

The Strategy Management Process

Bill Canady

Week Zero: Before the clock starts

Lock the number, name the team, assemble the inputs, and score the readiness baseline.

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This guide is the companion to *The Strategy Management Process: Build the Plan Your Board Will Sign — and Your Team Will Own*. The company that appears in the worked examples, Ironwood Process Components, is a composite of several industrial companies the author has run, advised, or sat on the board of, rounded into one set of books so that a single plan can be followed from the first waterfall to the second signature. 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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Week Zero — Before the clock starts

Chapter 1 of the book. Five things you must have before Monday. None of them is analysis, and the process will run without any one of them — and produce a document.

Everybody is at Week Zero until he has the number.

That is not a slogan. A leadership team that cannot say, from one line rather than from memory, what EBITDA the board expects and by when is not on day nine of a planning process. It is on Week Zero, and it will stay there — running initiatives, holding offsites, producing binders — until somebody writes the number down and gets initials on it. The process has six cylinders. The number is the load on the shaft. Without it the first cylinder fires and nothing moves.

Week Zero is assembly. It changes no decision and asks nothing of the market. Five items, in the order they get built, and most of a week to build them if you accept that the input folder will not be complete.

1. **The Locked Number** — the EBITDA the board or the sponsor expects, by a date, on one line, with the board chair's initials on it. It comes from one of three places: the sponsor's underwriting case, the board, or the goal-setting arithmetic of the first hundred days. It is a number, not a sentence. (*Chapter 1.*)
2. **The Core Team** — no more than eight people, not counting you, each of whom controls a material part of the P&L or the operating model. The first list you write will have twelve names on it. Cut it to eight and tell the four yourself. (*Chapter 1.*)
3. **The one decision** — the decision the plan must inform: a capital request, a board approval, a restructure, the annual budget. If you cannot name it, you are about to spend six weeks producing a document. (*Chapter 1.*)
4. **The input set** — one folder, before Week One. A process fails on its inputs long before it fails on its thinking, and it fails quietly, in Week Three, when a number the plan rests on turns out to be somebody's memory. (*Chapter 1.*)
5. **The Readiness Baseline** — twenty-one items in five dimensions, scored one to five by you alone, then by two leaders blind. The total is just a number. The gaps of two points or more are the diagnostic, and every one of them is a conversation before Week One. (*Chapter 1.*)

Then the sixth thing, which is not on the book's list because it is the Prophet's job rather than the CEO's: six weeks blocked on eight calendars, the two workshops first, so that Week Six lands before the board meeting that signs the plan.

WHAT IT LOOKS LIKE WHEN IT IS MISSING

The company has a number, and it is in an email, and three people in the building have read it. Ask the CFO and the COO separately what EBITDA the sponsor expects in three years and you get two numbers, or one number and two dates. Nobody has initialed anything, so the number is negotiable, and everything built on a negotiable number is a proposal.

The leadership team has fourteen people on it, so the meetings are presentations. The plan is going to inform a decision nobody can name, which means every page will be judged against nothing and all of them will survive. The financials are in one place, the customer file is in another, and the win/loss data is the sales leader's recollection. And nobody has asked whether the company can run a process at all — whether the team agrees in the room and disagrees in the parking lot, whether a monthly review has ever sat on a fixed date, whether the board has stopped expecting a plan.

The tell is the answer to *what is the number, and whose initials are on it*. If it takes more than ten seconds, or if the answer is a range, you are at Week Zero.

IN THE BOOK

At Ironwood the number arrived by email in my second week: \$40.0 million of EBITDA within three years, from a sponsor's underwriting model that had been rebuilt twice since the closing — once for tariffs on imported castings, once for freight — without the number moving, which told me it was a number the sponsor intended to keep. We had made \$24.2 million on \$220 million, 11.0 percent. The gap was \$15.8 million. Revenue was not the number; the plan would eventually put it at \$275 million, but nobody had asked for that.

