

# CIO DIARY: QUESTIONS FOR MANAGEMENT PART II

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## Coburn Ventures

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“The task is not so much to see what no one has yet seen, but to think what nobody yet has thought about that which everybody sees...”  
...Arthur Schopenhauer

One of my favorite pieces we have written is called “Questions For Management”. Brynne wrote it way back in 2012. We offered 10 questions that might be unlocking in engagements with managements, as well as an index filled with perhaps 40-50 more.

So here we offer “Questions For Management: Part #2”, nine years after the first release.

The orientation of this piece is significantly different.

We start first by asking ourselves “What are we really doing?”

Many business and cultural norms have been challenged in the past 12 months including business travel and where we work. In the investment world, the time is ripe to ask how we use our time. Such huge chunks of time are

spent in earnings reports, analyst days and management meetings and it is THE ripe time to consider what we might do uncommonly...

...before the window of change is slammed shut again and we fall prey to locked-in “norms”. The way we conduct interaction with management teams will likely have far greater impact than merely where we do our work.

Here we go on engagement with management.

So much upside.

I hope you have fun.

## ORIENTATION: WHAT IS THE PURPOSE OF MANAGEMENT ENGAGEMENT?

I think it is very easy and enticing to go through life without asking ourselves why we are partaking in the cultural or professional “norms”.

*“Why are we making this business trip?”*

*“Why am I going to this analyst day?”*

*“Am I an important and wise and heroic road warrior for being away from my young family for 12-days touring factories in the Far East or am I just a fool?”*

I think people are now launched into a question mode about what is the way to do their work from a well-being perspective and a “one life to live” perspective... and a few (including many that hang in the same circles) are asking more thoughtfully about what they do that is... different from the “norm”?

What is uncommon?

What would justify the fees people pay for our work?

I am thinking that many of the people we remember or admire through history were unwilling to just “go along” with the crowd.

So, maybe, it is good to at least question our purpose.

In this specific case, WHAT do we really really want to gain from all the many hours we might dedicate to meeting with managements? I am not a big fan of relying on the forces of osmosis and doing what everyone else is doing in the spirit of fitting in (or not contesting norms) to magically provide exactly what is helpful or required.

Just the opposite. Without contesting we increase the odds of mean reversion to the average.

My high conviction guess: No one reading this piece is OK being “average”. I say that because we intentionally (weirdly) keep these notes sent to very few and I know so many of you personally. Not an average one in the bunch of you.

I had someone new to our business ask today:

“But... under what circumstances wouldn’t you want to meet management?”

And I thought, well, there could be a gazillion reasons, but broadly it would be if I didn’t think my understanding would grow significantly to justify the very precious time we all are restricted by.

I gave an example.

Way back in the late 80s-early 90s, an analyst at the firm I traded at – her name was Carole Berger – had SELL recommendations on most of the U.S. money center banks. NO ONE had SELLS on anything back then. She undoubtedly had THE only SELL ratings at our firm (CJ Lawrence Morgen Grenfell) and there weren’t too many at any brokerage firms. So in the morning meeting someone timidly ask Carole the following:

“Wouldn’t you get cut off from access to management teams because of the SELL ratings and doesn’t that hurt you doing your work?”

They asked timidly because NO ONE messed with Carole Berger! She was no non-sense. A serious analyst. Sometimes she was flat out grumpy but most of the time right.

Her response was:

*“I don’t need to talk to ANYONE on this. The laws require that the money center banks produce for the public consumption ALL of the numbers anyone needs to figure this out! Anyone talking to management is probably going to get sweet-talked and confused. The numbers tell it all.”*  
*(? Implied: I don’t have to pretend to be a part of the stupid old boys’ network to do my job?)*

Sometimes we follow along in the social and business and cultural norms for a variety of reasons including a nagging desire to be “thorough”. That desire to use our time to “cover all the bases” can so often sabotage our greater intention toward insight. I often offer...

