

ENGLISH FOR WORK / CHOICES / RESOURCES / EXECUTIVE DECISIONS

Corporate Strategy English

Frame the decision. Expose the trade-off. Make the recommendation precise.



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Eight practical lessons. Eleven extended conversations.

Vocabulary, phrase banks, guided speaking, and explained answers.

Revised 2026 edition / Upper-intermediate to advanced

Your route through the book

01 Strategy Role, Problem Framing, and Executive Diagnosis, page 4

Clarify an executive mandate before selecting a growth option or commissioning broad analysis.

02 Strategic Choices: Ambition, Where to Play, How to Win, and Tradeoffs, page 15

Make a strategic trade-off explicit when two attractive initiatives cannot both fit the available capacity.

03 Industry Structure, Competitive Dynamics, and Profit Pools, page 28

Narrow a market-size claim and distinguish addressable spending, assumed capture, and available profit.

04 Business Models, Unit Economics, Capabilities, and Advantage, page 39

Explain a growing service's economics and challenge an unsupported claim that scale alone will solve the loss.

05 Portfolio Strategy, Capital Allocation, and Resource Reallocation, page 54

Compare competing investment requests on a consistent basis and expose displaced work and sunk-cost reasoning.

06 Growth Strategy, Market Entry, Partnerships, and M&A Logic, page 65

Qualify an acquisition rationale and distinguish recurring potential from timed, net cash benefits.

07 Uncertainty, Scenarios, Strategic Options, and Risk Posture, page 77

Describe conditional outcomes and connect observable signposts to proportionate, authorized responses.

08 Execution Governance, Operating Model, KPIs, and Board Narrative, page 88

Turn a dense status presentation into a bounded decision request with owners, measures, and review conditions.

[Professional communication notes, page 3](#)

[Three additional workplace cases, page 104](#)

[Answers and explanations, page 115](#)

[Phrase finder, page 173](#)

[Vocabulary index, page 175](#)

[References and publication notes, page 180](#)

Suggested study range: B2-C1. This is an editorial study range, not a certified proficiency assessment.

A strong recommendation shows its logic.

Strategy English is not a collection of impressive labels. It is language for making choices explicit: what problem matters, why an option could work, what it consumes, and what would change the recommendation. These fictional cases give the meeting a specific decision and a visible evidence boundary.

Separate the objective from the option

Entering a market is one possible action; it is not automatically the business outcome the sponsor needs. Confirm the measure and horizon before treating an attractive solution as the assignment. "Is the priority revenue growth, operating profit, or a particular market position?"

State the forgone alternative

A resource request becomes clearer when it names the next-best use of the same money and people. Funding a priority should not conceal the work that must stop, shrink, or wait. "Both proposals need the same team; which work would be displaced?"

Distinguish potential from captured value

A large market, a synergy estimate, and a rising revenue line describe different things. Each needs a bridge to the company's actual access, delivery costs, and implementation capacity. "The savings are a hypothesis until the timing, cost, and integration dependencies are tested."

Ask for the decision you need

A board presentation should connect its evidence to an explicit request with limits and follow-up. A pilot decision is not approval of an unlimited rollout. "Approve the bounded pilot, with the stated spending cap and review gate."

Professional boundaries

Original fictional language practice, not investment, legal, accounting, valuation, or transaction advice. Figures are teaching assumptions, not forecasts. Actual strategic decisions require verified company facts, appropriate analysis, authorized governance, and qualified review where needed.

A Read the situation

LESSON 01 / STRATEGY ROLE, PROBLEM FRAMING, AND EXECUTIVE DIAGNOSIS

Clarify an executive mandate before selecting a growth option or commissioning broad analysis.

Growth is an ambition, not yet a clear assignment

Executive sponsor Daniel asks strategy lead Rina for a growth strategy. Last year the business reported \$20 million revenue and \$2 million operating profit. The sponsor has not chosen whether the primary objective is revenue growth, operating-profit improvement, or entry into a new market. No target, horizon, or spending limit has been agreed. A workshop is scheduled for Monday. Rina must establish the decision question and missing inputs rather than assume that an acquisition or a 20% revenue target has already been authorized.

People: Daniel, Executive sponsor; Rina, Strategy lead.

Read the record

Choose one answer per question using the facts above.

1. What is the primary unresolved issue?

- A. Whether the company has no revenue
- B. Which approved market-entry plan is being implemented
- C. Which outcome the growth strategy should prioritize
- D. Whether an acquisition has already closed

2. What do the supplied figures describe?

- A. The new market's total spending
- B. Last year's revenue and operating profit
- C. Next year's approved targets
- D. A confirmed acquisition price and integration cost

3. Which action is not authorized by the brief?

- A. Treating an acquisition and 20% revenue target as approved
- B. Asking the sponsor to define success
- C. Identifying the missing horizon
- D. Preparing a focused decision question

[Answers and explanations, page 115](#)

B Vocabulary in use

CORE TERMS

strategic mandate

The authorized purpose and boundaries of a strategy assignment.

clarify the strategic mandate

decision question

The choice the analysis is intended to support.

frame the decision question

objective

The outcome an effort is intended to achieve.

define the strategic objective

baseline

The starting reference against which a change is assessed.

establish the baseline

scope boundary

A limit on what the assignment includes.

document the scope boundary

diagnosis

An evidence-based explanation of the central problem or challenge.

develop the strategic diagnosis

problem statement

A precise description of the issue to be addressed.

sharpen the problem statement

executive sponsor

The senior person accountable for backing and directing an initiative.

confirm the executive sponsor

target

A specified desired level of performance or outcome.

set a measurable target

time horizon

The period over which a decision or outcome is evaluated.

agree the time horizon

constraint

A condition restricting feasible choices.

identify binding constraints

symptom

An observed sign that may have more than one underlying cause.

distinguish a symptom from a cause

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

strategic mandate **STRATEGIC MANDATE**

clarify the strategic mandate

Keep the meaning precise: The authorized purpose and boundaries of a strategy assignment.

target **TARGET**

set a measurable target

Keep the meaning precise: A specified desired level of performance or outcome.

B Precision and professional shorthand

EXTEND YOUR RANGE

hypothesis

A proposition requiring testing against evidence.
test the working hypothesis

driver analysis

Examination of factors contributing to an observed result.
conduct driver analysis

assumption register

A record of premises, evidence status, and owners.
maintain the assumption register

stakeholder map

A description of relevant parties and their interests or roles.
prepare a stakeholder map

decision rights

The authority to make or approve specified choices.
clarify decision rights

strategic option

A distinct possible course of action.
develop strategic options

issue tree

A structured breakdown of a problem into questions.
build an issue tree

evidence gap

Missing information needed to support a conclusion.
identify an evidence gap

fact base

The verified information supporting an analysis.
build the fact base

alignment

Shared understanding of the relevant goal or decision.
confirm alignment on the objective

success criterion

A condition used to determine whether the effort meets its goal.
agree success criteria

recommendation

A proposed course of action supported by reasoning.
present a qualified recommendation

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

symptom SYMPTOM

distinguish a symptom from a cause

Keep the meaning precise: An observed sign that may have more than one underlying cause.

assumption register ASSUMPTION REGISTER

maintain the assumption register

Keep the meaning precise: A record of premises, evidence status, and owners.

Phrases that move the work forward

Clarify the request

Which outcome should the growth strategy prioritize?

Separate the measures

Revenue growth and profit improvement can point to different choices.

Name the boundary

We have not yet agreed a spending limit or scope.

Request authority

Who will approve the objective and the final recommendation?

Test the diagnosis

What evidence explains the gap between current performance and the desired outcome?

Keep a hypothesis open

We should test the cause before designing the response.

Distinguish a target

A 20% revenue figure has not been approved as the goal.

Summarize the gap

We have a historical baseline, but no agreed target or horizon.

Use the baseline

Last year revenue was \$20 million and operating profit was \$2 million.

Ask for the horizon

Over what period should we evaluate the result?

Avoid a premature solution

Acquisition is an option to assess, not the mandate itself.

Close with a decision

Let us confirm the mandate before Monday's options discussion.

Mark an assumption

I will label that premise as unverified until its owner confirms it.

Limit the analysis

Which questions would actually change the decision?

Preserve alternatives

The initial option set should not assume one route is inevitable.

Check understanding

Does this question capture the choice you need the team to support?

Precision in real exchanges

Purpose: Ask for the horizon

Useful wording: Over what period should we evaluate the result?

Purpose: Name the boundary

Useful wording: We have not yet agreed a spending limit or scope.

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which question best resolves the sponsor's ambiguous growth request?

- A.** Which outcome, target, and time horizon should the strategy prioritize?
- B.** Which acquisition shortlist should be ready before we confirm the objective?
- C.** Which market-entry option should be treated as the agreed baseline?
- D.** Which revenue forecast should we label as the sponsor's approved target?

2. What operating margin follows from the supplied historical figures?

- A.** 100%
- B.** 10%
- C.** 20%
- D.** 2%

3. A colleague needs the term for this meaning: The senior person accountable for backing and directing an initiative. Which term fits?

