## PREFACE

## Reading History Forward

*Learning to Think Before Outcomes Are Known*

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In The Improvement Compass: A Framework for Better Decisions and Improvement, we explored a simple but powerful idea: organizations improve when they consistently create more value while reducing organizational friction. We introduced a common language for evaluating decisions—not simply by the outcomes they promise, but by the broader impact they create across quality, cost, speed, safety, customer experience, and the many forms of friction that often accompany change.

Understanding a framework, however, is only the first step. The greater task is learning to apply it when the future remains uncertain.

Judgment is not developed by studying principles alone. It is developed by repeatedly placing ourselves in situations where thoughtful people faced uncertainty, competing priorities, imperfect information, and difficult tradeoffs. This book is about that practice.

We rarely judge decisions; we judge outcomes. Yet the purpose of MBFC + SH has always been to improve the quality of decisions before outcomes are known. That idea lies at the heart of this book because history records outcomes while leadership produces decisions. Those are not the same thing.

When a company becomes enormously successful, its strategy often appears obvious in retrospect. Looking backward, the winning path seems almost inevitable. The opportunities appear unmistakable, the risks seem manageable, and the leaders responsible for the most important decisions are remembered as visionaries who recognized what everyone else eventually came to understand. Failure creates the opposite illusion. Once an organization struggles, history encourages us to identify the mistakes that now appear impossible to miss, as though wiser leaders should have recognized them long before events unfolded.

Success becomes evidence of good judgment. Failure becomes evidence of poor judgment.

Reality is rarely so accommodating.

Every important decision is made before anyone knows how the story ends. Leaders work with incomplete information while markets evolve, competitors introduce unexpected products, customer expectations shift, technologies mature, regulations change, and economic conditions move in unpredictable directions. Time rarely permits perfect analysis, and every meaningful decision requires choosing among alternatives that all contain uncertainty. The people making those decisions cannot see the future any more clearly than we can.

A thoughtful decision may ultimately produce disappointing results because circumstances change in ways no one could reasonably anticipate. Likewise, a poorly reasoned decision may occasionally produce extraordinary success because of fortunate timing, favorable market conditions, or simple luck. If we evaluate every decision solely by its eventual outcome, we begin rewarding luck and punishing disciplined thinking. In doing so, we risk learning precisely the wrong lessons from history.

Business history deserves more careful reading. History is the world's largest leadership laboratory, but it teaches its lessons only to those willing to separate decisions from outcomes.

Most business books are written from the perspective of hindsight. We already know which companies succeeded, which executives became celebrated leaders, and which strategies transformed industries. The ending is never in doubt. That certainty changes the way we interpret every page because we cannot help viewing each decision through the knowledge of everything that followed. We admire choices that happened to succeed, criticize those that ultimately failed, and gradually lose sight of the uncertainty that surrounded every important decision when it was actually made.

This book asks you to read history differently—not through the certainty of hindsight, but through the uncertainty in which every important decision is actually made.

Rather than beginning with the outcome, begin with the uncertainty. Rather than asking whether a decision eventually succeeded, ask whether it represented sound judgment at the moment it was made. Rather than admiring or criticizing the people involved, imagine becoming one of them.

Throughout the chapters that follow, I invite you to take a seat at the conference table. Financial reports are spread across the table. Sales have slowed—or perhaps demand is accelerating beyond expectations. A trusted executive recommends caution while another argues for bold action. Competitors are moving. Customers are changing. Technology is evolving. Everyone in the room wants the organization to succeed, yet thoughtful, experienced people disagree about what should happen next because they interpret the same evidence differently.

Now the decision is yours. No one in the room knows they are about to become a business case study. What would you recommend—before history answers for you?

That question is far more important than it first appears because it transforms business history from a collection of stories into an opportunity to practice judgment. Instead of memorizing what successful organizations happened to do, you begin examining why intelligent people reached the conclusions they did. The objective is not to discover the "correct" answer. It is to strengthen the quality of the thinking that produces it. The MBFC + SH framework provides the compass. These case studies provide the terrain on which that compass is tested.