*“Thoroughness is the Enemy of Insight”*

If I can work a management meeting that will increase my relevant insight generation I am all in, but otherwise, not so much.

## START AT THE END + WORK BACKWARDS

I am borrowing the phrase **“Start at the End”** from our friend Matt Wallaert who uses this orientation in his design work and it is the title he picked for one of my favorite reads of 2020.

I am borrowing the phrase **“Work Backwards”** from my daughter Bailey. Bailey is 23 years old and has significant special needs as you may already know. Across time, Bailey now and again finds a phrase she locks on to, and “work backwards” is one of those. So, for instance, if I can’t find my phone or the keys or a can’t recall a “great” idea from just 2 minutes ago she will often advise me to:

**“Work backwards”**

**“Work backwards” and “Start at the End” share a lot in common**

Just because it might be “cool” and “fun” and “intellectually fulfilling” or “validating” in some human way for our ego to be nourished by such access to meet with CEOs and CFOs of major corporations, well, those are not good reasons at all to do so on our clients’ dime. Often people early in their careers find it surreal that they are asking questions of the CEO of a \$30bn company.

**“What do you like most about your job?”**

**“I get the opportunity to meet with CEOs of major companies and ask them questions and learn about their businesses! It’s amazing.”**

I consider that a bad answer.

I also consider the idea “You always learn something from meeting with management” a very blunt bad-answer approach to a profession that screams for surgical use of our time.

It may be OK early in one’s career to be inspired by this access, but a habituated life of meeting with managements without knowing the true rich link to serving clients will be pretty hollow pretty quickly.

I think there is far more.

I think the goal in our action is to generate a portfolio for clients filled with high conviction investments.

I think the high conviction will be caused in part by systematically generating powerful insight. Without high conviction investments – predicated on systematic insight generation -- the service we charge fees for seems like it might not deviate from a random walk.

As such anyone reading this wants to generate investment insights.

Great.

So, what actually IS an “investment insight”?

**Our working definition of “investment insight”:**

*“An uncommon deep relevant understanding of a particular matter that significantly increases our ability to successfully forecast future cash flows of a business.”*

I keep infusing “uncommon” and “uncommon understanding” at every turn possible because I think THAT is THE point of it all.

If our understanding is common (e.g. Earth is round) it is more so “knowledge” and not “insight”. “Uncommon” is the key word.

So we pursue uncommon understanding.

I don’t think we will generate enough uncommon understanding via random means. I want to engineer/design to increase the odds.

**I want uncommon inputs**

**I want uncommon knowledge**

**I want uncommon processes**

**Uncommon**

**If I spend my time in a common set of activities, I may want to get rid of many of them...**

**...and the common activities I do participate in want to re-think in an uncommon fashion...**

**I want uncommon engagement with managements**

If 85% of our inputs and knowledge and processes and activities are correlated (common) with other “professionals”, the space for systematically generating uncommon deep relevant significant understandings (aka “insights”) is pretty low. We want the odds to be high.

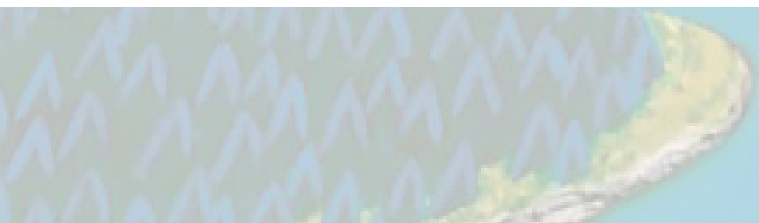
**UNCOMMON**

What are the many possible ways we can do our work in an uncommon fashion – NOT to be different, but rather -- to be in position to generate far greater systematic insight?

Here we go...