- A.** scope boundary
- B.** decision rights
- C.** executive sponsor
- D.** driver analysis

D Choose the response that fits / continued

4. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment". Daniel: "I see the distinction. A plan that adds revenue at a lower margin might look good under one measure and weak under another." Rina: [missing response] Daniel: "What are the few inputs you need from me now? We cannot spend the whole week defining the brief and arrive on Monday without options." Which response belongs in the gap?

- A.** That gives us a historical baseline. It does not yet tell us which change matters most, or what trade-offs you would accept to achieve it.
- B.** A defined time horizon, a target, and the important constraints. A focused one-year improvement and a longer market-building effort could require very different evidence and commitments.
- C.** Those are competing explanations. We need a diagnosis supported by evidence, rather than selecting whichever explanation makes an existing project appear necessary.
- D.** Exactly. The objective changes the comparison. We should not choose the measure after seeing which option produces the most attractive number.

[Answers and explanations, page 115](#)

One useful distinction

Revenue and operating profit are different measures. The historical figures imply a 10% operating margin on the stated basis, but do not tell the team which outcome to prioritize. A growth label should not silently become a revenue target, acquisition mandate, or permission to spend.

E Conversation

Growth is an ambition, not yet a clear assignment

Growth is an ambition, not yet a clear assignment

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

strategic mandate / strategic option / success criteria / diagnosis / decision rights /
baseline / issue tree / time horizon / objective / assumption register

- 01 **Daniel:** I want a growth strategy ready for discussion on Monday. The business needs a stronger direction, and I would like the team to move quickly.
- 02 **Rina:** I can focus the work, but first we need the ¹ _____. Does growth mean increasing revenue, improving operating profit, or establishing a position in a new market?
- 03 **Daniel:** Those are all attractive, but I have not ranked them. Last year we had twenty million dollars in revenue and two million in operating profit.
- 04 **Rina:** That gives us a historical ² _____. It does not yet tell us which change matters most, or what trade-offs you would accept to achieve it.
- 05 **Daniel:** I see the distinction. A plan that adds revenue at a lower margin might look good under one measure and weak under another.
- 06 **Rina:** Exactly. The ³ _____ changes the comparison. We should not choose the measure after seeing which option produces the most attractive number.
- 07 **Daniel:** What are the few inputs you need from me now? We cannot spend the whole week defining the brief and arrive on Monday without options.
- 08 **Rina:** A defined ⁴ _____, a target, and the important constraints. A focused one-year improvement and a longer market-building effort could require very different evidence and commitments.
- 09 **Daniel:** We have not agreed a spending limit. I also mentioned acquisition in a previous conversation, but I did not approve a transaction.
- 10 **Rina:** I will treat acquisition as a ⁵ _____, not the assignment itself. Otherwise we risk evaluating only how to acquire something instead of whether that route addresses the actual problem.

Conversation continues on the next page.

Growth is an ambition, not yet a clear assignment

CONVERSATION / CONTINUED

- 11 **Daniel:** Some people say weak sales execution is the reason growth has slowed. Others say the offer no longer fits what customers need.
- 12 **Rina:** Those are competing explanations. We need a ⁶ _____ supported by evidence, rather than selecting whichever explanation makes an existing project appear necessary.
- 13 **Daniel:** Can you break that investigation into a few questions for the workshop? I want people to see what information could change the recommendation.
- 14 **Rina:** I can use an ⁷ _____ to separate customer demand, the offer, and execution questions. It should structure the work, not become a diagram that pretends we already know the answer.
- 15 **Daniel:** We will also need to distinguish facts from assumptions. Several figures in early presentations came from estimates that nobody formally checked.
- 16 **Rina:** I will keep an ⁸ _____ with the source and owner of each material premise. That lets us identify which uncertainty could change the choice before refining the numbers.
- 17 **Daniel:** I should confirm the outcome and limits, then the team can compare routes. Who else needs a decision role should be explicit as well.
- 18 **Rina:** Yes. Clear ⁹ _____ will prevent a workshop preference from being reported as authorization. We can name the sponsor decisions separately from the analytical work assigned to the team.

Growth is an ambition, not yet a clear assignment / continued

- 19 **Daniel:** Send me a one-page mandate before Monday. Leave the target open for my decision; the twenty-percent figure mentioned earlier was not an agreement.
- 20 **Rina:** I will mark the open ¹⁰ _____ and frame the decision for confirmation. The workshop can then compare options against the same objective instead of debating several different meanings of growth.

CHECK THE GAPS

1. strategic mandate / 2. baseline / 3. objective / 4. time horizon / 5. strategic option / 6. diagnosis / 7. issue tree / 8. assumption register / 9. decision rights / 10. success criteria

[Why these answers fit, page 116](#)

F Check accuracy and scope

Growth is an ambition, not yet a clear assignment

Return to the case

Executive sponsor Daniel asks strategy lead Rina for a growth strategy. Last year the business reported \$20 million revenue and \$2 million operating profit. The sponsor has not chosen whether the primary objective is revenue growth, operating-profit improvement, or entry into a new market. No target, horizon, or spending limit has been agreed. A workshop is scheduled for Monday. Rina must establish the decision question and missing inputs rather than assume that an acquisition or a 20% revenue target has already been authorized.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which sentence correctly labels an acquisition?

- A. It is one option to assess after clarifying the mandate.
- B. It is the only possible meaning of growth strategy.
- C. It is authorized because the sponsor used the word growth.
- D. It is the same thing as a profit objective.

2. Which summary best prepares the next discussion?

- A. We already have all success criteria because last year's revenue is known.
- B. The workshop date establishes unlimited spending authority.
- C. The analyst can invent the target to avoid another question.
- D. We need an objective, target, horizon, boundaries, and decision owner.

[Answers and explanations, page 118](#)

Listen for the distinction

Switch roles for the mandate questions. Preserve the unresolved objective, horizon, scope, spending limit, and decision rights instead of inventing answers.

Clarifying the assignment is part of senior judgment

A question about the objective need not sound resistant. Explain how different definitions of success would change the options and evidence required. Keep the request focused enough for the sponsor to answer, rather than returning a long list of questions with no decision structure.

F Say it / transfer to a new case

A market-entry label hides the outcome

A sponsor proposes opening an overseas office but has not stated the intended business outcome or budget. The team has no authority to sign a lease.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

unagreed / option / objective / lease

- 01 **Analyst:** An overseas office is a possible ¹ _____.
- 02 **Sponsor:** We first need to define the ² _____.
- 03 **Analyst:** The spending limit remains ³ _____.
- 04 **Sponsor:** This discussion does not authorize a ⁴ _____.

CHECK THE GAPS

1. option / 2. objective / 3. unagreed / 4. lease

[Why these answers fit, page 118](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment".

Daniel: "Can you break that investigation into a few questions for the workshop? I want people to see what information could change the recommendation." **Rina:** [missing response] **Daniel:** "We will also need to distinguish facts from assumptions. Several figures in early presentations came from estimates that nobody formally checked." Which response belongs in the gap?

- A.** I will keep an assumption register with the source and owner of each material premise. That lets us identify which uncertainty could change the choice before refining the numbers.
- B.** I can use an issue tree to separate customer demand, the offer, and execution questions. It should structure the work, not become a diagram that pretends we already know the answer.
- C.** I will mark the open success criteria and frame the decision for confirmation. The workshop can then compare options against the same objective instead of debating several different meanings of growth.
- D.** I will treat acquisition as a strategic option, not the assignment itself. Otherwise we risk evaluating only how to acquire something instead of whether that route addresses the actual problem.

[Answers and explanations, page 119](#)

A Read the situation

LESSON 02 / STRATEGIC CHOICES: AMBITION, WHERE TO PLAY, HOW TO WIN, AND TRADEOFFS

Make a strategic trade-off explicit when two attractive initiatives cannot both fit the available capacity.

Two priorities competing for the same specialist team

For the next quarter, a service business has 160 specialist-weeks available after existing commitments. Improving the core service requires 120 specialist-weeks; entering an adjacent segment requires 100. Both need the same specialists. A draft strategy says to deliver both in full next quarter without explaining the 60-week shortfall. No additional hiring, outsourcing, or reduced scope has been approved. Strategy manager Sana and business-unit head Victor must compare choices and sequencing without treating ambition as extra capacity.

People: Sana, Strategy manager; Victor, Business-unit head.

Read the record

Choose one answer per question using the facts above.

1. How much capacity do both full initiatives require?

- A. 160 specialist-weeks
- B. 120 specialist-weeks
- C. 100 specialist-weeks
- D. 220 specialist-weeks

2. What is the shortfall against available capacity?

- A. 40 specialist-weeks
- B. 20 specialist-weeks
- C. 320 specialist-weeks
- D. 60 specialist-weeks

3. Which assumption is unsupported?

- A. The available capacity is after existing commitments.
- B. Full delivery of both exceeds current capacity.
- C. Extra staffing or reduced scope has already been approved.
- D. Both initiatives use the same specialists.

