

The Belief-Fit Matrix

Four structural states of founder-led organizations, and why
their cures are not interchangeable

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Abstract

Underperformance in a founder-led organization is routinely treated as a single problem with a single family of cures: refocus the strategy, restructure the operation, restore growth. This paper argues that what presents as one problem is in fact four structurally distinct states, separable along two dimensions — the continuity of an organization’s founding belief, and the fit between that belief and the environment that prices it. Crossing the two yields a 2×2: Aligned, Strategic Drift, the Founder’s Gap, and Compound Failure. The central claim is diagnostic and operator-actionable: two of these states — Strategic Drift and the Founder’s Gap — are frequently indistinguishable on financial statements yet require opposite interventions, and the standard cure for one actively deepens the other. The paper grounds the matrix in the Vase instrument, showing that the second axis is not a new measurement but a longitudinal reading of two quantities the instrument already produces — belief continuity (L1) and environment-mediated value (L3). It situates the construct within the leadership and strategy canon, locates the existing Foundership papers within the resulting state space, and specifies the boundary conditions of the claim.

1. The cost of a shared diagnosis

A founder-led firm begins to decline. Revenue softens; the story that once sold itself now takes effort. The reflex — in the boardroom, in the consulting engagement, in the management literature — is to reach for strategy: reposition, restructure, bring in operators. The canon supplies an abundance of cures and very little guidance on which decline each cure is for.

This is a diagnostic failure, not a treatment failure. The literature has named the failure modes piecemeal — strategic drift (Johnson, 1988), the loss of a preserved core ideology (Collins & Porras, 1994), the divergence of espoused belief from behavior (Argyris & Schön, 1974) — but has not organized them into a differential diagnosis: a structure that tells a practitioner not only that something is wrong, but which of several similar-looking conditions it is, and therefore which cure applies and which cure harms.

This paper supplies that structure, and shows that it is already implied by the quantities the Vase instrument measures.

2. Two axes, one instrument

The first axis is **belief continuity**: the degree to which an organization’s operating behavior remains faithful to its founding belief — the originating articulation of why the enterprise exists and what it refuses to compromise. Founding conditions imprint durably on organizations and their members (Marquis & Tilcsik, 2013); founders embed culture as the deepest layer of shared assumptions (Schein); and continuity decays when an organization’s *espoused theory* drifts from its *theory-in-use* (Argyris & Schön, 1974; 1978). In the Vase instrument this axis is **L1**.

The second axis is **environmental fit**: the degree to which that belief structure still matches the environment that prices it. When a firm’s success formula remains unchanged while its environment shifts beneath it, the result is strategic drift (Johnson,

1988), masked by incremental adjustment until a discontinuity forces a revolutionary correction (Greiner, 1972/1998).

This raises an apparent contradiction. Environmental fit is *not* one of the four Vase axes (L1 belief continuity, L2 Foundership energy, L3 value, Virtue). Introducing it as a separate axis would imply the instrument is incomplete — a phantom fifth dimension the framework forgot to measure.

The resolution tightens the framework rather than patching it. The Vase quantifies four structural variables, but they are not all of the same kind. Three — **L1, L2, and Virtue** — are internal-process measurements. The fourth, **L3**, is not internal at all. L3 is the firm’s externally realized value — capitalization, revenue, scale — which is to say it is already an environment-mediated reading: it measures how the world has priced the firm’s belief structure. Once L3 is seen for what it is, environmental fit needs no separate instrument. It is observable in how L1 and L3 move relative to one another over time.

The reconciliation. The Vase quantifies four structural variables — three internal-process (L1, L2, Virtue) and one environment-mediated realization (L3). The 2×2 is the diagnostic lens that reads L1-L3 dynamics across time to surface which of four structural states a firm occupies. There is no fifth axis: environmental fit is observable through the L3 trajectory’s relationship to L1, not measured separately. The Founder’s Gap is the specific state where L3 remains rewarded while L1 has eroded — the case where strategic-restructuring interventions deepen the failure, because they spend the remaining L1 reservoir to optimize an L3 outcome that is not broken yet.

