

The Strategy Deployment Process

Bill Canady

The Execution Gap

Measure the gap between plan and forecast, then complete the deployment-year checklist.

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This guide is the companion to *The Strategy Deployment Process: How to Cascade the Plan, Run the Rhythm, and Deliver Your Number*. The company that appears in the worked examples, Tamarack Cold Systems, is a composite of several manufacturing companies the author has run, advised, or served as a director, drawn together into one set of books so that one deployment year can be followed from the board's signature to the December reset. Its people are invented. Its figures are illustrations: the arithmetic is exact and should be checked, and the inputs are plausible rather than reported. Any resemblance to an actual company, or to actual persons, living or dead, is coincidental.

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The Execution Gap

Chapter 1 of the book. The anatomy of a lost year in five parts, none of them a people problem, and the arithmetic that measures the distance between the plan and the number in months rather than dollars. Artifact: your execution gap, in four fields and your own hand, and the Deployment Year checklist with an owner on every Build item.

Your CFO can tell you tonight how far the year is from its plan. The figure comes back inside a minute, because the CFO has been carrying it around since spring. What the CFO cannot tell you — what nobody in the building can tell you but you — is the month you knew the year was short and let the next meeting go ahead as if you did not. That month is where the money went. It went out over the six or seven reviews in which the forecast fell, the shortfall was explained, and the explanation was accepted.

The book calls the distance between the plan on the wall and the number on the page the execution gap, and it measures the gap in months, not dollars. This page exists so that you measure yours before you build anything. A CEO who has written the date in his own hand runs the system through the second year. A CEO who has only the dollar figure runs it for a quarter and then finds a reason not to. The arithmetic takes ten minutes. They are the least comfortable ten minutes in the guide.

WHAT IT LOOKS LIKE WHEN IT IS MISSING

- The plan lives in a binder or a shared folder, and the last person to open it was the board.
- More than fifteen things are in flight, fewer than half have a name on them, and fewer still have a from, a to and a date.
- January's number reaches the leadership team in the last week of February, or in March.
- Every report measures the month against the budget divided by twelve, in a business that is not flat.
- The monthly meeting runs past two hours, everyone presents, and the minutes hold no decision with a person, an action and a date.
- The CFO's forecast stopped moving before the fourth quarter, and the meetings after it went ahead on the same agenda.
- Three leaders, asked separately for the company's top three objectives, hand you three different pages.

The tell is the month the CFO's forecast stopped moving — if it settled with a quarter still on the calendar, every meeting since has been watching the year instead of running it.

IN THE BOOK

Chapter 1 argues that a good plan fails in one specific, repeatable way, and that the way has an anatomy with five parts: the plan is announced rather than deployed, there are too many initiatives and too few owners, the score is kept after the fact against a line nobody phased, the monthly meeting is a recital, and the forecast settles while the calendar still says it is a year. None of the five is a people problem. The chapter names the execution gap — the distance between the plan on the wall and the number on the page, measured in months of variance that was known and not acted on — and it carries one line to keep: *When strategy diverges from reality, reality wins.* Its Do This list, as a checklist:

- ☐ Compute your execution gap tonight — plan EBITDA minus the current forecast, and the month the forecast stopped moving.
- ☐ List every initiative in flight on one page, and strike each one that lacks a single named owner and a from-to number.
- ☐ Time your next monthly meeting and count the decisions in it — a person, an action and a date — before you leave the room.
- ☐ Ask each leader, separately and this week, to write the company's top three objectives from memory, and lay the pages side by side.
- ☐ Find the date January's number will reach you, and write down what you could still do with it on that date.

WORKED EXAMPLE

Tamarack Cold Systems went into Year 0 with a plan for \$24.0 million of EBITDA — the earnings line a sponsor underwrites, before interest, taxes, depreciation and amortization — on about \$190 million of revenue, against \$20.1 million earned the year before. It was a good plan, and the same team put the same four problems on the page a year later. Revenue came in at \$190.0 million, up from \$181.0 million. EBITDA came in at \$20.9 million. The miss against the plan was \$3.1 million, and because the sponsor's case needed \$34.0 million three years out, a climb that had been \$10.0 million from the plan became \$13.1 million from the actual.

