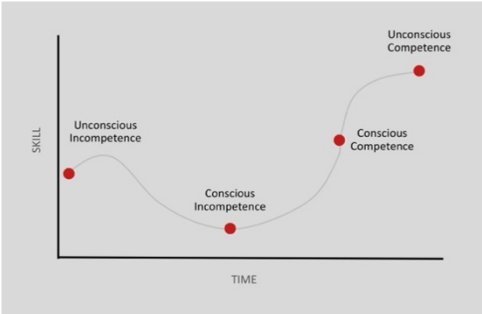
Five Favorite Frameworks

Frameworks are the simplest way to make better decisions, and to make them faster. Here are our five favorites.

Driving Change: Four Stages of Competence



The Four Stages of Competence explains why organizations are often unable to implement basic processes that they know will improve outcomes. It is especially powerful for search fund CEOs who almost always inherit a set of practices that need revision.

The first stage (Unconscious Incompetence) describes doing something wrong, or sub-optimally, but not knowing any better. For instance, imagine a weak inventory process that you inherited from the former owner.

But eventually you recognize that the inventory process is not scalable and leads to stockouts. You don't know the solution, but you've recognized the problem. That's called Conscious Incompetence—you're doing it wrong, but now you know so.

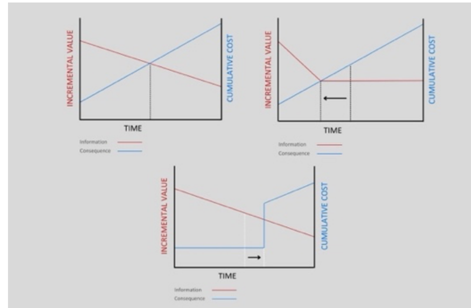
In response, you uncover better systems and practices to manage inventory and implement those practices. This is Conscious Competence—you're now doing it right, but it takes deliberate energy and effort.

Here is the most critical concept: Conscious Competence is realty hard. It involves changing behavior. That explains the temptation to retreat—implementing just the easy stuff and taking a pass on what is hard—making a choice between *Good* and *Great*.

What is critical is the understanding that if one perseveres, they are rewarded with Unconscious Competence. You're now doing it correctly, and you don't have to think about it. The right way becomes the new normal. The highest-performing organizations endure the discomfort of Conscious Competence on the way to Conscious Competence, choosing *Great* over *Good*.

Decision-making: Information vs Cost

A common problem search fund CEOs faces is when, or whether, to decide. This is especially acute during the first six months, having been told: “do no harm,” even though there are exigencies that cannot be dismissed.



The Information vs. Cost framework helps you triage your decisions.

The horizontal axis represents time, and the vertical axis represents a quality measure. One upward-sloping line represents how with time you learn information that is valuable to making the correct decision. The downward line represents the cost of waiting.

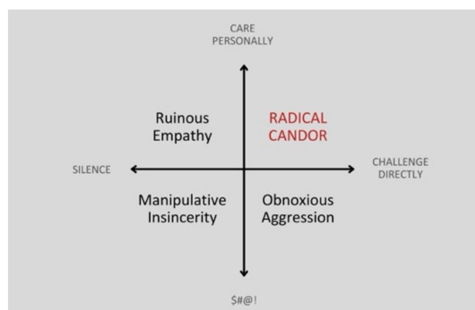
The lines are impossible to plot with precision. But the concept is not.

For instance, in applying this framework, you recognize there is little cost of waiting a few months to change your sales commission plan, and over that time you’ll be materially better informed when you do implement the program. You’ll postpone that decision to a time when you’ll be wiser, and at limited cost to your organization.

Alternatively, you might feel that your controller needs replacement, and nothing in the subsequent days will alter that view. Meanwhile, with every passing week the lack of good data, and the time you spend covering for the controller, comes with significant cost. The Information vs. Cost framework informs your decision on when to make that decision.

Building a Team: Radical Candor

Kim Scott’s Radical Candor explains the human pathology behind our reluctance to speak directly and honestly when we give feedback to our team.