For that reason, the chapters that follow are not intended to mechanically score historical decisions against the MBFC + SH framework. Frameworks are valuable only to the extent that they improve judgment. Before we can consistently evaluate decisions well, we must first learn to think well. These case studies are designed to strengthen that habit of disciplined thinking.

As you move through the chapters, you may notice that your own questions begin to change. Rather than asking whether you agree with a particular decision, you may begin asking what assumptions shaped the discussion, which constraints were genuinely unavoidable, whether the organization's objective had changed, whether organizational friction was accumulating beneath apparent success, or whether accepted practices had simply become accepted without continued examination. You may find yourself paying less attention to the outcome and more attention to the reasoning that preceded it. That is where judgment develops.

The organizations in this book operate in different industries, compete under different circumstances, and pursue very different strategies. Some made decisions that history ultimately rewarded. Others reached thoughtful conclusions that circumstances later undermined. Still others achieved remarkable outcomes despite imperfect reasoning. Each case offers something valuable because every decision reveals a different way of thinking about uncertainty.

Although the industries differ, the underlying challenge remains consistent: making decisions that create genuine net improvement while avoiding unintended consequences that quietly erode it.

The future has already been written for every organization in this book. Yours has yet to be written.

The decisions you will make next week, next month, and next year will involve different industries, different technologies, different competitors, and different challenges. None of the organizations you are about to study can tell you exactly what to do when those moments arrive. They can, however, help you develop the habit of seeing important decisions more clearly before making them.

That is the purpose of this book. It is not to celebrate successful companies or criticize unsuccessful ones, nor is it to persuade you that a particular strategy guarantees success. Its purpose is to strengthen judgment because, while the future cannot be predicted with certainty, the quality of our thinking can always be improved.

Leaders cannot control the future. They can control the quality of the thinking that shapes it.

Before you continue, I would like to offer one suggestion.

Resist the temptation to read these chapters simply to discover what happened.

History has already answered that question.

Instead, pause before each case reaches its conclusion and decide for yourself. Imagine sitting at the conference table with the information available at the time. What would you recommend? Which assumptions deserve to be challenged? What risks matter most? What additional information would you want before acting?

Then continue reading.

Sometimes your conclusion will match the one history ultimately records. Sometimes it will not. That is not the objective. The value of these case studies lies not in predicting the future correctly, but in strengthening the quality of the thinking that precedes important decisions.

**Now, take your seat at the conference table.**

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# INTRODUCTION

## What Is a Decision Lens?

*Seeing Decisions Through Multiple Perspectives*

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Imagine that tomorrow morning you are called into an executive meeting to discuss one of the most important decisions your organization has faced in years.

Sales have slowed, although no one agrees why. Competitors are introducing new products. Customers appear to be changing their buying habits. Operating costs continue rising while shareholders expect stronger financial performance. The leadership team gathers around the conference table with the same reports, the same market research, the same financial statements, and the same objective: determine the best path forward.

The discussion starts.

One executive argues that the organization should invest aggressively before competitors widen their advantage. Another insists the company should pause expansion and strengthen operations before pursuing additional growth. A third believes the business has become unnecessarily complex and should simplify its product line. Someone else argues that complexity is precisely what allows the organization to serve more customers. The finance leader worries about capital allocation. Operations focuses on execution. Marketing emphasizes changing customer expectations. Engineering raises technical constraints that few others had considered.

Every recommendation is thoughtful. Every recommendation is supported by evidence. Every recommendation comes from intelligent people genuinely trying to make the best decision for the organization. Yet the recommendations point in different directions. Why?


The key insight is perspective.

Each person is viewing the same situation through a different decision lens. Exceptional leaders learn to examine important decisions through multiple lenses before committing to one course of action.

Every leader develops these lenses over the course of a career. Experience teaches us where to look first, what risks deserve immediate attention, which opportunities appear most promising, and which tradeoffs matter most. Success reinforces certain habits of thinking. Failure reshapes others. Over time, those habits become valuable because they allow experienced leaders to simplify problems that might otherwise feel overwhelming.

They also create blind spots.

Every lens reveals something while obscuring something else.