The anatomy, in Tamarack's numbers. Twenty-three initiatives in flight, nine with a named owner, four with a number. A monthly management meeting of twenty-one people and about sixty slides, three and a half hours long. Twelve of them in the year, forty-two hours, and four decisions in the minutes by the most generous definition I could find. Hal Brenner, who ran the Wausau plant then, spent two days a month preparing for it and was asked, on average, one question. The plan line on every report was \$2.0 million a month — the budget divided by twelve — and Tamarack's year is not flat.

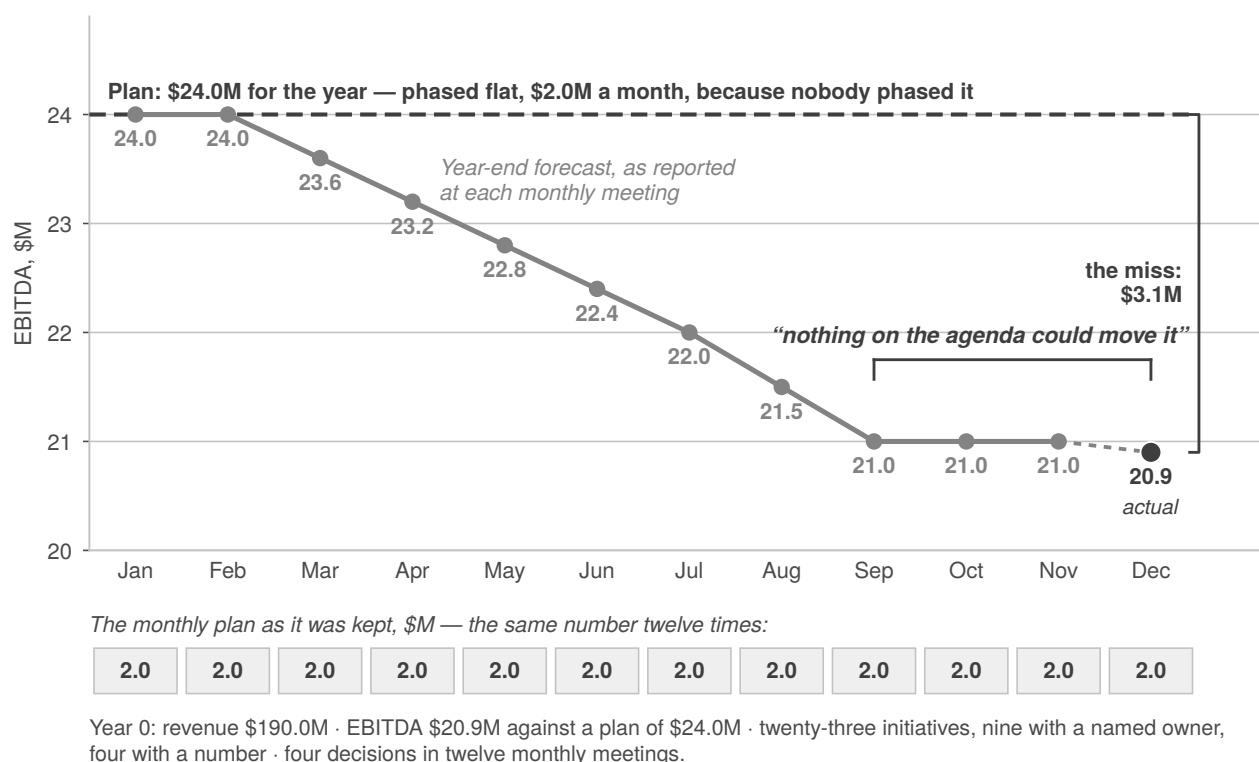


Figure 2. The Lost Year. Tamarack's Year 0 EBITDA plan of \$24.0 million, phased flat at \$2.0 million a month, against the year-end forecast reported at each monthly meeting — level through February, falling from March, settled at \$21.0 million by September, and finished at \$20.9 million. From September to December, nothing on the agenda could move it. (*Book, Fig. 01-01*)