**ENGINEERING UNCOMMON HIGHLY RELEVANT INPUTS**

*“We ask great questions because the cost of not knowing is simply too high...”...Unknown*



## PART #1: A MANAGEMENT MEETING IS A CHANCE TO ENGINEER YOUR OWN INPUTS

### SAMPLE QUESTION #1

*“What is something in the past 3-4 months that you sense people really aren’t appreciating about your business, that is very very important when thinking about the next 3-5 years? In other words, most of the investment world is somewhat focused on what you think is the wrong stuff and in the process they are missing 1-2 extremely vital elements?”*

WHY is this question powerful?

A friend shared this question. I deserve zero credit so I will unabashedly praise this it as one of the ultimate questions I have ever heard. We want “uncommon” and “highly relevant” and this question dials up exactly that. We are asking for the CEO to provide us exactly “uncommon” and exactly “highly relevant”. If we play our cards right via asking a few levels of “why”, we might be provided with a deep personalized teach in on what is uncommon and important.

## PART #2: STRUCTURED THOUGHTFUL OPEN-ENDED VAGUENESS

### SAMPLE QUESTION #2

*“If I was told that I had to take over as CEO of your company in just three weeks what would you HAVE TO teach me?”*

WHY is this question powerful?

Again, this question is from a friend and he sort of stumbled on it one day in a one on one with the CEO of a

major global organization and it sort of just popped out of his mouth unexpectedly. It is important to note that our friend is good at developing exceptional relationships and does his deep homework. With that context, this simple question lead to an exceptional experience.

“How so?”

Within minutes, the two were sitting side by side with some clean paper and a pen in hand and the CEO of a major corporation was drawing diagrams as a method of teaching our friend, in a hyper-personalized fashion at depth, THE MOST VITAL factors of the business.

John Dillon often reminds us that a CEO wants this type of partnership with an investor any time it makes sense. Our friend is a great trust builder. A great relationship builder. From that place, the CEO wanted him to know as much as possible so he can be a better investor. The CEO wants investors to focus on what’s vital. Some CEO’s may be very cautious in engagements with investors. We have (as an industry) a very bad reputation – ya know -- that we must overcome in gaining trust! Some CEOs truly are trying to hide things from investors. Some slant the truth to be a “walking talking best case scenario”. But most are not. They want real relationships. Functionally it helps them do their job.

A final point: above I mentioned structured thoughtful open-ended vague questions. I didn’t just say “open-ended vague questions”. I purposefully included the words “structured” and “thoughtful”. Bad open-ended questions can devolve quickly into wasted swirl. I find it very important do your own trial runs of questions before using them in a precious moment. This is similar to an old maxim of home entertaining from my mom’s generation: always try a recipe out before serving it when you have guests over. In other words, find out if it is a great dish (or a great question) by contemplating how the question might be answered and how that conversation might look



before you use it in live action. Granted my friend in this instance seemed to spontaneously stumble upon an all-time great question, but he also thinks about questions and methods and processes day after day for years and years and was perhaps way better prepared than most to improvise.

## PART #3: A FEW CORE QUESTIONS

*“Simplify Simplify Simplify...”...Henry David Thoreau*

*Apparently, one of Thoreau’s contemporaries Walt Whitman responded with:*

*“One ‘simplify’ would have been enough.”*

Before I offer three more sample questions, I want to share something my friend JP offered to me about six months ago. He suggested that sometimes we have too many questions as opposed to a few core questions we understand deeply. A few core questions we understand such that they become easy on ramps to “play jazz”. We might understand the potential paths that a question might unleash. We might know these so well that we can listen for and successfully interpret the nuance and subtlety. Nuance and subtlety are often confused with “trivial” but I don’t find that at all. When I think of nuance and subtlety – meets – “Questions for Management” I think of the driving/mapping app Waze on steroids or wormholes that allow interstellar travel.

“Huh?”