The deeper reason a fifth axis is unnecessary is that it would operate at the wrong analytical level. The four Vase axes measure what the firm *is* and how it is trajecting through time — including L3, which records how the world has priced that internal trajectory. Environmental fit is not a further property of the firm; it is a property of the firm’s *relationship* to its world. Measurement and interpretation sit at different levels, and collapsing fit into a fifth axis would conflate them — a category error. The Vase measures; the 2×2 interprets. That separation is what lets the same instrument support both questions a practitioner actually has: what is the firm’s internal trajectory, and — given that trajectory — is the firm adaptive or maladaptive in the world it now occupies.

The construct that names this relationship is the **signed Founder’s Gap**: the difference between externally realized value and internal belief continuity, **Gap = L3 – L1**. A large positive gap means the market is pricing belief that has decayed inside; a negative gap means the market is discounting belief that is still intact. The gap’s sign and trajectory are the coordinates of the matrix.

The four-fold reading of the L1-L3 trajectory

	BELIEF ERODED	BELIEF INTACT
ENVIRONMENT FITS	Q3 · The Founder’s Gap L1 eroded · L3 still high	Q1 · Aligned L1 high · L3 sustained high

ENVIRONMENT MOVED	Q4 · Compound Failure L1 eroded · L3 declining	Q2 · Strategic Drift L1 high · L3 declining
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3. The four states

State	L1-L3 signature	Canonical anchor
Q1 Aligned	L1 high; L3 sustained high	Collins & Porras; Schein
Q2 Strategic Drift	L1 high; L3 declining	Johnson (1988); Greiner
Q3 The Founder's Gap	L1 eroded; L3 still high	Graham (2025); Argyris & Schön; Marquis
Q4 Compound Failure	L1 eroded; L3 declining	Wasserman; Greiner

Q1 — Aligned. Belief is intact and the market still rewards it. This is the state visionary-company research describes: the organization preserves its core ideology while it stimulates progress (Collins & Porras, 1994), with founder-embedded assumptions holding the culture steady (Schein). The cure is not a cure at all but stewardship — protect L1, and let L3 follow.

Q2 — Strategic Drift. Belief is intact and was correct; the environment changed. The firm's success formula, faithfully maintained, has slid out of alignment with the world that prices it, and incremental adjustment masks the widening gap until a discontinuity forces revolution (Johnson, 1988; Greiner, 1972/1998). L1 holds while L3 declines. This is the decline the strategy canon is built for, and its cure — repositioning the operation to meet a moved market — is exactly right here.

Q3 — The Founder's Gap. The dangerous state, and the one the canon missed. The market still fits and still rewards — L3 holds — but L1 has eroded: the espoused belief and the theory-in-use have diverged (Argyris & Schön, 1974), and the founding imprint has faded (Marquis & Tilcsik, 2013). Decline here is endogenous; nothing external is broken yet, which is precisely why it is hard to see and easy to misdiagnose. The cure is belief restoration — re-articulating and re-embedding the founding belief into operating behavior — not strategic change.

Q4 — Compound Failure. Belief has eroded and the environment has moved — both axes are off at once. Founder-control dynamics that delayed adaptation (Wasserman, 2012) stack on top of unmet growth crises (Greiner), and no single lever suffices. Q4 is the one state that needs both cures — belief restoration *and* strategic restructuring — but sequenced, not simultaneous: restore enough of the founding logic to know what is worth repositioning before repositioning it. Run in the wrong order, the restructuring simply finishes the erosion.

4. The differential-cure problem

Here is the operator-actionable core. Q2 and Q3 are frequently **indistinguishable on the financial statements**: both present as softening value. But they are opposite conditions, they demand opposite cures, and — critically — the standard cure for Q2 is harmful in Q3.

A strategic restructuring is, by construction, an **L3-side intervention**: it reorganizes operations to better fit a market. In Q2 that is correct — the market moved, so the operation must move to meet it. In Q3 the market has not moved; it still fits. An L3-side intervention therefore addresses a problem that is not broken while leaving the actual lesion — L1 erosion — untouched. Worse, restructuring is not free of belief cost: each round of operational accommodation demands a further departure from the founding articulation, spending down the remaining L1 reservoir. The intervention accelerates the very erosion that caused the decline.

The doom loop. Restructure → L1 falls → coherence falls → the next quarter looks worse → restructure again. In Q3, a strategic-restructuring cure is iatrogenic — it produces the disease it was meant to treat. The matrix lets a practitioner see the loop before the first turn of it.