[Answers and explanations, page 120](#)

B Vocabulary in use

CORE TERMS

strategic ambition

The overall level or direction of desired achievement.

articulate the strategic ambition

how to win

The proposed basis for succeeding in the chosen arena.

explain how to win

opportunity cost

The value of the next-best alternative forgone.

assess opportunity cost

resource envelope

The total resources available within defined boundaries.

work within the resource envelope

adjacency

A related market or activity beyond the current core.

evaluate an adjacency

differentiation

A relevant distinction that gives customers a reason to choose an offering.

substantiate differentiation

where to play

The markets, customers, or activities selected for competition.

define where to play

trade-off

A choice that sacrifices one benefit to obtain another.

make the trade-off explicit

capacity constraint

A limit imposed by the amount of usable resources.

quantify the capacity constraint

core business

The established activities central to the company's current operation.

strengthen the core business

strategic focus

Concentration on a selected set of choices and priorities.

maintain strategic focus

cost advantage

A relative cost position that can support competitive performance.

test the cost advantage

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

strategic ambition STRATEGIC AMBITION

articulate the strategic ambition

Keep the meaning precise: The overall level or direction of desired achievement.

capacity constraint CAPACITY CONSTRAINT

quantify the capacity constraint

Keep the meaning precise: A limit imposed by the amount of usable resources.

B Precision and professional shorthand

EXTEND YOUR RANGE

competitive positioning

The chosen place and proposition relative to alternatives.

clarify competitive positioning

strategic fit

Compatibility among choices, capabilities, and the intended direction.

assess strategic fit

cannibalization

A new offering reducing demand or revenue for the company's existing offering.

estimate cannibalization

phased rollout

Introduction through defined stages rather than all at once.

propose a phased rollout

deprioritization

A decision to give an activity less priority or delay it.

document deprioritization

resource bottleneck

A resource whose limited availability restricts overall progress.

identify the resource bottleneck

activity system

A set of mutually supporting activities that deliver a strategy.

align the activity system

operational effectiveness

Performing activities well relative to their required standard or alternatives.

improve operational effectiveness

sequencing

Ordering initiatives over time according to priorities and dependencies.

agree the sequencing

minimum viable scope

The smallest scope sufficient for the specified purpose or learning goal.

define minimum viable scope

stop-doing list

An explicit set of activities to discontinue or suspend.

maintain a stop-doing list

commitment

An agreed allocation or obligation rather than a tentative proposal.

distinguish a commitment from an option

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

cost advantage COST ADVANTAGE

test the cost advantage

Keep the meaning precise: A relative cost position that can support competitive performance.

cannibalization CANNIBALIZATION

estimate cannibalization

Keep the meaning precise: A new offering reducing demand or revenue for the company's existing offering.

C Phrases that move the work forward

Respect the ambition

Both initiatives may have value, but the current plan does not fit.

Name the gap

We are short by 60 specialist-weeks.

Request the choice

Which outcome takes priority if we cannot deliver both in full?

Avoid invented resources

No extra hiring or outsourcing has been approved.

Test the arena

Which segment are we choosing to serve first?

Preserve the distinction

Operational improvement and a new market position are not identical choices.

Check the ramp

New staff would need realistic onboarding and availability assumptions.

Record the non-choice

The strategy should state what we are not committing to this quarter.

Show the arithmetic

The two initiatives require 220 specialist-weeks against 160 available.

Identify the shared resource

Both proposals depend on the same specialist team.

Offer alternatives

We can compare sequencing, reduced scope, or a properly approved capacity plan.

Close with a commitment

The final plan must name what happens now and what waits.

Explain the advantage

Why would customers choose us in that segment?

Name the sacrifice

Funding this route means delaying or reducing another use of the team.

Limit a pilot

A smaller scope should answer a defined question.

Confirm the units

These figures are specialist-weeks, not headcount.

Precision in real exchanges

Purpose: Identify the shared resource

Useful wording: Both proposals depend on the same specialist team.

Purpose: Request the choice

Useful wording: Which outcome takes priority if we cannot deliver both in full?

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which statement reports the constraint precisely?

- A.** Full delivery needs 220 specialist-weeks, exceeding current capacity by 60.
- B.** Full delivery fits because each initiative alone is below 160.
- C.** The shortage is 60 permanent employees.
- D.** Existing commitments can be ignored because the numbers are strategic.

2. Which proposal is correctly described as an option?

- A.** Count each specialist twice because the initiatives have different sponsors.
- B.** Evaluate a phased approach without claiming it is already approved.
- C.** Report unapproved outsourcing as existing capacity.
- D.** Promise both full launches and omit the shared team.

3. A colleague needs the term for this meaning: A choice that sacrifices one benefit to obtain another. Which term fits?

- A.** strategic fit
- B.** adjacency
- C.** deprioritization
- D.** trade-off

D Choose the response that fits / continued

4. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "Could we ask for efficiency savings and leave both dates in place? I need something positive to take to the executive meeting." Sana: [missing response] Victor: "I understand the arithmetic. What I need is a choice that does not look like we are retreating from growth." Which response belongs in the gap?

- A.** Start with where to play: strengthen the core or enter the adjacent segment first. Neither label tells us which choice creates more value.
- B.** Yes. Compare that opportunity cost explicitly. Forty remaining weeks would not deliver a hundred-week launch, and unused capacity is not the only consideration.
- C.** We should have shown the combined demand earlier. Both sponsors need the same people, so we have one resource bottleneck, not two independent teams.
- D.** We can investigate savings, but they do not yet enlarge the resource envelope. Keeping both full promises would conceal a sixty-specialist-week gap.

[Answers and explanations, page 120](#)

One useful distinction

The resource gap is 60 specialist-weeks, not 60 people and not automatically a cash budget of any particular size. Available capacity already excludes existing commitments. Do not count the same specialist time twice or treat an unapproved recruitment idea as immediately usable capacity.

E Conversation

Two priorities competing for the same specialist team

Two priorities competing for the same specialist team

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

minimum viable scope / capacity constraint / resource envelope / opportunity cost /
how to win / where to play / sequencing / stop-doing list / resource bottleneck /
commitment

- 01 **Victor:** Keep both initiatives in next quarter's plan. The core service needs attention, but I do not want the adjacent launch slipping again.
- 02 **Sana:** Then we need a decision about the ¹ _____. We have one hundred sixty specialist-weeks after existing commitments; the full proposals need two hundred twenty.
- 03 **Victor:** Each request was below one hundred sixty when I reviewed it. Why are we only raising this now?
- 04 **Sana:** We should have shown the combined demand earlier. Both sponsors need the same people, so we have one ² _____, not two independent teams.
- 05 **Victor:** Could we ask for efficiency savings and leave both dates in place? I need something positive to take to the executive meeting.
- 06 **Sana:** We can investigate savings, but they do not yet enlarge the ³ _____. Keeping both full promises would conceal a sixty-specialist-week gap.

E Conversation / continued

- 07 **Victor:** I understand the arithmetic. What I need is a choice that does not look like we are retreating from growth.
- 08 **Sana:** Start with ⁴ _____: strengthen the core or enter the adjacent segment first. Neither label tells us which choice creates more value.
- 09 **Victor:** The adjacent proposal has a large market estimate. Its customer argument is thinner; we have not shown why buyers would switch.
- 10 **Sana:** That is the ⁵ _____ question. We need a reason customers prefer our service, supported by capabilities and evidence, before size becomes an entry recommendation.

Conversation continues on the next page.

Two priorities competing for the same specialist team

CONVERSATION / CONTINUED

- 11 **Victor:** The core work uses one hundred twenty weeks. Choosing it first leaves forty, but it also delays the other opportunity.
- 12 **Sana:** Yes. Compare that ⁶ _____ explicitly. Forty remaining weeks would not deliver a hundred-week launch, and unused capacity is not the only consideration.
- 13 **Victor:** Could forty weeks fund a useful test of the adjacent offer? I am asking about feasibility, not approving a smaller project.
- 14 **Sana:** We can define a ⁷ _____ around a specific learning question and estimate the work. We cannot assume forty weeks is enough without that design.
- 15 **Victor:** Put that beside hiring. New people will need approval and onboarding; they will not appear fully productive next Monday.
- 16 **Sana:** Agreed. Compare the resource plan with ⁸ _____, including what starts next quarter and what waits. Neither option is already authorized.
- 17 **Victor:** I also want a page showing what stops. Otherwise another priority will arrive and we will have this argument again.
- 18 **Sana:** I will include a ⁹ _____ with the consequences of each choice. Removing work needs a decision too; it cannot remain an unnamed assumption.
- 19 **Victor:** Bring the customer evidence, expected value, and feasible scopes to the meeting. Leave the full-delivery promise out until we choose.
- 20 **Sana:** Then we can record a deliverable ¹⁰ _____: one resource plan, named priorities, and explicit timing. The sixty-week gap stays visible until a decision resolves it.