The horizontal axis measures a person’s willingness to challenge others directly; the vertical axis demonstrates one’s capacity to care for others.

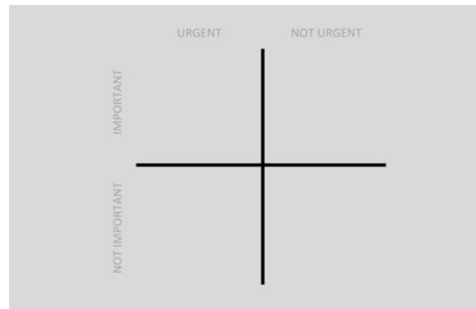
Most people resist delivering developmental feedback out of a belief they are being kind. She calls that Ruinous Empathy. But Scott makes the compelling case that Ruinous Empathy is not about taking care of our team, but taking care of ourselves."

Ruinous Empathy is tempting because it leaves us personally unscathed and plays to our desire to be liked and accepted, but it fails our team and indirectness is not kindness. As Scott writes, “Ruinous Empathy is seeing somebody with their fly down but not wanting to embarrass them, saying nothing, with the result that 15 more people see them with their fly down.”

Ruinous Empathy impedes your team's chance to improve. And since we are good at detecting insincerity, it leaves people uncertain as to where they stand.

Custodian of Time: Eisenhower Matrix

General Dwight Eisenhower faced relentless tension between urgent issues and winning the war. To guide his staff, he developed the Eisenhower matrix.



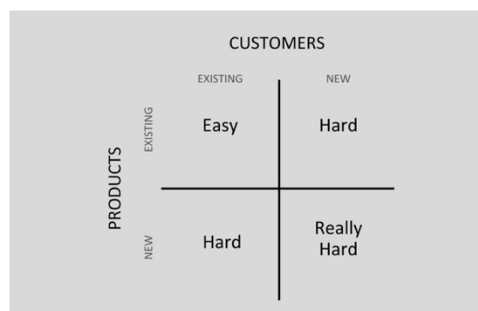
He did so understanding that our biology pulls us to the bottom row of the Eisenhower matrix—Urgent and Not Important kept us alive when we were chasing down a gazelle for dinner or getting out of the way of a saber-tooth tiger.

Today we're also pulled to the unimportant row because it is easy and provides a false sense of progress: all my emails got answered so I must have made headway. But doing so comes at an enormous cost: whenever you chose to do X, it means you are *not* doing Y.

The Eisenhower Matrix requires you to intentionally categorize work into a quadrant, concentrating your attention to the upper row where wealth creation happens. It helps us spend time on hard things, but what will drive value.

Driving Revenue: Ansoff Matrix

Search fund CEOs are easily enticed to work on new things, too early, instead of doing more of what's working.



We like innovation and change, it is interesting, and doing the same thing over and over again is less enticing. But often that is exactly what you company needs.

As it relates to sales, it leads to underinvesting time and energy from the easiest and least risky way to drive the top line: *Sell more of what you know how to make, to the people who already like doing business with you.*

This by making the strategic decision to focus time and energy on taking really good care of your existing customers, rewarding your team less for "new logos" and more for "share of wallet," and customer retention. This is because new customers require convincing to get them to leave their current relationships. That is not easy. In fact, they are six to seven times more expensive to attract than keeping an existing customer.

Closing the back door to your customer churn is often far easier than getting new customers through the front door.

The data supports the common sense. Bain & Company found that companies that excel in customer experience increased revenues 4% to 8% faster than their competition. Revenue from existing customers also translates into higher profits—repeat customers stay longer, are less costly to maintain, and respond more favorably to price increases.

After you have maximized the upper left quadrant, you will need to migrate to the right or downward. And when that strategic fork in the road is presented, the wonder of the Ansoff Matrix is that it forces you to consciously weigh the two paths against one another, and pick the most profitable strategic path.

Your Partners at FTF,

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