An operations leader naturally notices inefficiency before opportunity. A finance executive instinctively evaluates capital allocation and risk. A marketer quickly recognizes changing customer behavior. An engineer identifies technical realities invisible to the rest of the room. None of these perspectives is inherently better than the others. Each captures an important part of reality while leaving another part outside its field of view.

The MBFC + SH framework was developed for this reason: to help leaders examine decisions from more than one direction. More, Better, Faster, Cheaper, Safer, and Happier each reveal a different kind of value. Waste, Defects, Delays, Excess Cost, Risk, and Frustration reveal different forms of friction. A decision lens serves a similar purpose. It reminds us that better judgment rarely comes from a single perspective.

Better decisions emerge not because one perspective defeats the others, but because exceptional leaders deliberately examine important decisions through multiple lenses before choosing a direction.

That simple idea became the foundation of the chapters that follow.

The chapters that follow are not intended to provide formulas, universal strategies, or management techniques that guarantee success. Organizations succeed under different circumstances, often by making decisions that appear to contradict one another. Costco built extraordinary loyalty by deliberately limiting choice, while Airbnb created value by dramatically expanding it. Steve Jobs became famous for removing products and features, while Virgin repeatedly entered entirely new industries. Berkshire Hathaway decentralized thousands of operating decisions, while Apollo 13 required extraordinary coordination around a single objective. None of these organizations succeeded because they discovered the one correct strategy. They succeeded because they understood which questions mattered most within the circumstances they faced.

The objective is not to imitate their decisions. It is to understand the thinking that made them reasonable at the time. The organizations are the evidence. The enduring value lies in the quality of thinking that produced the decision.

For that reason, each chapter should be read as an invitation to practice judgment rather than as a test of historical knowledge. Before the outcome is revealed, pause and ask what you would recommend if you were sitting in the room. What decision is actually being made? Which assumptions are shaping the discussion? What evidence deserves the greatest weight? Which tradeoffs matter most? What information is still missing? What unintended consequences deserve greater attention? There is no expectation that your conclusion will match the one history ultimately records. The objective is not to predict the future. It is to strengthen the quality of the thinking that precedes important decisions.

As the chapters accumulate, you may notice that your own questions begin to change. Instead of searching immediately for solutions, you may spend more time clarifying objectives, questioning assumptions, identifying competing objectives, recognizing hidden forms of organizational friction, and asking whether apparent improvement represents genuine improvement. Those questions are not separate techniques or isolated analytical tools. Together they become a different way of thinking about leadership.

That is the real value of a decision lens. It reminds us that every important decision deserves more than a single perspective. Cost matters, but so does customer effort. Speed matters, but so does quality. Growth matters, but so does resilience. Simplicity creates clarity, yet complexity sometimes creates capability. Delegation develops organizations, while centralization occasionally becomes essential. Each perspective contributes something valuable. The challenge is recognizing which perspective deserves the greatest weight in the circumstances. Wisdom lies in knowing when one perspective deserves greater emphasis while remaining willing to examine the decision through several others before acting.

No framework can eliminate uncertainty, and no collection of case studies can tell you exactly what to do when your next important decision arrives. Frameworks improve decisions only when they improve judgment. They cannot eliminate uncertainty, but they can improve the quality of the thinking brought to it. They can help you recognize recurring patterns, ask better questions, and avoid mistakes that result not from a lack of intelligence, but from looking at an important decision through too narrow a field of view.

That is why this book does not apply the MBFC + SH framework mechanically to every case. The purpose is not to force history into a scorecard. The purpose is to strengthen the judgment that makes any framework useful. A compass is valuable only when the person holding it learns to read the terrain before choosing the path.

The next decision you make will not involve Costco, SpaceX, Berkshire Hathaway, Apollo 13, or any of the other organizations in this book. It will involve your organization, your colleagues, your customers, your opportunities, and your constraints. The names will be different. The circumstances will be different. The stakes may be higher or lower, but the challenge will remain strikingly familiar.

The need for sound judgment will be exactly the same, because every meaningful decision still requires balancing opportunity against risk, speed against quality, simplicity against capability, and immediate results against long-term value. That balance—not certainty—is what thoughtful leadership requires.

My hope is that when that moment arrives, you will remember not merely the organizations you have studied, but the questions they taught you to ask. That is the enduring value of a decision lens.