If you are stuck in a huge traffic jam, *Waze allows you to skip the mess that everyone else is stuck in.* Waze finds a way around the mess that often involves side streets and nuanced understanding of the local surroundings most

everyone just passing through would NEVER EVER be able to access. Wormholes, in a somewhat similar fashion, allow a traveller to get somewhere they could NEVER EVER reach otherwise. Imagine I could hear the nuanced answers from dozens of management teams because I simply had a core set of 4-5 questions I locked on to and knew like the back of my hand. I could compare managements, businesses, investment opportunities much better. I could make what we call the “competition for capital” far easier to execute!

I have an admission to make.

I DO love coming up with questions. I love it. I study questions deeply. I work to recognize patterns in questions which can work and not work per the situation. I listen for the potential impact of every single word. I work to convert them for distinct cultures and even individuals. I love it all. I could talk for hours about the meta level of questions and have a blast. Admittedly, sometimes I might outsmart myself with all my “smart” questions!

So when JP suggested that a few core questions might generate greater efficacy a part of me was... disappointed. Yup. But instantly I also knew he was right.

Here is the comfort: one thing I love far more than generating great questions is to generate amazing unlocking improvisational exceptional conversations. And... I think those are far more practically specifically helpful in serving clients when investing their money.

### SAMPLE QUESTION #3

*“What is your working definition of culture and when was the last time you saw something inside your company that had you just wonder a bit if the culture was strong enough in key ways that you want to support success during the next 5-10 years?”*

WHY is this question powerful?

Most CEOs have not truly stopped to consider a working definition of culture and that question alone will make it a great meeting for them. Imagine you can ask a question that they have never been asked and that they consider instantly to be extremely important?! Amazing. Does the question have the likelihood of launching an entire rich practical conversation. Absolutely. Through the window of this question, we will also come to understand the degree to which they notice “details” as they “walk around” each day. How well do they “see/hear”?

#### **SAMPLE QUESTION #4**

*“What will be the greatest adaptations your organization will need to accomplish to be successful out 4-5 years from now ?*

WHY is this question powerful?

This one is from John Dillon. He is quick to point out that looking after the current and future health of the organization is the key domain of the CEO. What the CEO really is spending most of their time on is considering the practical changes to make, from hiring to firing to developing key talent to restructuring and on and on. They are solely charged with leading organizational change itself. Does the question have the likelihood of launching an entire rich practical conversation? Absolutely. It is likely, again, a question that CEO has never been asked by an investor but occupies 75% of their energy. Uncommon highly relevant inputs.

#### **SAMPLE QUESTION #5**

*How do you use customer complaints SPECIFICALLY to create a better business?*

WHY is this question powerful?

This is one of JP’s favorites. It also includes one of my favorite words to inject into most any question: specifically. The number of pathways and learnings this question can launch is nearly infinite. We will learn the degree of service culture vs. politics in the willingness to even think about customer complaints! Customer complaints are an amazing pathway to developing a better and better service/product and so we want to hear that the organization is intentionally developing the capacity to induce complaints and then leverage them! Do many companies do this at a significant level? No. But the distinction of being even merely “good” at this can lead to a remarkable competitive advantage. We will also learn of the practical orientation to data and digital transformation. Entire worlds might open with this question. Many great CEOs will likely leave the conversation thinking about this question for weeks to come.

## **PART #4: RESTRICTIONS**

Sometimes placing some restrictions/constraints can be helpful.

When footballers (aka “soccer” in the States) practice they often restrict the amount of space so as to get accustomed to operating in tight spaces in games and to get accustomed to quick decision making. Same with designing in 1-touch and 2-touch passing rules in practice so as to develop greater skills.

Maybe the same might apply in question asking. Way back when I decided upon a self-imposed restriction: I would NEVER EVER again participate in “small talk”. I decided to define “small talk” as talking about things I didn’t care about. “Small talk” included asking people questions at a figurative or literal cocktail party when I actually didn’t care about their answers just to fill awkward



silence. When I adopted this “no small talk” restriction it forced me to start getting good at asking questions I truly cared about! The good news is I quickly realized that I love people and I actually did have tons I was interested in when meeting almost anyone.