CHECK THE GAPS

1. capacity constraint / 2. resource bottleneck / 3. resource envelope / 4. where to play / 5. how to win / 6. opportunity cost / 7. minimum viable scope / 8. sequencing / 9. stop-doing list / 10. commitment

[Why these answers fit, page 121](#)

F Check accuracy and scope

Two priorities competing for the same specialist team

Return to the case

For the next quarter, a service business has 160 specialist-weeks available after existing commitments. Improving the core service requires 120 specialist-weeks; entering an adjacent segment requires 100. Both need the same specialists. A draft strategy says to deliver both in full next quarter without explaining the 60-week shortfall. No additional hiring, outsourcing, or reduced scope has been approved. Strategy manager Sana and business-unit head Victor must compare choices and sequencing without treating ambition as extra capacity.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which question addresses how to win rather than where to play?

- A. Which product category should be excluded from our initial market definition?
- B. Why would the selected customers prefer our offer to their current alternatives?
- C. Which customer segment should we enter next quarter?
- D. Which geography falls within our present service boundary?

2. Which conclusion follows from the resource data alone?

- A. Both full initiatives cannot fit the stated capacity without a change.
- B. The lower-resource initiative is necessarily the better strategy.
- C. The adjacent market is guaranteed to be unprofitable.
- D. The core initiative has no opportunity cost.

[Answers and explanations, page 123](#)

Listen for the distinction

Switch roles for turns 11-20. Keep the forty-week pilot as an option requiring design, not an approved substitute for the full launch.

Make the conflict visible before asking for a choice

A leader may call two initiatives priorities because both have merit. Respect that ambition while showing the shared resource they consume. A useful challenge quantifies the conflict, names the alternatives, and distinguishes an authorized commitment from a proposal for more capacity.

F Say it / transfer to a new case

Two pilots still share one team

A team has 90 analyst-days available. Pilot A needs 55 days and Pilot B needs 50. No additional capacity or scope reduction has been approved.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

105 / choice / capacity / 15

- 01 **Lead:** The combined requirement is ¹ _____ analyst-days.
- 02 **Analyst:** That exceeds available capacity by ² _____ days.
- 03 **Lead:** We need an explicit resource or sequencing ³ _____.
- 04 **Analyst:** Neither proposal creates extra ⁴ _____ by itself.

CHECK THE GAPS

1. 105 / 2. 15 / 3. choice / 4. capacity

[Why these answers fit, page 123](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "Two priorities competing for the same specialist team".
Victor: "Could forty weeks fund a useful test of the adjacent offer? I am asking about feasibility, not approving a smaller project." Sana: [missing response] Victor: "Put that beside hiring. New people will need approval and onboarding; they will not appear fully productive next Monday." Which response belongs in the gap?

- A.** We can define a minimum viable scope around a specific learning question and estimate the work. We cannot assume forty weeks is enough without that design.
- B.** Then we need a decision about the capacity constraint. We have one hundred sixty specialist-weeks after existing commitments; the full proposals need two hundred twenty.
- C.** Then we can record a deliverable commitment: one resource plan, named priorities, and explicit timing. The sixty-week gap stays visible until a decision resolves it.
- D.** That is the how to win question. We need a reason customers prefer our service, supported by capabilities and evidence, before size becomes an entry recommendation.

[Answers and explanations, page 124](#)

Review 1 / Meaning and context

Use language from the lessons you have completed. Choose one answer per question.

Case file

Revisit "Strategy Role, Problem Framing, and Executive Diagnosis" and "Strategic Choices: Ambition, Where to Play, How to Win, and Tradeoffs". Choose precise terminology, then reconstruct the missing responses using both neighboring turns. The final two questions also revisit earlier conversations.

1. A colleague needs the term for this meaning: The choice the analysis is intended to support. Which term fits?

- A. issue tree
- B. time horizon
- C. decision question
- D. alignment

2. A colleague needs the term for this meaning: The established activities central to the company's current operation. Which term fits?

- A. strategic ambition
- B. competitive positioning
- C. phased rollout
- D. core business

3. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment". Daniel: "We have not agreed a spending limit. I also mentioned acquisition in a previous conversation, but I did not approve a transaction." Rina: [missing response] Daniel: "Some people say weak sales execution is the reason growth has slowed. Others say the offer no longer fits what customers need." Which response belongs in the gap?

- A. I can use an issue tree to separate customer demand, the offer, and execution questions. It should structure the work, not become a diagram that pretends we already know the answer.
- B. I will treat acquisition as a strategic option, not the assignment itself. Otherwise we risk evaluating only how to acquire something instead of whether that route addresses the actual problem.
- C. I will keep an assumption register with the source and owner of each material premise. That lets us identify which uncertainty could change the choice before refining the numbers.
- D. Yes. Clear decision rights will prevent a workshop preference from being reported as authorization. We can name the sponsor decisions separately from the analytical work assigned to the team.

Review 1 / Meaning and context / continued

4. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "I also want a page showing what stops. Otherwise another priority will arrive and we will have this argument again." Sana: [missing response] Victor: "Bring the customer evidence, expected value, and feasible scopes to the meeting. Leave the full-delivery promise out until we choose." Which response belongs in the gap?

- A.** I will include a stop-doing list with the consequences of each choice. Removing work needs a decision too; it cannot remain an unnamed assumption.
- B.** We should have shown the combined demand earlier. Both sponsors need the same people, so we have one resource bottleneck, not two independent teams.
- C.** Then we need a decision about the capacity constraint. We have one hundred sixty specialist-weeks after existing commitments; the full proposals need two hundred twenty.
- D.** Start with where to play: strengthen the core or enter the adjacent segment first. Neither label tells us which choice creates more value.

[Answers and explanations, page 155](#)

A Read the situation

LESSON 03 / INDUSTRY STRUCTURE, COMPETITIVE DYNAMICS, AND PROFIT POOLS

Narrow a market-size claim and distinguish addressable spending, assumed capture, and available profit.

A large industry is not the company's available market

A presentation labels \$10 billion of annual industry spending as the company's immediate opportunity. The company can serve only a segment estimated at \$400 million, of which \$120 million lies in its current service geography. A separate model assumes a 10% share of that \$120 million, implying \$12 million annual revenue, but the share assumption has not been validated. No segment profit data or customer-switching evidence are supplied. Strategy analyst Kai and commercial director Yara must rebuild the claim without turning an estimate into a forecast.

People: Kai, Strategy analyst; Yara, Commercial director.

Read the record

Choose one answer per question using the facts above.

1. Which figure describes the segment within the current service geography?

- A. \$400 million
- B. \$12 million of confirmed sales
- C. \$120 million
- D. \$10 billion

2. What revenue does the 10% share assumption imply?

- A. \$1 billion annually
- B. \$12 million annually
- C. \$120 million annually
- D. \$40 million annually

3. What is not supplied?

- A. A stated geographic spending estimate
- B. A numerical share assumption
- C. The total-industry spending figure
- D. Segment profit data and customer-switching evidence

[Answers and explanations, page 125](#)

B Vocabulary in use

CORE TERMS

market boundary

The definition of customers, products, and geography included in an analysis.

specify the market boundary

serviceable available market

The portion of defined demand the business can serve with its offering and reach.

estimate the serviceable available market

top-down estimate

An estimate derived by narrowing a larger aggregate.

qualify a top-down estimate

capture assumption

An assumed share of available demand won by the company.

test the capture assumption

industry structure

The configuration of participants and forces shaping competition.

analyze industry structure

value chain

The linked activities that create and deliver an offering.

analyze the value chain

total addressable market

Total demand within a clearly defined offering and market boundary.

define the total addressable market

serviceable obtainable market

The portion of serviceable demand realistically targeted for capture under stated assumptions.

support the serviceable obtainable market

bottom-up estimate

An estimate built from smaller units such as accounts, usage, and prices.

construct a bottom-up estimate

market share

A company's sales or volume relative to a defined market total.

state the market-share denominator

profit pool

The total profits available in a defined set of activities or segments.

map the profit pool

value capture

The portion of created value retained by a participant.

explain value capture

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

market boundary MARKET BOUNDARY

specify the market boundary

Keep the meaning precise: The definition of customers, products, and geography included in an analysis.

bottom-up estimate BOTTOM-UP ESTIMATE

construct a bottom-up estimate

Keep the meaning precise: An estimate built from smaller units such as accounts, usage, and prices.

B Precision and professional shorthand

EXTEND YOUR RANGE

buyer power

Customers' ability to influence prices or terms.
assess buyer power

rivalry

Competition among existing participants.
evaluate competitive rivalry

barrier to entry

A condition making entry more difficult or costly.
evaluate barriers to entry

concentration

The degree to which activity is held by a few participants.
measure customer concentration

channel access

The ability to reach customers through relevant distribution routes.
secure channel access

market segmentation

Division of demand into relevant customer or usage groups.
refine market segmentation

supplier power

Input providers' ability to influence prices or terms.
assess supplier power

substitute

An alternative way to meet the same underlying need.
identify substitutes

switching cost

The cost or difficulty of changing providers or approaches.
investigate switching costs

price elasticity

Responsiveness of demand to price changes on a stated basis.
estimate price elasticity

regulatory barrier

An applicable rule or authorization requirement affecting participation.
verify regulatory barriers

competitive response

A rival's possible or observed reaction to a company's move.
assess competitive responses

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

value capture **VALUE CAPTURE**

explain value capture

Keep the meaning precise: The portion of created value retained by a participant.

barrier to entry **BARRIER TO ENTRY**

evaluate barriers to entry

Keep the meaning precise: A condition making entry more difficult or costly.