# PART I

# STRATEGIC JUDGMENT

*Recognizing Opportunity Before It Becomes Obvious*

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*"The only true voyage … would be not to visit strange lands but to possess other eyes."*

— Marcel Proust

*"In the fields of observation, chance favors only the prepared mind."*

— Louis Pasteur

The greatest opportunities seldom announce themselves. More often, organizations overlook them because they are busy improving what already exists instead of questioning what should exist next.

Every organization competes in essentially the same world.

Customers face similar needs regardless of which company ultimately serves them. Competitors operate under many of the same economic conditions, technologies become available to entire industries at roughly the same time, and information has never been more accessible. Yet organizations facing similar circumstances often arrive at very different futures. Some redefine industries while others struggle to preserve yesterday's position. Some recognize opportunities that appear obvious only after someone else has acted upon them. Others spend years responding to changes they failed to notice while those changes were reshaping the competitive landscape.

The explanation rarely begins with execution. Execution matters enormously, but execution follows decisions, and decisions follow understanding. Before organizations build products, create stronger cultures, improve operations, or outperform competitors, someone must first recognize something others have failed to see. A customer problem has been misunderstood. An accepted assumption deserves to be questioned. An existing capability may create value in an entirely different way. The world has changed while competitors continue behaving as though it has not. Strategic judgment begins long before execution.

It begins by seeing familiar situations differently.

By the time an organization begins executing a superior strategy, its most important competitive advantage has often already been created. Someone saw the situation differently.

The chapters that follow examine organizations that reached those moments in very different ways. Some deliberately narrowed their focus while competitors pursued endless expansion. Others disrupted their own business before someone else could do it for them. Some discovered opportunity inside assets that competitors treated as ordinary overhead, while others challenged conventions that entire industries had stopped questioning. Today, many of these decisions appear inevitable because history has already revealed their outcome. At the time, they demanded leaders willing to challenge prevailing assumptions and move toward opportunities that remained uncertain.

The organizations illustrate the lesson. Their thinking is what transfers.

This point deserves emphasis because this section is not intended to provide strategies to imitate. Every organization operates within its own competitive environment, serves different customers, and faces different constraints. Attempting to copy another company's strategy without understanding the circumstances that produced it usually creates disappointment rather than competitive advantage. The transferable insight is rarely the decision itself. The transferable lesson is the discipline of seeing situations more clearly before deciding how to respond.

As you read the chapters that follow, pay close attention to the questions these organizations asked before they acted. What assumptions did they challenge? What opportunities did others overlook? Which customer problem were they actually trying to solve? What objective were they really trying to achieve? Which constraints reflected reality, and which existed only because no one had questioned them recently? The specific answers will vary from chapter to chapter, but the habit of asking those questions becomes increasingly valuable with every important decision.

By the end of this section, I hope one idea stands above all the others. Opportunity is rarely hidden. More often, it is simply overlooked.

The organizations that consistently outperform their competitors are not always those with the greatest resources, the largest budgets, or the most accurate forecasts. More often, they are the organizations whose leaders learn to see familiar situations with fresh eyes, recognize possibilities before they become obvious, and act while others are still debating whether change is necessary.

That is where enduring competitive advantage begins—long before the results make the opportunity obvious to everyone else.

## Chapter 1

## The Danger of Yesterday's Success

*When Success Becomes Strategic Inertia*

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Success changes the questions leaders need to ask.

When an organization struggles, the need for change is usually obvious. Customers leave. Sales decline. Margins shrink. Competitors gain ground. Leadership may disagree about the solution, but few question that something must change. Failure has a way of forcing reflection.

Success rarely does.

Customers continue buying. Employees become more experienced. Products improve. Processes become more efficient. Financial results remain acceptable. Every improvement reinforces the belief that the organization is moving in the right direction. Each successful year makes the next year's strategy seem even more certain. Success creates momentum, and momentum naturally encourages organizations to keep doing what has worked before.

Most of the time, it is exactly the right decision.

Sometimes it is not.

Markets rarely change all at once. Customer expectations evolve. New competitors emerge with different business models. Technologies mature. Industries that once rewarded one set of capabilities gradually begin rewarding another. These shifts often occur so gradually that each year's decisions appear reasonable when viewed individually. Looking back years later, the pattern becomes obvious. The organization never stopped improving itself. It simply continued improving a business whose long-term future was quietly becoming less attractive.

Few companies illustrate that lesson more clearly than Intel.

Today, Intel is almost inseparable from the microprocessor. Looking backward, that outcome appears almost inevitable. It is easy to forget that when Robert Noyce and Gordon Moore founded Intel in 1968, the company's future rested on semiconductor memory. Dynamic Random-Access Memory, better known as DRAM, became the foundation of Intel's early growth. The company attracted outstanding engineers, built exceptional manufacturing capability, and earned a reputation for technical excellence. Every year brought better products, more efficient manufacturing, and stronger competitive positions. By nearly every measure executives use to judge performance, Intel was doing exactly what a successful company should do.

Then the economics of the memory business began changing.

Japanese manufacturers steadily improved quality while lowering manufacturing costs. Competition intensified, prices declined, and profit margins narrowed throughout the industry. Intel responded with discipline rather than panic. Engineers improved products. Manufacturing teams increased yields. Costs declined. Quality remained among the best in the industry. Every initiative strengthened Intel's competitive position.

Meanwhile, leadership had not yet recognized the significance of what was happening outside the company.

Andy Grove later recalled asking Gordon Moore to imagine that both of them had left Intel and that the board had hired a new chief executive. Grove's question was simple.

*"What would the new CEO do?"*

Moore did not hesitate.

*"He would get us out of memories."*

Grove's reply has become one of the defining moments in business leadership.

*"Why shouldn't you and I walk out the door, come back, and do it ourselves?"*

The power of that conversation was not the answer.

It was the question leadership finally chose to confront.

Nothing inside Intel changed during those few moments. The engineers were the same. The factories were the same. The competitors were the same. The economics of the memory business were the same. What changed was leadership's perspective. Instead of asking how Intel could become the world's best memory company, Grove asked whether memory should continue defining Intel's future.

That single question revealed something years of operational improvement had obscured.

Intel had become a better memory company while the memory business itself was becoming a less attractive place to compete.

The difference is subtle.

Yet it appears repeatedly throughout business history. Organizations naturally devote enormous energy to improving what they already do. They refine processes, strengthen products, lower costs, and improve customer service. Every one of those efforts makes the organization stronger. The danger arises when improving the business replaces questioning whether it remains the right business. The transition rarely occurs because anyone makes a poor decision. It occurs because a series of individually reasonable decisions gradually produces an unreasonable destination. Each decision appears reasonable when viewed in isolation. Success gradually turns yesterday's choices into today's assumptions.

Once Intel recognized the real problem, the discussion changed completely. The company's greatest strength was never memory chips. It was the engineering talent, manufacturing capability, and culture of innovation that had produced them. Those capabilities could create value far beyond the products that had originally made the company successful. Intel did not abandon its strengths. It redirected them.

The same idea applies far beyond the semiconductor industry.

Every successful company eventually reaches a point where improving execution is no longer enough. Leaders must also step back and ask whether all of that effort is being applied where it will create the greatest long-term value. Continuous improvement remains essential. Organizations should relentlessly improve quality, reduce waste, lower costs, strengthen customer relationships, and build better products. Those responsibilities never disappear with success. They answer something essential.

*How can we become better at what we do?*

Leadership must also ask something more fundamental.

*Should what we do today continue defining what we do tomorrow?*

The two questions are related, but they are not the same. One improves execution. The other protects relevance. Organizations that ask only the first often become exceptionally good at serving yesterday's opportunities. Organizations that ask both are better prepared to recognize change while they still have the freedom to respond.

Every successful organization eventually faces its own version of Intel's decision. The products are different. The industries are different. The technologies are different. The leadership responsibility remains the same. Momentum naturally encourages organizations to perfect the business they have. Leadership requires deciding whether that business is still the one worth perfecting.

Yesterday's success is one of a company's greatest assets—but it can also become one of its greatest sources of strategic inertia if leaders stop questioning the assumptions that created it.

It should provide the confidence to question the future—not the confidence to assume the future will look like the past.