The self-imposed constraint compelled me to be a more aware question asker.

Here are a few candidate restrictions for questioning managements:

- #1 Never ask a question that I could conceive might be asked at an investment conference, at an analyst day or on a quarter-end conference call.
- #2 Spend no more than 20% of the time on questions that are relevant for the near-term with “near-term” defined as less than 18 months.
- #3 Never ask a question if in the process of doing so I might feel super smart and impressed with myself and suffer from a puffed up chest so much so that I don’t even hear the answer and distract from what could have been a good discussion otherwise!
- #4 Only ask questions that qualify as “Burning Questions” in my pre-determined game plan that I use in doing my ongoing work.
- #5 Demand “AMAZING” conversations: At the end of every management engagement I can take 4-minutes (MAX) to score the meeting on an “Amazing” scale of 1-10. Was that an amazing conversation? If the rating is 7 or below I can conduct a post-mortem and identify at least one moment I could have changed in a specific fashion.

#6 Never ever “wing it”. In the spirit of our friend and sports psychologist Morris Picken’s idea of creating your own pre-game “locker room”: Never enter a meeting with management without (1) doing a five-minute final prep asking myself “What do I really want to accomplish in this meeting and which 1-2 questions are vital?” (2) do 5-minutes of meditation before any management meeting so I might be best situated to take full advantage of my skills from a place of being present.

*“The worst error in golf is to swing when you know you aren’t ready...”...Dr. Morris Pickens*

## PART #5: WORLD CLASS QUESTION ASKING

*“You get what you celebrate...”...Dean Kamen*

A while back I asked a group of six folks I was working with: *“Would it make a difference, do you think, to client’s results if everyone in the group developed into an absolutely world class question asker?”* There was something of a peaceful still silence as if the collective consciousness was responding: *“Oh.... Yeah!”*

Maybe we culturally celebrate getting the “right” result more than getting the right answer and far more than asking an unlocking question. The forces that might have us each checking market prices on long term investments 2 or 3 or 10 times during the course of the day are the same one’s that would have us de-emphasize great business analysis and great question asking, even though we all do think there is a strong on-going relationship of stock movements to great business analysis and phenomenal unlocking question asking.

So... what can be done to celebrate great question asking?

Here are a few ideas for celebrating great question asking:

#1 As a team, engage in a great question brainstorm each quarter that results in a “5 Best Questions” that everyone employs during the quarter. Share experiences – success, failures, nuances, learnings, efficacy – with one another. At the end of the quarter have a fresh brainstorm for a new “5 Best Questions”.

#2 Include “question asking” as a critical element in appraisals. Ask each person in the investment team to develop their plan for constantly improving their question asking with specificity and attention to various elements of great question asking.

#3 Have a competition for best question asking. Winner gets a weekend away at a wonderful resort.

## PART #6: CONTRIBUTING TO MANAGEMENT

One way to consider what questions might qualify as great questions for managements:

Do the questions contribute to the management’s process in creating a better organization?

One friend, a number of years ago, offered that public market investors seem to be a bit lost. Her observation was that they think their job is to merely “predict” the future, when a critical part of their job is to “create” the future. Just because, for instance, a CEO can’t successfully and

fully answer your question in real-time doesn’t mean they have failed! It may mean that your question is a part of the creation process. If managements experience being contributed to in meetings with specific investors, they will want to meet with them more often. They will even take your calls at a moment’s notice and start texting with you as they go.

“Sometimes we go slow so later we can go fast...”

“The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore, all progress depends on the unreasonable man...”...GEORGE BERNARD SHAW

“When your mind is still, you see things deeply. If you really practice stopping, then you don’t need to practice looking deeply because you’ll see things very deeply already...”

...THICH NHAT HAHN



COMMUNITY FOR CHANGE