Phrases that move the work forward

Challenge the boundary

The \$10 billion figure includes demand we cannot currently serve.

Name the assumption

Ten percent capture is a modeling input, not a validated result.

Separate profit

Market spending does not establish the profit available to us.

Check the route

We need evidence of access, buying behavior, and delivery capacity.

Distinguish competition

A substitute may solve the same need in a different way.

Avoid a share promise

The model does not guarantee that we will win those sales.

Clarify the unit

Are we measuring revenue, volume, accounts, or profit?

Test reaction

How might existing competitors respond to entry?

Apply the filters

The relevant segment is \$400 million, with \$120 million in our geography.

Show the arithmetic

That assumption implies \$12 million annual revenue.

Request customer evidence

What would make accounts switch from their current approach?

Close with definitions

Show the market boundary, filters, and capture assumptions together.

Check leverage

Which buyers or suppliers can influence the terms?

Use a second method

A bottom-up estimate can test the top-down calculation.

Keep geography visible

The current service area limits the relevant opportunity.

Preserve uncertainty

We have a bounded estimate, with capture still to validate.

Precision in real exchanges

Purpose: Show the arithmetic

Useful wording: That assumption implies \$12 million annual revenue.

Purpose: Separate profit

Useful wording: Market spending does not establish the profit available to us.

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which market statement is accurate?

- A.** The three nested market figures should be added together.
- B.** A 10% share input proves \$12 million of signed orders.
- C.** Current reach covers an estimated \$120 million segment; capture is unvalidated.
- D.** The company has immediate access to all \$10 billion of industry spending.

2. What does \$12 million represent in the model?

- A.** Revenue already under contract
- B.** Annual revenue implied by the assumed share
- C.** Verified annual profit
- D.** An approved acquisition budget

3. A colleague needs the term for this meaning: The portion of serviceable demand realistically targeted for capture under stated assumptions. Which term fits?

- A.** industry structure
- B.** rivalry
- C.** channel access
- D.** serviceable obtainable market

D Choose the response that fits / continued

4. Rebuild the exchange from "A large industry is not the company's available market". Yara: "Within the segment, only one hundred twenty million is in our current service geography. We would need a separate expansion plan for the rest." Kai: [missing response] Yara: "The revenue model takes ten percent of that one hundred twenty million. That produces twelve million a year, but the percentage was selected as an initial assumption." Which response belongs in the gap?

- A.** We need to define the market boundary before labeling the opportunity. The company can serve one segment, estimated at four hundred million, rather than every category included in that total.
- B.** I will add a bottom-up estimate using potential accounts and realistic usage assumptions. That will give us a more useful test of the opportunity than repeating a large industry total.
- C.** Correct. We have not established the profit pool. We need to understand costs and where value is retained, instead of relabeling every revenue dollar as profit available to us.
- D.** That geographic filter narrows the serviceable available market under our current reach. We should show the filter explicitly, rather than let readers assume we can serve the entire segment immediately.

[Answers and explanations, page 125](#)

One useful distinction

TAM means total addressable market; SAM, serviceable available market; SOM, serviceable obtainable market. Define each boundary. Industry spending is not automatically the TAM for a narrow offer, and an assumed share is not demonstrated demand.

E Conversation

A large industry is not the company's available market

A large industry is not the company's available market

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

market boundary / buyer power / bottom-up estimate / capture assumption /
total addressable market / barriers to entry / substitute / profit pool / switching costs /
serviceable available market

- 01 **Yara:** The opening slide says we have a ten-billion-dollar immediate opportunity. It sounds compelling, but that number is total industry spending, not just our service.
- 02 **Kai:** We need to define the ¹ _____ before labeling the opportunity. The company can serve one segment, estimated at four hundred million, rather than every category included in that total.
- 03 **Yara:** People often call the largest number TAM. Would that be a harmless shorthand if we explain the smaller segment later in the presentation?
- 04 **Kai:** Not if the ² _____ label makes the whole industry look relevant to our offering. The definition should match the actual demand we are describing, not simply the largest available figure.
- 05 **Yara:** Within the segment, only one hundred twenty million is in our current service geography. We would need a separate expansion plan for the rest.
- 06 **Kai:** That geographic filter narrows the ³ _____ under our current reach. We should show the filter explicitly, rather than let readers assume we can serve the entire segment immediately.

E Conversation / continued

- 07 **Yara:** The revenue model takes ten percent of that one hundred twenty million. That produces twelve million a year, but the percentage was selected as an initial assumption.
- 08 **Kai:** Then call it a ⁴ _____. The arithmetic is twelve million annual revenue, conditional on that share, not evidence that the accounts are already willing to buy.
- 09 **Yara:** Where is the margin evidence? We have a spending estimate, but I cannot see what we might earn after serving those customers.
- 10 **Kai:** Correct. We have not established the ⁵ _____. We need to understand costs and where value is retained, instead of relabeling every revenue dollar as profit available to us.

Conversation continues on the next page.

A large industry is not the company's available market

CONVERSATION / CONTINUED

- 11 **Yara:** Some segments have a few large customers that negotiate hard. Our market-size estimate does not tell us what terms those customers would accept.
- 12 **Kai:** That is a ⁶ _____ question. The competitive analysis needs to examine the relevant relationships and alternatives, not assume that market growth removes negotiating pressure.
- 13 **Yara:** The account team also says customers may find it difficult to change providers. We should test that rather than assume interest means easy conversion.
- 14 **Kai:** Yes, investigate ⁷ _____. Migration effort, disruption, and contractual conditions may matter, but the current evidence has not quantified them for this segment.
- 15 **Yara:** A customer might also solve the problem internally. That option would not appear on a list of companies selling the same service as ours.
- 16 **Kai:** It can still be a ⁸ _____. Our analysis should cover alternatives to buying the service, not only organizations whose product description resembles our own.
- 17 **Yara:** Before entering, we also need to know whether distribution access, permissions, or capabilities limit participation. None of that is answered by the share calculation.
- 18 **Kai:** Those are possible ⁹ _____. We should identify and verify the relevant ones, then reflect them in the entry options rather than leave them outside the model.
- 19 **Yara:** I will separate the four numbers on the slide. Keep ten percent labeled as an assumption; nobody has validated that share yet.
- 20 **Kai:** I will add a ¹⁰ _____ using potential accounts and realistic usage assumptions. That will give us a more useful test of the opportunity than repeating a large industry total.

CHECK THE GAPS

1. market boundary / 2. total addressable market / 3. serviceable available market / 4. capture assumption / 5. profit pool / 6. buyer power / 7. switching costs / 8. substitute / 9. barriers to entry / 10. bottom-up estimate

[Why these answers fit, page 127](#)

F Check accuracy and scope

A large industry is not the company's available market

Return to the case

A presentation labels \$10 billion of annual industry spending as the company's immediate opportunity. The company can serve only a segment estimated at \$400 million, of which \$120 million lies in its current service geography. A separate model assumes a 10% share of that \$120 million, implying \$12 million annual revenue, but the share assumption has not been validated. No segment profit data or customer-switching evidence are supplied. Strategy analyst Kai and commercial director Yara must rebuild the claim without turning an estimate into a forecast.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which evidence would most directly strengthen the 10% capture assumption?

- A. Account-level buying and switching evidence, channel access, and delivery capacity
- B. A larger industry-spending estimate using the same top-down filters
- C. A smaller segment definition selected to make the target share look achievable
- D. The same percentage applied to three independently published industry totals

2. Which distinction is correct?

- A. A profit pool concerns profits, while the supplied market figures concern spending.
- B. Every dollar of spending is profit available to one entrant.
- C. Customer power cannot affect terms in a growing industry.
- D. A substitute must have exactly the same product design.

[Answers and explanations, page 128](#)

Listen for the distinction

Switch roles for the capture discussion. Stress assuming ten percent and annual revenue; do not turn the implied \$12 million into profit or confirmed orders.

A smaller denominator can make a stronger argument

Narrowing a market estimate is not necessarily pessimism. It can show that the team understands whom the company can actually serve. Explain each filter and the evidence still needed for capture, instead of presenting a large industry total as a sales opportunity already within reach.

F Say it / transfer to a new case

Nested market figures are not additive

A report estimates a \$900 million category, including a \$200 million target segment. Of that segment, \$80 million is in the current region. The figures describe nested groups.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

explicit / spending / eighty / subset

- 01 **Analyst:** The current-region estimate is ¹ _____ million dollars.
- 02 **Director:** It is a ² _____ of the target segment.
- 03 **Analyst:** Adding the nested figures would double-count ³ _____.
- 04 **Director:** Keep the boundary and geography ⁴ _____.