The eight were Ellen Voss, the CFO, and Ray Okafor, the COO who would run the process, with Tom Brandt in sales, Lena Marchetti in operations with five plants under her, Sam Delgado in engineering, Curtis Nyberg running Aftermarket & Repair — the business that made 45 percent of our EBITDA and had been treated like a parts counter — Marta Klein in human resources, because the plan would change the organization and she would have to build what it changed, and Priya Raman, our director of FP&A, who controlled no P&L and would build every model the process needed. The general counsel, the head of IT, and the two plant managers who asked were not on it. I told them, and I told them why.

The one decision was really two that were one: the sponsor's Year 1 budget, due in December, and a \$6.5 million capital request for two service centers and a scheduling system that could not go to the board without a plan around it. Priya had the financial set in four days. The market file took three weeks, because nobody had written down why we lost a quote since the company was founded. We started Week One with what we had and a note on the front of the folder that said so.

Ironwood scored 38 of 105 on the Readiness Baseline. We had data, no process, a team that agreed in the room and disagreed in the hallway, and a board that had stopped expecting a plan. Ellen scored data quality a four — her ledger closed on the fourth business day and tied out. Ray scored it a two — his plant reports came from three systems and agreed with none of them. They were both right, and that was the conversation that put the customer file, not the model, at the top of Priya's list. It cost an hour. It would have cost us Week Three.

WORKED EXAMPLE

Ironwood's Week Zero page, as it stood on the Friday before Week One.

Line	Ironwood Process Components
The number	EBITDA of \$40.0 million within three years
Today's EBITDA	\$24.2 million, on revenue of \$220.0 million — 11.0 percent
The gap	\$15.8 million
Initialed by	The board chair, before Week One
The one decision	The sponsor's Year 1 budget, due in December, and the \$6.5 million capital request for two service centers and a scheduling system
The board meeting that signs the plan	December 12
The input set	Financial set complete in four days. Market file three weeks; win/loss data was the sales leader's recollection — and a note on the front of the folder said so
Readiness Baseline	38 of 105. The gap that mattered: data quality, CFO 4 and COO 2 — one conversation, one hour, the customer file moved to the top of the list

#	Role	Name	The piece of the P&L or the operating model
—	CEO	Bill Canady	The number and the decisions. No initiative.
1	The Prophet	Ray Okafor, COO	The calendar and the clock. No initiative.
2	CFO	Ellen Voss	Every number validated. The working-capital program — cash, on its own page.
3	Sales	Tom Brandt, VP Sales	The pricing and the top forty accounts
4	Operations	Lena Marchetti, VP Operations	Five plants, delivery, freight
5	Engineering	Sam Delgado, VP Engineering	Engineered Assemblies and the custom catalog
6	Aftermarket	Curtis Nyberg, GM Aftermarket & Repair	Nine service centers, 45 percent of EBITDA
7	Human resources	Marta Klein, VP HR	The organization the plan will change
8	FP&A	Priya Raman, Director FP&A	The model, the bowlers, every data source

Eight names, and four of them — the Prophet, the CFO, human resources and FP&A — will carry no initiative, which is the arithmetic that sets the Capacity Constraint in Week Two: four owners.

WORKSHEET ONE — THE WEEK ZERO ASSESSMENT

Score each line 1 if you have it on paper, dated, with a name on it — and 0 if it is in an email, in somebody's head, or nowhere. A 1 you did not earn costs you a week.

#	Do you have, on paper, dated...	1 / 0
1	The EBITDA the board or the sponsor expects, by a date, on one line	
2	The board chair's initials on that line	
3	Today's EBITDA, closed and reconciled, and the gap in dollars	
4	The eight named, each with the piece of the P&L or the operating model he runs	
5	The people who are not on the list, told by you, with the reason	
6	The one decision the plan must inform, in one sentence, with who makes it and when	
7	The input set in one folder — financials, customer and product file, headcount, budget, market file	
8	The Readiness Baseline scored three ways, with every two-point gap listed	
9	Six weeks blocked on eight calendars, the two workshops first	
10	The date of the board meeting that signs the plan	
Total		

0 to 3. You are at Week Zero and you know it, which is the better of the two ways to be there. Give this chapter a week. Lines 1 through 3 are one conversation with the chair and one with the CFO.