The mechanism is worth naming precisely. A Q3 firm exhibits what Graham (2025) terms *Output Persistence* — continued process adherence and product delivery while the founding conviction beneath it decays. The restructuring impulse is itself a continuation of that procedural logic: it prescribes still more operational change to a firm already sustaining output on procedure in lieu of founding belief, feeding the root cause rather than treating it. The Q3 cure is not less operation but re-grounding — restoring the interpretive logic that originally informed the operation, re-anchoring the theory-in-use in the espoused theory (Argyris & Schön, 1974). That is a categorically different intervention from restructuring, and treating the two as substitutable is exactly the misdiagnosis the integrated framework exists to prevent.

The symmetric error is real but cheaper: a belief-restoration cure applied to a genuine Q2 problem wastes time the market is not offering. That asymmetry is itself diagnostically useful. When the state is uncertain, the belief-side intervention is the lower-variance error — it delays adaptation at worst, where the strategy-side error in Q3 deepens the failure.

5. The state space and the mispriced believer

The matrix is not only four boxes; it is a space with movement, and the signed Founder's Gap (L3 – L1) is the coordinate that tracks a firm across it. The Founder's Gap quadrant is the large-positive-gap region. Its inverse — a *negative gap*, where L1 exceeds L3 — is the subject of a companion paper, *The Mispriced-Believer Signature*, and the two results are mutually reinforcing.

A negative gap describes a market that has discounted a still-intact belief structure. It takes two forms. The **public form** (for example, Black Rifle Coffee, YETI) is a transition state in which the market temporarily under-prices a Q1 reality; the gap is expected to close as L3 catches up to L1. The **private form** (Patagonia, Chick-fil-A, Ramsey Solutions) is a deliberate operator choice to hold L3 below the L1 carrying capacity for non-market reasons.

Where the Mispriced-Believer Signature specifies one signed direction of the gap, the Belief-Fit Matrix specifies the full state space and the transitions between states. The companion paper supplies the inverse case and the operator-intent reading; the matrix supplies the structural map on which that case is one located region. Neither

displaces the other.

6. Locating the body of work

The matrix is the spine the rest of the corpus hangs on. Each prior paper occupies or illuminates a region of the same state space:

Bridging the Founder's Gap (2025) — defines Q3 and names the structural blind spot the leadership canon left.

The Vase Is in the Bricks (2026) — the fourth, operator-independent source of belief maintenance that holds a firm in Q1 and slows the slide into Q3.

What Under New Management Really Means (2026) — the transition mechanics along the belief-continuity axis — the moments a firm crosses from intact to eroded.

Quantification and Qualification of Belief (2026) — how a firm's position on the axes is measured — L1, L2, L3, Virtue, plus mode classification.

AXIS as the Operating System (2026) — the operating layer that keeps a firm in Q1.

The Mispriced-Believer Signature (2026) — the negative-gap inverse of Q3, in public-transition and private-deliberate forms.

7. What the matrix does not claim

The matrix is diagnostic and comparative, not predictive or causal. It locates a firm's present structural state and the direction of its trajectory; it does not forecast a dated event. Its value is **fragility measurement** in Taleb's sense — it tells you how exposed a belief structure is — and the surfacing of **gray rhinos** in Wucker's sense — highly probable, high-impact, neglected threats visible in advance — not the prediction of black swans, which are by definition unforeseeable. The two-axis parsimony is deliberate: L2 (energy) and Virtue carry diagnostic load the matrix compresses, and the Vase retains them at full resolution. The contribution here is conceptual; empirical validation of the L1-L3 trajectory signatures is the subject of separate, pre-registered work.

8. From diagnosis to test: the Vase-signature hypothesis

The reconciliation does more than keep the framework consistent; it generates a falsifiable empirical claim. If each quadrant is a distinct combination of internal state and external context, then each should leave a characteristic signature in the Vase itself — a recognizable shape-and-surface topology:

Q1 Aligned — full silhouette, bright valuation surface.

Q2 Strategic Drift — full silhouette, darkening surface — belief intact, but the world has stopped rewarding it.