CHECK THE GAPS

1. eighty / 2. subset / 3. spending / 4. explicit

[Why these answers fit, page 128](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "A large industry is not the company's available market".
Yara: "The account team also says customers may find it difficult to change providers. We should test that rather than assume interest means easy conversion."
Kai: [missing response]
Yara: "A customer might also solve the problem internally. That option would not appear on a list of companies selling the same service as ours." Which response belongs in the gap?

- A.** It can still be a substitute. Our analysis should cover alternatives to buying the service, not only organizations whose product description resembles our own.
- B.** That is a buyer power question. The competitive analysis needs to examine the relevant relationships and alternatives, not assume that market growth removes negotiating pressure.
- C.** Then call it a capture assumption. The arithmetic is twelve million annual revenue, conditional on that share, not evidence that the accounts are already willing to buy.
- D.** Yes, investigate switching costs. Migration effort, disruption, and contractual conditions may matter, but the current evidence has not quantified them for this segment.

[Answers and explanations, page 129](#)

A Read the situation

LESSON 04 / BUSINESS MODELS, UNIT ECONOMICS, CAPABILITIES, AND ADVANTAGE

Explain a growing service's economics and challenge an unsupported claim that scale alone will solve the loss.

More orders, more negative contribution

A new service charges \$100 per completed job and incurs \$115 in variable delivery costs per job. Monthly completed jobs increased from 1,000 to 1,500, with price and variable cost per job unchanged. Fixed costs, acquisition costs, and taxes are excluded from these figures. A slide calls rising revenue proof of a sound business model. Business lead Mei and finance partner Hugo must explain the negative contribution and identify what would need to change before higher volume could support profitability.

People: Mei, Business lead; Hugo, Finance partner.

Read the record

Choose one answer per question using the facts above.

1. What is contribution per job before the excluded costs?

- A. Negative \$115
- B. Negative \$15
- C. Positive \$15
- D. Positive \$100

2. What is monthly contribution at 1,500 jobs?

- A. Positive \$150,000
- B. Negative \$15,000
- C. Positive \$22,500
- D. Negative \$22,500

3. What stayed unchanged as volume rose?

- A. Total monthly revenue
- B. Total monthly contribution
- C. The number of completed jobs
- D. Price and variable delivery cost per job

[Answers and explanations, page 130](#)

B Vocabulary in use

CORE TERMS

business model

The logic by which a business creates, delivers, and captures value.

test the business model

revenue model

The way an offering generates income from customers.

clarify the revenue model

variable cost

A cost that changes with the relevant level of activity.

identify variable delivery costs

contribution

Revenue less the specified variable costs, before other excluded costs.

calculate unit contribution

gross margin

Revenue less cost of goods or services sold, expressed as an amount or ratio.

define the gross-margin basis

break-even volume

The volume at which revenue covers the included costs under stated assumptions.

calculate break-even volume

unit economics

Revenue and cost relationships for a defined unit of activity.

analyze unit economics

monetization

Converting an offering or usage into revenue.

evaluate the monetization approach

fixed cost

A cost treated as unchanged within a stated activity range and period.

define the fixed-cost base

contribution margin ratio

Contribution divided by revenue on a stated basis.

calculate the contribution margin ratio

operating leverage

Sensitivity of operating profit to revenue changes given the cost structure.

assess operating leverage

cost to serve

Costs associated with delivering and supporting an offering for a customer.

analyze cost to serve

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

business model BUSINESS MODEL

test the business model

Keep the meaning precise: The logic by which a business creates, delivers, and captures value.

fixed cost FIXED COST

define the fixed-cost base

Keep the meaning precise: A cost treated as unchanged within a stated activity range and period.

B Precision and professional shorthand

EXTEND YOUR RANGE

customer acquisition cost

The cost of acquiring a customer under a defined cost and customer basis.

verify customer acquisition cost

payback period

Time required to recover an investment or acquisition cost on a defined basis.

estimate the payback period

churn

Customer or revenue loss over a defined period and base.

distinguish customer churn from revenue churn

scalability

Ability to grow activity without proportionate deterioration in performance or economics.

test scalability

learning curve

Changes in performance or cost associated with accumulated experience.

estimate the learning curve

defensibility

The extent to which an advantage can resist imitation or erosion.

test defensibility

customer lifetime value

Estimated value generated over a customer relationship under a stated model.

qualify customer lifetime value

retention

Continued customer participation or spending under a stated measure.

measure customer retention

cohort economics

Revenue and costs tracked for a group with shared entry characteristics.

compare cohort economics

economies of scale

Cost advantages associated with increased scale under relevant conditions.

substantiate economies of scale

capability gap

A missing ability required to deliver the intended strategy.

close a capability gap

willingness to pay

The amount customers are prepared to pay under relevant conditions.

assess willingness to pay

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

cost to serve **COST TO SERVE**

analyze cost to serve

Keep the meaning precise: Costs associated with delivering and supporting an offering for a customer.

churn **CHURN**

distinguish customer churn from revenue churn

Keep the meaning precise: Customer or revenue loss over a defined period and base.

Phrases that move the work forward

Acknowledge demand

More completed jobs show higher volume, not automatically a sound model.

Show the bridge

Each \$100 of job revenue carries \$115 of variable delivery cost.

Challenge the scale claim

More volume at unchanged unit economics increases the negative contribution.

Keep the exclusions

Fixed costs, acquisition costs, and taxes are not included here.

Separate metrics

Revenue growth and profitability answer different questions.

Avoid relabeling

This contribution figure is not complete operating profit.

Examine delivery

Which capability or process change could reduce cost to serve?

Qualify the forecast

A lower future unit cost remains an assumption until supported.

Define the unit

We are measuring one completed job.

Name the result

Contribution is negative \$15 per job before the excluded costs.

Request the mechanism

Which specific change would improve price or variable cost?

Close with evidence

Test the proposed economics before treating scale as the solution.

Check the cost base

Does the delivery figure include every relevant variable item?

Test pricing

We need evidence of willingness to pay before assuming a higher price.

Use cohorts

Compare customers on a consistent cost and time basis.

Preserve the option

We can investigate the model without declaring it proven or impossible.

Precision in real exchanges

Purpose: Name the result

Useful wording: Contribution is negative \$15 per job before the excluded costs.

Purpose: Challenge the scale claim

Useful wording: More volume at unchanged unit economics increases the negative contribution.

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which monthly bridge correctly describes the volume increase at unchanged unit economics?

- A.** Revenue increased \$50,000; contribution improved by \$7,500.
- B.** Revenue increased \$57,500; contribution declined by \$7,500.
- C.** Revenue increased \$50,000; operating profit is now negative \$22,500.
- D.** Revenue increased \$50,000; contribution declined by \$7,500.

2. What happened to revenue between the two volumes?

- A.** It stayed at \$115,000 monthly.
- B.** It became identical to operating profit.
- C.** It rose from \$100,000 to \$150,000 monthly.
- D.** It fell from \$150,000 to \$100,000 monthly.

3. A colleague needs the term for this meaning: Converting an offering or usage into revenue. Which term fits?

- A.** payback period
- B.** monetization
- C.** gross margin
- D.** learning curve

D Choose the response that fits / continued

4. Rebuild the exchange from "More orders, more negative contribution". Mei: "Revenue still increased from one hundred thousand to one hundred fifty thousand. We should explain both changes rather than make either one disappear." Hugo: [missing response] Mei: "Someone suggested that scale spreads fixed costs, so we should keep growing until the arithmetic fixes itself. Does that address the actual problem?" Which response belongs in the gap?

- A.** Exactly. A useful break-even volume requires an economically meaningful model. We need a change in price, variable delivery cost, or the service itself before volume can cover the additional included costs.
- B.** Correct. Include the relevant customer acquisition cost and other omitted items in the fuller analysis. Keep the current calculation clearly labeled so it is not mistaken for complete operating profit.
- C.** Yes. Higher demand and the cost to serve are separate parts of the story. More completed work can reveal customer interest while increasing the amount lost on the current delivery basis.
- D.** We need evidence of willingness to pay at the revised offer. A pricing scenario should show its assumptions about volume and retention instead of lifting revenue with no behavioral consequence.

[Answers and explanations, page 130](#)

One useful distinction

The service loses \$15 of contribution per job on the stated revenue and variable-cost basis. At 1,000 jobs the contribution is negative \$15,000; at 1,500 it is negative \$22,500. Fixed and acquisition costs are excluded, so these are not complete operating-profit figures.