4 to 7. You have pieces, probably the ones the sponsor produces for you and not the ones only you can produce. Look at which lines scored zero. If 2 and 5 are among them, nobody has yet said no to anyone, and a process that opens without a refusal in it will close without one.

8 to 10. Block the calendars this week and open Week One on Monday. Then check that the 1s survive contact with the first waterfall. Most do not, the first time.

Which line did you want to score 1 and could not? Write what is missing, who has it, and the date you will have it.

WORKSHEET TWO — THE NUMBER ON ONE LINE

Write the EBITDA the board has agreed to and the date. Write today’s EBITDA beneath it and subtract. Then get the chair’s initials, because a number without initials is a number somebody will renegotiate in October.

The figure	The date
The Locked Number — EBITDA of	
Today’s EBITDA, closed and reconciled	
The gap	
Where the number came from — sponsor’s underwriting, the board, the hundred-days arithmetic	
Board chair’s initials and date	

Say the number out loud, with the date, in one sentence. Then write the sentence here, and use those words and no others for six weeks.

WORKSHEET THREE — THE EIGHT

Eight at most, not counting you, each running a piece of the P&L or the operating model that matters. The CEO owns the number and the decisions. The Prophet owns the calendar. The CFO validates every number. The rest carry an initiative each — two at the outside.

#	Role	Name	The piece of the P&L or the operating model
—	CEO — the number and the decisions		
1	The Prophet — the calendar		
2	CFO — every number validated		

#	Role	Name	The piece of the P&L or the operating model
3			
4			
5			
6			
7			
8			

Who is not on the list, and who told them? Every name you cut, and the reason you gave in person. If the reason will not survive being repeated by the person you cut, it is not the reason.

WORKSHEET FOUR — THE ONE DECISION

The decision this plan must inform — a capital request, a board approval, a restructure, the annual budget — and who makes it, when. Every page the process produces will be judged against it. A page that does not help make it is a page you do not need.

The decision, in one sentence

Who makes it

When

The board meeting that signs the plan

WORKSHEET FIVE — THE INPUT SET

One folder, before Week One. Tick each item when it is in the folder, closed and reconciled — not promised. A missing input is the first line on the Issue & Risk Matrix, not a reason to wait. Pull it by hand or with the tools you have, and tie the totals to the books.

The input	In the folder	Who owns it	By when
Three years of P&L and balance sheet, closed and reconciled			
Revenue by customer and by product, the same three years			
Gross margin by segment			
Headcount by function, matched to payroll			
The current budget and forecast			

The input	In the folder	Who owns it	By when
Every initiative in flight, with its owner and its number, if any			
The competitor list with estimated share			
Pricing benchmarks and market sizing			
Win/loss data, however thin			
Last year's capital budget and hiring log			

What is not in the folder on Friday, and what is on the front of the folder that says so?

WORKSHEET SIX — THE READINESS BASELINE

Twenty-one items in five dimensions. Score each 1 to 5, from *not true anywhere* to *true everywhere, for a year*. You score it alone first. Then two leaders score it blind — separately, without seeing yours or each other's. Then lay the three side by side.

#	Item	You	Leader A	Leader B
Data quality				
1	Three years of financials close, reconcile, and live in one place.			
2	Revenue and margin can be cut by customer and by product without a special project.			
3	Freight, rebates, returns and service cost are traced to whoever caused them.			
4	The numbers used in meetings are the numbers finance closed.			
5	The org chart matches the payroll.			
Process discipline				
6	A monthly review sits on a fixed date and is never cancelled.			
7	Last year's results against plan fit on one page.			
8	Every initiative in flight has a written owner and a number.			
9	A miss produces a written response, not a conversation.			
Team alignment				
10	Every leader states the three-year objective in the same sentence.			
11	Disagreement is spoken in the room, not in the parking lot.			