The forecast held at \$24.0 million through February. In March it was \$23.6 million. Then \$23.2, \$22.8, \$22.4, \$22.0 — \$400,000 a month, five months running. August took it to \$21.5 million and September to \$21.0 million, where Nadia Ferreira said it would stay, and it did. I arrived as CEO on Monday, September 8. Filled in, the four fields below read: plan EBITDA \$24.0 million, current forecast \$21.0 million, gap \$3.0 million, and the month the forecast stopped moving, September. It had first fallen in March. March to September is seven meetings. Seven chances, each spent on the explanation. That is the number I wrote down, and it is why I was willing to run everything that follows.

WORKSHEETS

Compute your own gap first. Take the dollar figures from the CFO. Take the date from nobody. Then count backward from that month to the first month the forecast fell, and write the count of meetings in the margin beside it — that is your gap in months, and it is the number to keep.

Plan EBITDA, this year

Current year-end forecast

The gap — plan less forecast

The month the forecast stopped moving

Worksheet 1 is the lost year turned inside out. Every item on it is something Year 0 at Tamarack did not have. Fill the Build section before the deployment session, and tick the rest off as the months arrive.

The Deployment Year checklist

Chapter 2 — Deployed, Not Announced

When December, before the deployment session. Then ticked off, item by item, through the year.

The rules

1. Three seasons. Build, December and January. Run, February through November. Reset, December. Name the season you are in and the date it ends.
2. A plan is deployed only when every leader below the top has built a page of it, argued about it, and signed it back up. Until then it is announced.
3. Every date below is on every leader's calendar, twelve months out, before the deployment session opens.
4. From the signature to the first review is about seventy days, and every build item has a date before the first one arrives.
5. Eleven reviews of the year's data — seven MBRs, three QBRs and the December reset. The date moves people. People do not move the date.

Done	Item	Owner	Target date	Done on
Build — December and January				
☐	The board signs the plan (the page and the bridge)			
☐	Eleven review dates and the reset on every leader's calendar, twelve months out			
☐	The Prophet named, from inside the company, and told to the leadership team			
☐	Deployment session, two days — the X-Matrix on the wall, read clockwise (worksheet 3)			
☐	Charters assigned, one black dot each (worksheet 4)			
☐	Catchball round one on the enterprise page, ledger kept by the Prophet (worksheet 5)			
☐	The capacity test run aloud — no leader with more than two black dots			
☐	The five confidence questions asked aloud before anyone signs			
☐	Charters back from the black dots, impact split by quarter, no hockey stick			
☐	Catchball round two, on the charters			
☐	Charters signed on a date, signed pages to the Prophet			
☐	Launch town hall — the initiatives and their numbers on one page, what happens when a number misses			
☐	Unit sessions booked inside six weeks, plants first, functions second (worksheet 6)			
☐	Seven-line checklist read aloud on every row that appears on more than one page			
☐	Action plans written to the day for the next thirty days, gates with approvers (worksheet 7)			
☐	Bowlers phased to the charters, never divided by twelve (worksheet 9)			
☐	Bands and the three red triggers locked, per row, with the owner in the room (worksheet 10)			
☐	Day-five test run on the first close — every row that cannot fill has a fix and a date			