Q3 The Founder’s Gap — compressed silhouette beneath a still-bright surface. This decoupling — internal compression under an undimmed valuation — is the specific visual signature of Q3.

Q4 Compound Failure — compressed silhouette and darkening surface together.

The central empirical question for the pre-registered case work is therefore whether quadrant location predicts Vase-signature topology. Candidate cases for that test — to be coded blind, not asserted here — include Apple under Sculley and Starbucks circa 2000–2008 as hypothesized Q3 patterns (compression beneath a sustained surface), the Kodak digital transition as a hypothesized Q2 pattern (full silhouette, darkening surface), and Apple in 1996–1997 as a hypothesized Q4 pattern (compression and darkening together). If quadrant location reliably predicts the topology, the framework gains empirical validation; if the relationship proves more complex, the findings refine it. Either outcome is a substantive contribution, and each case can be characterized twice over — by its Vase signature and by its quadrant — yielding a typology of empirically observable patterns rather than a single descriptive label.

The strongest single empirical anchor in the candidate set, however, is not a historical reconstruction but a contemporaneous case in which the operators themselves executed the framework’s predicted intervention. Nordstrom, Inc. exhibits the canonical Q2 Strategic Drift signature across the documented arc from approximately 2010 to 2024: belief continuity reads exceptionally high (the 1901 founding language — “the very best service, selection, quality and value” — appears verbatim in the company’s 2024 mission statement, and the one-rule employee handbook “*use good judgment in all situations*” continues to operate as the documented L2 maintenance practice across four generations of family ownership), while the department-store retail environment for which the operation was built underwent substantial shift through e-commerce displacement, mall traffic decline, and the collapse of the peer-cohort department-store category. The 2010–2024 public-market trajectory tracks this divergence as compressed valuation against sustained operator-lineage belief — the Q2 signature observable in real time.

The diagnostic action came on December 23, 2024, when the Nordstrom family announced an all-cash take-private transaction valued at \$6.25 billion, representing a 42 percent premium to the unaffected closing common stock price on March 18, 2024 (Nordstrom, Inc., 2024). The transaction closed on May 20, 2025, with the Nordstrom family holding 50.1 percent and El Puerto de Liverpool 49.9 percent of the post-close private entity. The take-private represents operator-side pricing of the belief asset the public market had been structurally underweighting, and the 42 percent premium is the family’s own valuation of the mispriced-believer signature the matrix predicts for Q2 cases. The intervention is framework-consistent: strategic restructuring is the appropriate cure for Q2 Strategic Drift, and the operators self-administered it without consultancy mediation. The Nordstrom case thus provides four forms of empirical anchor that the historical reconstructions cannot match. First, the Q2 signature is observable from public-market data spanning fifteen years. Second, the 42 percent take-private premium constitutes operator-side validation of the framework’s pricing claim. Third, the operating principals (Erik, Pete, and Jamie Nordstrom) remain active and accessible for primary-source interview work that would substantiate the operator-lineage L1 transmission claim across four generations. The post-2025 trajectory of

the firm under private ownership will generate ongoing data on L1 maintenance discipline under a non-public-market pricing regime — a longitudinal natural experiment in Q2-to-Q1 recovery that would otherwise be difficult to construct. Fourth, and reported here as a matter of methodological transparency, the present author was employed at Nordstrom from 1992 to 1994 and has maintained continuous customer relationship with the firm and local proximity to its operating headquarters in Seattle through to the date of writing, providing a participant-observer methodological position comparable to that declared in the architectural-vessel paper (Graham, 2026b) for Jimmy’s Pizza & Pasta. Subsequent empirical work on the Nordstrom case will be conducted with explicit positionality disclosure consistent with that framework.

9. One of four, and the spine of the work

The Founder’s Gap is not the whole of organizational failure; it is one of four structural states, and naming it as such is precisely the contribution. The canon conflated Strategic Drift and the Founder’s Gap under a single word — decline — and so prescribed a single family of cures for two opposite conditions. The Belief-Fit Matrix separates them, grounds the separation in quantities the Vase already measures, and converts a descriptive typology into a differential diagnosis with an actionable, falsifiable core: in Q3, the standard cure deepens the disease. The instrument, the construct, the mispriced-believer signature, and the operator-independent sources of belief all locate on this one map.

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