#	Item	You	Leader A	Leader B
12	Every function budgets from the same volume, price and cost assumptions.			
13	In the last twelve months the team declined something it wanted.			
	Ownership			
14	Every initiative has one name on it, not a committee.			
15	No leader carries more than two initiatives.			
16	The people who report against monthly targets set them.			
17	Decision rights are written down: who decides a price, a capital item, a hire.			
	Board readiness			
18	The board has agreed a number and a date, in writing.			
19	The board sees the same numbers every quarter in the same format.			
20	The CEO can name the two or three decisions that are the board's.			
21	The last plan the board saw was signed without a rewrite.			
	Total, out of 105			

Nobody scores 105. If you do, one of your scorers is being kind. And you cannot fail the baseline — nobody fails a walkaround. A low score is not a reason to wait. It is the reason to start. A team that scores itself in the nineties and finds nothing to argue about has told you that it does not yet know what the process is going to ask of it.

WORKSHEET SEVEN — THE GAPS

Every item where two scorers differ by two points or more, with the two names and the date of the conversation. Not a negotiation about the score — a conversation about why two people who run the same company see it differently. The gaps are the diagnostic. The total is just a number.

Item	The two scores, and whose	What each one is looking at	Conversation held	Date

The one gap that would have cost you a week if you had not found it. Ironwood’s was the customer file. What is yours, and what moved to the top of somebody’s list because of it?

WORKSHEET EIGHT — THE SIX-WEEK CALENDAR

Block it all on eight calendars now, workshops first, so that Week Six lands before the board meeting that signs the plan. Nothing else goes onto these dates for six weeks.

Week	Phase	The session	The artifact it leaves with	Date
Zero	Readiness	The Baseline scored three ways, the gaps talked through	The number, the eight, the decision, the inputs	
One	Situation	The Situation workshop — half a day	The Situation Assessment Summary	
Two	Framework	The Framework workshop — a day	The Funded Initiative Portfolio	
Three	Business Plan	The Budget Lock review — a day: the gap sort and the page, then the lock	The One-Page Plan and the Locked Budget	
Four	Deployment	The X-Matrix working session — an afternoon	The X-Matrix, with the team’s initials	
Five	Cadence	The cadence design session — half a day — then the rehearsal, the revision, and the pack frozen and sent	The bowler pack and the MBR calendar; the plan, sent a week before the board	
Six	Boardroom	The run-through, then the board meets	The Board-Ready Annual Strategy Plan, signed	
The board meeting that signs the plan				

Blocked on eight calendars, workshops first — on what date, and who sent the invitations?

RUNNING THIS WITH THE EIGHT

Week Zero is the one week that is mostly the CEO’s, and the one session in it belongs to the Prophet. Ninety minutes, the eight, one copy of the Baseline each, and the three scored sheets — yours and the two blind ones — on the wall before anyone speaks.

Open with the number. Say it, with the date, and say whose initials are on it. Then say who the eight are and who is not, in that order, so that nobody in the room learns from the calendar what they should have learned from you. Then say the one decision, and put it on the front of the folder where the room can see it.

Then the gaps. Take each item where two scores differ by two or more and ask the two scorers what each of them was looking at. Do not average the scores. Do not settle on a number. The room is there to find out that the CFO is scoring the ledger and the COO is scoring the plant reports, and that both are right. Every gap leaves the room with a name and a date — the person who will close it, or the person who will carry it onto the Issue & Risk Matrix on Monday morning.

Close with the calendar. The Prophet reads the six dates and the board date aloud, and nobody leaves until all seven are on all eight calendars. The invitations go out before lunch.

THREE QUESTIONS TO ASK ON MONDAY

1. What is the number, what is the date, and whose initials are on the line?
2. Who are the eight — and who did I tell, myself, that they are not?
3. What decision will this plan inform, and would I recognize a page that does not help make it?

BEFORE YOU MOVE ON

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

- The number on one line, with the date and the chair's initials.
- The eight, each with the piece of the P&L or the operating model he runs, and the people who are not on the list, told.
- The one decision, on the front of the folder.
- The input set, or the note that says what is missing and who is getting it.
- The Readiness Baseline scored three ways, and every two-point gap with a name and a date.
- Six weeks and the board date, on eight calendars.

If the number is still in an email, you have not finished this chapter. Get the initials, then turn the page.