E Conversation

More orders, more negative contribution

More orders, more negative contribution

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

variable cost / customer acquisition cost / willingness to pay / cost to serve / scalability / learning curve / contribution / cohort economics / break-even volume / unit economics

- 01 **Mei:** Completed jobs rose from one thousand to fifteen hundred this month. The slide says that revenue growth proves the new service has a sound business model.
- 02 **Hugo:** It shows higher volume, but we need the ¹ _____. Each completed job brings in one hundred dollars and incurs one hundred fifteen dollars of variable delivery cost.
- 03 **Mei:** Then the service gives up fifteen dollars on each job before we include fixed costs. I do not want to hide that behind the revenue line.
- 04 **Hugo:** Correct. The ² _____ is negative fifteen dollars per job. It was negative fifteen thousand for one thousand jobs and is negative twenty-two thousand five hundred for fifteen hundred.
- 05 **Mei:** Revenue still increased from one hundred thousand to one hundred fifty thousand. We should explain both changes rather than make either one disappear.
- 06 **Hugo:** Yes. Higher demand and the ³ _____ are separate parts of the story. More completed work can reveal customer interest while increasing the amount lost on the current delivery basis.

E Conversation / continued

- 07 **Mei:** Someone suggested that scale spreads fixed costs, so we should keep growing until the arithmetic fixes itself. Does that address the actual problem?
- 08 **Hugo:** Not while ⁴ _____ per job remains above price. Spreading fixed expenses over more jobs cannot reverse the negative contribution generated by every additional job in this model.
- 09 **Mei:** So we cannot calculate a positive break-even volume by dividing a fixed-cost number by a contribution that remains negative.
- 10 **Hugo:** Exactly. A useful ⁵ _____ requires an economically meaningful model. We need a change in price, variable delivery cost, or the service itself before volume can cover the additional included costs.

Conversation continues on the next page.

More orders, more negative contribution

CONVERSATION / CONTINUED

- 11 **Mei:** Operations thinks repetition will cut delivery time. What would they need to show before we could put a lower cost per job into the case?
- 12 **Hugo:** Then describe the proposed ⁶ _____ and the evidence needed. We should identify the mechanism and measurement, not simply assume that every service becomes cheaper as volume rises.
- 13 **Mei:** A higher price is another possibility, although the current demand was observed at one hundred dollars. We cannot assume it would remain unchanged.
- 14 **Hugo:** We need evidence of ⁷ _____ at the revised offer. A pricing scenario should show its assumptions about volume and retention instead of lifting revenue with no behavioral consequence.
- 15 **Mei:** We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable.
- 16 **Hugo:** Correct. Include the relevant ⁸ _____ and other omitted items in the fuller analysis. Keep the current calculation clearly labeled so it is not mistaken for complete operating profit.
- 17 **Mei:** Some customers may use the service repeatedly, while others use it once. An overall average could hide very different patterns.
- 18 **Hugo:** That is where ⁹ _____ can help. We need consistent definitions and enough follow-up to compare groups, rather than calling all customers equally valuable from one month's total.

More orders, more negative contribution / continued

- 19 **Mei:** I will remove the sound-business-model claim. Show the higher demand beside the larger contribution loss, then identify which pricing and delivery assumptions need testing.
- 20 **Hugo:** That is a sound test of ¹⁰ _____. The service may have options worth exploring, but growth alone has not proved that the business model creates a sustainable positive return.

CHECK THE GAPS

1. unit economics / 2. contribution / 3. cost to serve / 4. variable cost / 5. break-even volume / 6. learning curve / 7. willingness to pay / 8. customer acquisition cost / 9. cohort economics / 10. scalability

[Why these answers fit, page 132](#)

F Check accuracy and scope

More orders, more negative contribution

Return to the case

A new service charges \$100 per completed job and incurs \$115 in variable delivery costs per job. Monthly completed jobs increased from 1,000 to 1,500, with price and variable cost per job unchanged. Fixed costs, acquisition costs, and taxes are excluded from these figures. A slide calls rising revenue proof of a sound business model. Business lead Mei and finance partner Hugo must explain the negative contribution and identify what would need to change before higher volume could support profitability.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which evidence would support a better scale argument?

- A. A verified mechanism reducing variable cost per job or improving realized price
- B. The same unit loss repeated over more jobs
- C. A larger target market with no delivery changes
- D. Reclassifying variable costs as nonexistent

2. Which metric is not fully determined by the supplied figures?

- A. Variable delivery cost per job
- B. Contribution per job
- C. Operating profit
- D. Revenue per job

[Answers and explanations, page 133](#)

Listen for the distinction

Switch roles for the growth discussion. Contrast \$50,000 additional revenue with \$7,500 more negative contribution; leave excluded costs visible.

Protect the learning without defending the mistaken conclusion

Revenue growth can show interest while exposing a delivery problem. Acknowledge what the growth demonstrates, then show the cost bridge. This lets the team investigate pricing, service design, and capabilities without equating a challenge to the economics with opposition to innovation.

F Say it / transfer to a new case

A positive contribution, with stated fixed costs

A simplified service charges \$120 per job, has \$90 variable cost per job, and \$15,000 monthly fixed costs. Assume constant unit economics and no other costs for this exercise.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

five hundred / fifteen thousand / assumptions / thirty

- 01 **Analyst:** Contribution per job is ¹ _____ dollars.
- 02 **Lead:** The included fixed cost is ² _____ dollars monthly.
- 03 **Analyst:** Break-even volume is ³ _____ jobs.
- 04 **Lead:** That answer depends on the stated ⁴ _____.

CHECK THE GAPS

1. thirty / 2. fifteen thousand / 3. five hundred / 4. assumptions

[Why these answers fit, page 133](#)

F Say it / transfer to a new case / continued

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "More orders, more negative contribution". Mei: "A higher price is another possibility, although the current demand was observed at one hundred dollars. We cannot assume it would remain unchanged." Hugo: [missing response] Mei: "We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable." Which response belongs in the gap?

- A.** Yes. Higher demand and the cost to serve are separate parts of the story. More completed work can reveal customer interest while increasing the amount lost on the current delivery basis.
- B.** Correct. Include the relevant customer acquisition cost and other omitted items in the fuller analysis. Keep the current calculation clearly labeled so it is not mistaken for complete operating profit.
- C.** We need evidence of willingness to pay at the revised offer. A pricing scenario should show its assumptions about volume and retention instead of lifting revenue with no behavioral consequence.
- D.** Exactly. A useful break-even volume requires an economically meaningful model. We need a change in price, variable delivery cost, or the service itself before volume can cover the additional included costs.

[Answers and explanations, page 134](#)

Review 2 / Meaning and context

Use language from the lessons you have completed. Choose one answer per question.

Case file

Revisit "Industry Structure, Competitive Dynamics, and Profit Pools" and "Business Models, Unit Economics, Capabilities, and Advantage". Choose precise terminology, then reconstruct the missing responses using both neighboring turns. The final two questions also revisit earlier conversations.

1. A colleague needs the term for this meaning: The portion of defined demand the business can serve with its offering and reach. Which term fits?

- A. price elasticity
- B. serviceable available market
- C. supplier power
- D. market share

2. A colleague needs the term for this meaning: Contribution divided by revenue on a stated basis. Which term fits?

- A. business model
- B. contribution margin ratio
- C. customer acquisition cost
- D. scalability

3. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "The adjacent proposal has a large market estimate. Its customer argument is thinner; we have not shown why buyers would switch." Sana: [missing response] Victor: "The core work uses one hundred twenty weeks. Choosing it first leaves forty, but it also delays the other opportunity." Which response belongs in the gap?

- A. Then we need a decision about the capacity constraint. We have one hundred sixty specialist-weeks after existing commitments; the full proposals need two hundred twenty.
- B. We can define a minimum viable scope around a specific learning question and estimate the work. We cannot assume forty weeks is enough without that design.
- C. That is the how to win question. We need a reason customers prefer our service, supported by capabilities and evidence, before size becomes an entry recommendation.
- D. Then we can record a deliverable commitment: one resource plan, named priorities, and explicit timing. The sixty-week gap stays visible until a decision resolves it.

Review 2 / Meaning and context / continued

4. Rebuild the exchange from "More orders, more negative contribution". Mei: "Some customers may use the service repeatedly, while others use it once. An overall average could hide very different patterns." Hugo: [missing response] Mei: "I will remove the sound-business-model claim. Show the higher demand beside the larger contribution loss, then identify which pricing and delivery assumptions need testing." Which response belongs in the gap?

- A.** That is where cohort economics can help. We need consistent definitions and enough follow-up to compare groups, rather than calling all customers equally valuable from one month's total.
- B.** Not while variable cost per job remains above price. Spreading fixed expenses over more jobs cannot reverse the negative contribution generated by every additional job in this model.
- C.** It shows higher volume, but we need the unit economics. Each completed job brings in one hundred dollars and incurs one hundred fifteen dollars of variable delivery cost.
- D.** Correct. The contribution is negative fifteen dollars per job. It was negative fifteen thousand for one thousand jobs and is negative twenty-two thousand five hundred for fifteen hundred.

[Answers and explanations, page 158](#)

A Read the situation

LESSON 05 / PORTFOLIO STRATEGY, CAPITAL ALLOCATION, AND RESOURCE REALLOCATION

Compare competing investment requests on a consistent basis and expose displaced work and sunk-cost reasoning.