WORKSHEET 1 (CONTINUED) — THE DEPLOYMENT YEAR CHECKLIST

Done	Item	Owner	Target date	Done on
☐	Cascade complete — one page per leader, one name per row, on the wall			
☐	The Prophet's charter signed, the CEO's signature under it (worksheet 15)			
Run — February through November				
☐	Boards standing daily, unit reviews and the leadership weekly running (worksheet 17)			
☐	Month machine written — day five, RCAC clock, pre-read Monday 8:00, review, log by noon (worksheet 14)			
☐	Review 1 — the first pre-read out forty-eight hours ahead, the first decision log by noon			
☐	Reviews 2 through 10 held on their dates, the QBRs in the April, July and October slots			
☐	Every red with an RCAC inside five working days of day five and in the pre-read (worksheet 11)			
☐	CEO calendar audit — top three initiatives at 60 percent or better, and again a quarter later			
☐	Twelve warning signs counted by the Prophet every quarter (worksheet 18)			
Reset — December				
☐	Review 11 — the Prophet reports his six numbers first			
☐	Run-rules register read aloud (worksheet 19)			
☐	Maturity scored by the CEO and the Prophet separately, argued to one number (worksheet 20)			
☐	Next year's page drafted at the October QBR, finished at the reset, signed by the board			

Tamarack, Year 1

Board signature December 9. Deployment session December 11–12. Charters back January 6, second round January 7, signed January 8 with the town hall that afternoon. Unit sessions January 12–30, bowlers and thresholds locked January 30, cascade complete and day-five test February 6 — the fifth business day. First review February 18. Reset December 15, board December 16. Two of ten rows failed the day-five test and were fixed by March 5.

RUNNING THIS WITH THE EIGHT

Most of this you run alone, and it takes a week.

Day one is you and the CFO, thirty minutes. Bring the plan, the current forecast, and the year-end forecast as reported at every monthly meeting since January. Do the dollar arithmetic together. Then finish the last field alone. Not the month the forecast settled — the month you first knew and did nothing different. The CFO cannot write that date for you, and if you ask, you will get the accounting answer.

Day two is the initiative list. Ask every leader for everything in flight in his area, and put all of it on one page. Then strike, on the page, every line without one named owner and one from-to number. Expect the list to grow while you build it. That is the finding.

Day three is the minutes. Pull the last three monthly meetings and count the decisions — a person, an action and a date, nothing looser. Then ask each leader, separately, to write the company's top three objectives from memory, and compare the pages on your desk, not in front of them.

The one hour with the leadership team comes at the top of the next monthly meeting, before its agenda. Open with the rule: this is not a review of anyone's performance. The people in this room ran the plan the system handed them, and what is being measured is the system. Then read the numbers aloud in this order — the initiatives in flight and how many survived the strike, the decisions in three months of minutes, the date January's number will reach the room, and last, the date you wrote on day one. Say that one is yours. Close with the first Build item on worksheet 1 that has an owner beside it, and nothing else.

If you have named a Prophet — the one leader who will run the rhythm and carry no number — he keeps the list and sends it out that night. If you have not, the person who typed the list for you is a candidate.

The first time, the room turns the gap into an argument about the forecast. The CFO defends the accuracy of a forecast that was, in fact, accurate. All of it is true and none of it is the point. The point is the date, and only one person in the room can put it on paper. Put it there before anyone else speaks.

THREE QUESTIONS TO ASK ON MONDAY

1. In what month did you know this year's number would be short, and what did you do differently in the week that followed?
2. Of everything in flight in your company this quarter, which three would you keep if the rest had to stop tomorrow, and whose name is on each?
3. On what date will January's number reach you, and what could you still change with it on that date?

BEFORE YOU MOVE ON

You should now have written down, on paper, all of it:

- ☐ The gap is written above in dollars and in months, in my own hand, with the month I knew.
- ☐ Every initiative in flight is on one page, and each one without a name and a number is struck through.
- ☐ The decisions in the last three monthly meetings are counted by the strict definition, and the count is written down.
- ☐ The date January's number will reach me is on my calendar.
- ☐ Each leader's three objectives, written from memory, are side by side on my desk.
- ☐ Every Build item on worksheet 1 has an owner's name beside it.

If the month you knew is not written above in your own hand, you have not finished this chapter. Write it, then turn the page.