

Re:Focus

simple ideas to help you thrive

by Simon Sinek

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The two-thirds compromise

When you go to college you're told you can have good grades, a good social life or sleep - pick two. Business is no different. Almost everything we buy can be boiled down to quality, speed or price - pick two. A Rolls Royce, for example, is made from the finest materials and costs a lot of money. But they take a long time to make. A Toyota Camry, in contrast, is fast and cheap and though the quality is good, it's not the best.

Energy consumption is governed by the same principle. Choosing oil as our primary source for energy - we decided we wanted our energy cheap and readily available - but the damage it does to the environment is the compromise. In contrast, clean energy is less damaging to the environment but, depending on the source you choose, it can be slow to collect or expensive to deliver. You can have two out of three, but not all three.

Our economy is the same. The way we judge and manage our public companies is often based on quarterly results (speed) and large returns (money) but to achieve that, the long term stability of our public companies and our economy (quality) constantly seems at risk as a result. The rich and fast choice we made during the dot-com era weakened the foundation of the economy that resulted in a stock-market crash. The rich and fast mentality of the housing bubble and the sales of mortgage backed securities produced the same result. As did the boom before every bust in history. In contrast, companies that choose the combination of money and quality, like Warren Buffet's Berkshire-Hathaway, offer good results and long-term success, but few get-rich-quick opportunities. Two out of three.

The two-thirds compromise is so remarkably consistent in so many areas that you can even use it to test if a salesman or a company is being honest when they are trying to sell you something. I never trust anyone who tells me they offer the best price, fast delivery times and the best quality. No such thing...something's gotta give.

A business that understands the two-thirds compromise when marketing its products or services will be viewed as vastly more credible and honest when they offer two out of three. Offer someone amazing quality, offer it at speed...but don't be shy to charge a premium for that combination. If you want to keep the cost down but don't want to sacrifice quality, then make sure your

customers know they will have to wait a little longer to get what you sell.

The remarkable thing about the rule of two-thirds is that people are happy to sacrifice one third to get the two-thirds they value more. In fact, they expect and prefer it. If I'm going to pay a lot of money for something of extreme quality, I actually prefer that they take a little more time putting it together for me. And if I'm going to eat at a fast-food joint where I want my food fast and cheap, I'll get impatient if it takes too long - even if they tell me it's because they are trying to ensure the best quality. I don't want quality - I want it fast and cheap. If I wanted quality, I would have gone somewhere else that would make me wait longer or pay more. That's just the way things work.