A budget choice with no stop-doing consequences

Two divisions each request \$2 million from a \$3 million investment envelope. Alpha projects \$700,000 annual gross savings and Beta \$900,000, but implementation timing, ongoing costs, and benefit validation are incomplete. Each proposal currently assumes full funding; neither identifies the work that would stop or wait. Alpha has already spent \$400,000 on a completed feasibility study that cannot be recovered. Portfolio lead Ivo and finance director Grace must frame the allocation decision without treating gross savings as net value or past spending as automatic justification.

People: Ivo, Portfolio lead; Grace, Finance director.

Read the record

Choose one answer per question using the facts above.

1. What funding gap exists if both full requests are accepted?

- A.** \$3 million
- B.** \$4 million
- C.** \$1 million
- D.** \$2 million

2. What do the \$700,000 and \$900,000 figures represent?

- A.** Amounts already saved in the current year
- B.** Projected annual gross savings with incomplete validation
- C.** Verified annual net cash flows after every cost
- D.** Guaranteed shareholder returns

3. How should the completed \$400,000 study be treated in the forward choice?

- A.** As a future incremental cost identical to the new request
- B.** As an unrecoverable past cost, not automatic justification to continue
- C.** As cash still available to fund either proposal
- D.** As proof Alpha must receive full funding

[Answers and explanations, page 135](#)

B Vocabulary in use

CORE TERMS

portfolio strategy

The approach to managing a set of businesses or investments together.

review the portfolio strategy

investment envelope

The total authorized resources available for a set of investments.

respect the investment envelope

resource reallocation

Moving resources from one use to another.

plan resource reallocation

incremental cash flow

Cash flow that changes because an option is chosen.

estimate incremental cash flows

avoidable cost

A cost that can be prevented by choosing a particular course of action.

identify avoidable costs

benefit realization

Actual achievement and verification of intended benefits.

track benefit realization

capital allocation

Distribution of financial resources among competing uses.

defend the capital allocation

capital rationing

Selection among investments when available funding is limited.

account for capital rationing

investment case

The rationale, economics, risks, and implementation plan for a proposed investment.

strengthen the investment case

sunk cost

An incurred cost that cannot be recovered or changed by the current decision.

separate sunk costs

committed cost

A cost arising from an existing commitment that may not be easily changed.

review committed costs

gross benefit

A benefit before the relevant offsetting costs are deducted.

qualify gross benefits

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

portfolio strategy **PORTFOLIO STRATEGY**

review the portfolio strategy

Keep the meaning precise: The approach to managing a set of businesses or investments together.

investment case **INVESTMENT CASE**

strengthen the investment case

Keep the meaning precise: The rationale, economics, risks, and implementation plan for a proposed investment.

B Precision and professional shorthand

EXTEND YOUR RANGE

net benefit

Benefits less the included costs under a specified basis.

calculate net benefits

internal rate of return

A discount rate at which the modeled net present value is zero.

qualify the internal rate of return

weighted average cost of capital

A weighted measure of the required returns on a company's financing sources.

justify the cost-of-capital assumption

capital intensity

The amount of capital required relative to output, sales, or another stated base.

assess capital intensity

harvest strategy

A strategy emphasizing cash extraction with limited further investment.

assess a harvest strategy

benefit owner

The person accountable for delivering and verifying a benefit.

assign the benefit owner

net present value

Discounted future net cash flows less the relevant initial investment.

compare net present values

hurdle rate

A required return threshold used to evaluate an investment.

apply the hurdle rate

return on invested capital

Operating return relative to invested capital on a defined accounting basis.

define return on invested capital

divestment

Disposal of a business, investment, or asset.

evaluate a divestment

stage-gated funding

Funding released in stages after specified reviews.

propose stage-gated funding

dependency map

A record of relationships that affect delivery or benefits across initiatives.

build a dependency map

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

gross benefit GROSS BENEFIT

qualify gross benefits

Keep the meaning precise: A benefit before the relevant offsetting costs are deducted.

weighted average cost of capital WEIGHTED AVERAGE COST OF CAPITAL

justify the cost-of-capital assumption

Keep the meaning precise: A weighted measure of the required returns on a company's financing sources.

Phrases that move the work forward

State the limit

Full funding for both requests exceeds the envelope by \$1 million.

Distinguish the figure

These are projected gross savings, not validated net cash flows.

Separate the past

The feasibility study is unrecoverable past spending.

Test partial funding

A smaller allocation needs a revised scope and benefit case.

Name the owner

Who is accountable for realizing each saving?

Explain the timing

When would the cash costs and benefits actually occur?

Avoid an automatic ranking

The larger gross-saving figure does not settle the allocation.

Check commitments

Which future costs remain avoidable, and which are already committed?

Check comparability

Are the benefits measured over the same period and cost basis?

Request the consequence

What work would stop, shrink, or wait if this proposal is funded?

Use the learning

We should use the study's evidence without treating its cost as a reason to continue.

Close with a shared basis

Compare forward costs, benefits, risks, timing, and displaced alternatives.

Check overlap

Do both proposals claim the same benefit?

Keep a gate meaningful

Further funding should depend on the stated evidence and review.

Record the alternative

Show the best competing use of the limited funds.

Limit the model

A return estimate is only as reliable as its assumptions and scope.

Precision in real exchanges

Purpose: Request the consequence

Useful wording: What work would stop, shrink, or wait if this proposal is funded?

Purpose: Separate the past

Useful wording: The feasibility study is unrecoverable past spending.

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which conclusion follows from the budget arithmetic?

- A.** Partial funding guarantees both original benefit forecasts.
- B.** Both full scopes cannot be funded within the current envelope.
- C.** Both fit because each separately costs less than \$3 million.
- D.** The completed study increases the envelope to \$3.4 million.

2. Why does Beta's \$900,000 headline not settle the decision?

- A.** Alpha's past expenditure automatically outranks all future benefits.
- B.** It is gross and unvalidated, with timing and ongoing costs incomplete.
- C.** A higher numerical estimate is always less attractive.
- D.** No investment can ever be compared using financial information.

3. A colleague needs the term for this meaning: Selection among investments when available funding is limited. Which term fits?

- A.** avoidable cost
- B.** harvest strategy
- C.** internal rate of return
- D.** capital rationing

D Choose the response that fits / continued

4. Rebuild the exchange from "A budget choice with no stop-doing consequences".
Ivo: "Alpha's sponsor says we have already spent four hundred thousand on the feasibility study, so not proceeding would waste what the team has done." **Grace:** [missing response] **Ivo:** "We should distinguish that from a future cost we could avoid by choosing another option. Otherwise every past and future amount gets mixed together." **Which response belongs in the gap?**

- A.** Exactly. The comparison needs incremental cash flows for each option, with clear timing and a consistent basis. Existing commitments and costs we can still avoid require separate treatment.
- B.** Then the investment envelope is not reflected in the recommendation. We need a feasible choice, a changed scope, or a properly authorized increase, not two full commitments against insufficient funds.
- C.** Build a dependency map and identify overlaps. We should not add benefits that rely on the same limited resource or represent the same underlying saving without checking the relationship.
- D.** That amount is a sunk cost. We should use the study's information, but the unrecoverable spending does not establish that Alpha is the best use of the next dollar.

[Answers and explanations, page 135](#)

One useful distinction

The full requests total \$4 million, so they cannot both fit a \$3 million envelope unchanged. A \$1.5 million allocation to each is not automatically a feasible compromise because both current scopes assume \$2 million. Reduced funding needs a revised delivery and benefit case.

E Conversation

A budget choice with no stop-doing consequences

A budget choice with no stop-doing consequences

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

investment envelope / resource reallocation / stage-gated funding / sunk cost /
incremental cash flows / gross benefits / investment case / benefit owner /
capital allocation / dependency map

- 01 **Ivo:** Both divisions want two million dollars, but we have three million to allocate. The presentation recommends funding both without explaining the missing million.
- 02 **Grace:** Then the ¹ _____ is not reflected in the recommendation. We need a feasible choice, a changed scope, or a properly authorized increase, not two full commitments against insufficient funds.
- 03 **Ivo:** Beta projects nine hundred thousand in annual savings and Alpha seven hundred thousand. Would ranking those two figures be an adequate first answer?
- 04 **Grace:** They are ² _____, not complete net value. We still need implementation timing, ongoing costs, and evidence supporting the savings before making that comparison decisive.
- 05 **Ivo:** Alpha's sponsor says we have already spent four hundred thousand on the feasibility study, so not proceeding would waste what the team has done.
- 06 **Grace:** That amount is a ³ _____. We should use the study's information, but the unrecoverable spending does not establish that Alpha is the best use of the next dollar.

E Conversation / continued

- 07 **Ivo:** We should distinguish that from a future cost we could avoid by choosing another option. Otherwise every past and future amount gets mixed together.
- 08 **Grace:** Exactly. The comparison needs ⁴ _____ for each option, with clear timing and a consistent basis. Existing commitments and costs we can still avoid require separate treatment.
- 09 **Ivo:** Neither division says what would stop if it receives the money. Their proposals read as though the rest of the portfolio can continue unchanged.
- 10 **Grace:** Require an explicit ