



## The CEO Challenge for March 2010

# You know the saying about assumptions. Why are you still making them?

Assumption testing has always been important in organizations. Right now, however, it's more critical than ever. Markets are evolving so fast that the wrong assumptions can be fatal.

Worse yet, an organization's inability to routinely identify and test assumptions is a cultural defect that can be very difficult to correct.

Rick and I often see this problem when we participate in leadership meetings held by our clients. During these meetings, we frequently hear executives mistakenly state assumptions *as if they were facts*. Here are a few assumptions we hear regularly:

- This slowdown is temporary; things will be back to normal soon
- This customer loves us, so this deal is safe
- Our clients want X
- No one else can beat us at X
- We have to lower our prices
- We have to invest in X
- We can't afford to do X
- We tried X before and it didn't work

Each and every one of these statements is an assumption. And yet we rarely hear anyone challenge these assumptions. Why not?

---

**Do you have comments, questions or feedback on this article?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.

The monthly CEO Challenge is published by The Revenue Game, a revenue consultancy that helps clients generate predictable, profitable growth. To get in touch with us directly, please contact Jane Adamson, CEO, at (866) 356-8979 or [janeadamson@therevenuegame.com](mailto:janeadamson@therevenuegame.com).

## ARE WE JUST TOO NICE?

It's understandable that colleagues sometimes fail to challenge each other. First, there's the fear of appearing negative, especially during difficult times. Executives need to provide solutions; if a solution isn't readily apparent, it's easy to withhold questions or challenges, to indulge the groupthink.

Second, we live in a multi-disciplined world in which we need to trust the expertise of our colleagues. When those from other disciplines speak, we may not have the direct knowledge to evaluate the intricacies of what they said, let alone establish whether it's right. As a result, assumptions go unchecked.

This problem escalates when power is added to the equation. For example, when a CEO, president, or boss makes an assumptive statement, it's even more likely to slide by. We've watched entire meetings in which a CEO will present assumptions without a single challenge. If we talk with that same CEO privately, s/he will inevitably assure us that s/he invites and encourages dissenting viewpoints. That's an assumption as well -- s/he assumes that the rest of the team feels confident and comfortable sharing that dissention.

It's naïve and dangerous for any executive to believe that employees will automatically voice anything, especially when that "anything" is negative or challenging. The way to truly create an organization that identifies and checks critical assumptions is to build it into the cultural expectations. Only if it becomes the behavioral **expectation** in the organization will it become real.

Assumptions rarely exist in a vacuum, and they lead to more assumptions that can devastate a campaign, a strategy, or a company.

## A CASE STUDY

Here's a simple, true example of how one bad assumption leads to a myriad more. Let's say that an organization is attending a trade show with the assumption that the best way to succeed is to **attract as many people as possible into the booth and get their contact information.**

Based on this master assumption – **we must attract as many people as possible** -- the organization makes all of these secondary assumptions:

---

**Do you have comments, questions or feedback?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the CEO Challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.

1. The booth needs to be huge and highly visible.
2. We need sensory devices, contests, premiums and actors.
3. We'd better be a show sponsor so our name is on the program, the walls and the big banners.
4. We'll need plenty of power, labor and technology in our booth so we can electronically swipe contact information and download the data in order to follow-up with everyone.
5. We need a new booth because it can't look the same as last year.
6. We need to increase our tradeshow budget to X.
7. With this huge budget, the sales team must close \$X million in new business from this effort.

This show will now require a significant effort from multiple departments – sales, marketing, finance, operations, and the executive team who banks on lofty results to propel the business toward its quarterly and annual goals.

## WHAT IF SOMEONE HAD SPOKEN UP?

What if one person in the organization had been encouraged to challenge the initial master assumption? That person might have brought up these arguments:

1. Having a lot of traffic in the booth will mean we won't have time to separate real prospects from tire kickers. We also won't have time to work with the strategic clients and prospects we've invited to the show.
2. A massive effort to fill our database means lots of pre-show prep and post-show follow-up for a team of sales reps that doesn't have the resources or budget to absorb an enormous influx of extra work hours.
3. 90% of the names we put in the database won't be prospective customers, so afterward we'll need to talk to everyone and find the 10% who are real prospects. This effort will actually *reduce* sales time with qualified prospects.
4. We know that 10-20% of the 90% non-customers will ask us to quote or send us RFPs, which will further reduce sales team time to sell strategic prospects. At the same time these extra RFPs will add to the work burden of the various support teams, decreasing their ability to meet their budgets.
5. Since the post-show marketing program will require a big follow-up effort with limited staff, it will be a long time before we get to the 10% who are the qualified prospective buyers. By that time, many of them will have already bought from someone else. We will be lucky if we can get 33% of that 10% to buy, and we'll never hit our revenue goals at that rate.

---

**Do you have comments, questions or feedback?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the CEO Challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.

These challenges highlight the fact that “more people” wasn’t the right strategy for the show. And a challenger would have saved the organization many headaches and put millions back into the top and bottom lines. However, since nobody challenged the master assumption, the ramifications negatively affected the company and its strategy for a year.

## SOLUTION

If your company’s culture isn’t proficient in identifying, challenging, and testing assumptions ... you’re not alone. Therefore, you can gain considerable advantage by evolving into an organization that welcomes and benefits from this kind of consistent, strategic analysis.

## ACTION PLAN

### 1. Make sure your organization supports assumption testing.

There are two tests that demonstrate whether your organization is good at identifying and testing assumptions.

When new employees join the organization, find out what they informally learn about the company and its culture. Preferred cultural norms pass from person to person. Listen carefully to what you hear. Are new employees inspired to challenge the status quo? To speak up in meetings? To drive new initiatives? Or are they encouraged to get along and keep their heads low? If there’s any semblance of the latter, you have a serious cultural problem.

Observe what gets rewarded and why. When team members question an assumption, what do they receive? A look of annoyance, an eye roll, or a pat on the back? If a company wants a culture that identifies and tests assumptions, it must reward that behavior openly and consistently.

### 2. Start listening for assumptions. You’ll be surprised by how many are being made.

There are two basic categories of assumptions – those made about the external marketplace and those made about and internal environment of the company. Here are just a few general examples of common assumptions companies make.

---

**Do you have comments, questions or feedback?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the CEO Challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.

EXTERNAL ASSUMPTIONS	INTERNAL ASSUMPTIONS
<ul style="list-style-type: none"><li>• Who are our best prospects and clients</li><li>• What's happening in markets, organizations, industries</li><li>• What our competitors are doing</li><li>• What will happen in the economy</li><li>• Who our best suppliers and partners are and why</li><li>• Which trends are real and the impact they'll have</li></ul>	<ul style="list-style-type: none"><li>• What our strategy is and where we want to be in X years</li><li>• How teams, individuals and businesses should be evaluated and rewarded measured</li><li>• The purpose for an existing policy, process, or metric</li><li>• How the organization and teams should work together</li><li>• Roles and impact of different teams and individuals</li></ul>

### 3. Identify the risks.

In the ideal world, you'd take all of the assumptions from #2 and test each and every one. Unfortunately, that's not possible or practical. Instead, you can start by requiring that assumptions simply be labeled as such. Separate the known facts from assumptions being made.

How do you implement this step? First, keep a list of assumptions during any important discussion. Then when someone draws on one of those assumptions, ask two important questions:

- *"What makes you believe that to be the case?"* Listen for substantiation. If the answers are vague or hearsay or judgmental, then keep probing.
- *"If we're wrong about this assumption, will it cause substantial harm?"* If the answer is NO, then move forward, but look for ways to substantiate the assumption in the future. If the answer is YES, then testing is required.

### 4. Test the most costly, dangerous assumptions.

For those assumptions that will cause substantial harm, focus your team to identify the best and fastest way to uncover the truth and mitigate the risk. The investigation could take numerous forms such as talking to customers or prospects, formal market research, internal surveys, competitive research, "secret shopping," or even simply asking someone who may have the true facts.

### 5. Encourage and reward the challengers.

Remember the old adage "Focus on **what** is right, not **who** is right." When there's a win, credit belongs to the whole team. When there's a loss, it's the leader's fault for not identifying and validating assumptions.

---

**Do you have comments, questions or feedback?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the CEO Challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.

Thus, an important way to encourage challenges is to publicly embrace them. That doesn't mean you have to engage in long discussion every time someone asks a question, but it does mean that when someone challenges an assumption, it should be labeled, accepted, considered, and appreciated.

It's also important to establish the difference between negativity and positive assumption testing. Negativity simply shuts down ideas. Positive assumption testing asks questions and forces to the surface thoughtful discussions: What evidence do we have that this is true right now? What will be the result if we're wrong? What alternatives might we be exploring if this assumption proved false?

Finally, you can include assumption testing as a critical behavior that is expected and discussed during regular performance evaluations. That certainly elevates it from a "tolerated" status to a mandatory action.

## **6. Identify assumptions (and how you'll test them) in your annual, quarterly and project-based plans.**

Make sure each assumption is clearly identified, and understand how the company will test and react to the results. Then make sure teams are testing and reporting back in real time.

When an assumption is tested and proves to be faulty, don't punish the team for the original assumption; instead, praise the team for identifying, testing, and preventing expensive mistakes that hinged from that assumption. Point out the importance of the new conclusion and the resulting benefit to the company. The team will now have a new direction based on facts, not assumptions, and that is worth celebrating.

## **CONCLUSION**

Part of the benefit in testing assumptions is greater clarity, completeness and accuracy in cost considerations. Understand why there are different assumptions from different teams, or roles within the company, or from those that impact your success from outside the company (customers, partners and vendors). Understanding their assumptions will help us see gaps, inhibitors, time considerations and cost impacts for all the parties.

We assume you're going to bring this principle of assumption testing back to your company and put it to work. Is that assumption valid? Let us know!

**Please share your thoughts and experiences with us here!**

<http://www.therevenuegame.com/ceochallenge/3/assumptions/>

---

**Do you have comments, questions or feedback?** Please share your thoughts at <http://www.therevenuegame.com/ceochallenge/3/assumptions/>.

**Subscribe to the CEO Challenge** via email or RSS at <http://www.therevenuegame.com/ceochallenge>.