many in Bain Capital became close friends and supported our efforts in Central America in private equity. Besides Mitt and Steve, in that earliest group, I send a special thanks to Bob White and Josh Beckenstein.

My debt to Dallas partners and office staff is huge. I'm grateful for the vision and support of Mark Gottfredson, Stan Pace, Ted Beneski, Greg Brennemann, Mark Jones, Natalie Bentley and Moira Kenzie who in those early years encouraged me to start Bain Costa Rica and supported the efforts in many ways. I'm also grateful to all the later partners who, even after we closed the Bain Costa Rica, have continued to invite me to partner retreats.

I've talked a lot about Jorge Leis and Matthew Meacham in the section on Bain Costa Rica. Many others, though, also contributed. Perhaps because of our small size and the challenge of what we were doing, they became close friends for whose support and friendship I will always be grateful: Carlos Velasquez, Joaquin Quesada, John Stanham, Luis Javier Castro, Tanya Avellan, Roberto Ponce, Fabricio Ponce, Juan Carlos Villacis, Filippo Foco, Alejandro Lozano, Jean-Pierre Wegener, JP Mazza, Lisa Edwards, Elias Farhat, Dennis Chan, Robbie Garcia, Manuel Hinke,

Ralph Vogel, Randolf Kissling, Jeff Weston, Marty Dewitt, Carlos Careno, Stephane Bacquart, Brian Wheelan, Anabelle Soto, and Ivannia Esquivel.

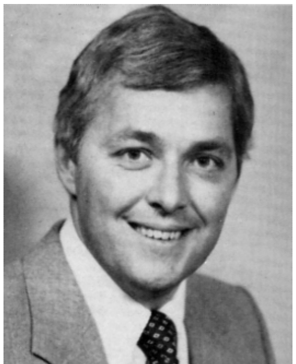
In many ways the impetus for these stories has come from the New Partner Training Program in which I've participated during the last 10 years. Working alongside Dave Johnson and Manny Maceda in Flagship training and with Tom Tierney in a course called "Managing Yourself and Your Career," we've seen the interest of the participants for more stories from Bain's history. I thank them and the leaders and staff of New Partner Training—Steve Tallman, Raj Pherwani, Ourel Lancry, Brenda Davis, Niki Curry, and Colleen Mahan—for their encouragement and support in this project.

When Tom and Orit turned over the main leadership positions to the next team of leaders, and when Bain Costa Rica closed, I felt it was important not to overstay my time as a director emeritus. The new generation of Bain leaders, however, not only facilitated my continued participation but encouraged me to get involved in building Bain's institutional memory. At Bain, we don't fully realize the quality of leadership we're lucky enough to have, nor often do we adequately thank them. They have all practiced, in a way I deeply admire, what I call "servant leadership." Special thanks, then, to John Donahoe and Steve Ellis as managing partners, and to Matthew Meacham and Pete Lane as office heads in Dallas, for facilitating my continued involvement in Bain in general and specifically for encouraging me to complete these stories. Also a sincere thanks to Jimmy Allen for heading up the Heritage Project and providing a place for the publication of these stories. For help collecting information, thanks to Wendy Miller and Len Banos.

Of the many who read earlier drafts, a warm thanks to several "editors," Linda Bergthold, Clare Strachan Frist, Elaine Cummings, and Dawn Briggs. Above all, though, I have to thank Sandy Conant Strachan, my wife and soul mate, whose detailed editorial help and suggestions from the first draft on have greatly improved the book and whose encouragement has kept me going.

If this were published as a bona fide book, the dedication would be to my folks, especially my mother Elizabeth Walker Strachan (1917-1969). Early on she taught me the fun of consulting by sharing with me management problems my father faced and asking me how I would solve them. She was my first case method teacher. In her relatively short life, she helped found a school and other projects for the poor, and wrote multiple books. She trained in the Costa Rica National University the first generation of pre-kinder teachers, all the while making her six children feel they were her top priority. My parents' values are reflected throughout the stories as well as in the Strachan Foundation. Along with thanks to Mother, therefore, is gratitude to my father, who embodied so many of the qualities I have tried to emulate and to whom I dedicated my earlier INCAE stories.

Additional biography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For those wishing to place the stories in a coherent chronology of my life, the following brief resumé may help. I was born of missionary parents in 1941 in Costa Rica. My BA was in Literature from Wheaton College (Chicago), followed by a JD from Harvard Law School. After a stint in the Army, I returned to Harvard, this time for a Doctor of Business Administration.

My first career was as an academic. From 1970 to 1976, I taught in Central America at INCAE, a business school Harvard helped to establish. I returned to Boston to teach at Harvard Business School from 1976 to 1979 in the Business Government and International Economy (BGIE) course.


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In the summer of 1978, before my last year of teaching, I had a trial assignment with Bain and joined the firm full time in October 1979. I was a member of Bain's Boston office until 1993 (though I took a leave of absence around 1981 to help INCAE as Rector in its Sandinista crisis, a period I've described in a separate set of stories called *INCAE Memories 1970-1982)*. I was promoted to partner in 1983.

In 1993, I officially joined the Bain Dallas office and moved my residence to Costa Rica, where we set up a Bain office, the "experiment" described in the last set of stories.

In 1998, when the Bain Costa Rica office was moved to Mexico and my commitment was reduced to part time, I remained in San José. As one of Bain's first senior advisers or "directors emeritus" in the decade from 1998 to 2008, I've had two principal roles: to help design and teach in New Partner Training and to support certain clients in Latin America being served by Bain Mexico, São Paulo, and Dallas. The rest of my time has been devoted to Mesoamerica Partners, Bain's sister organization in private equity and M&A advisory, and to pro bono activities including the Strachan Foundation, established in honor of my parents and grandparents (also missionaries and the founders of the Latin America Mission).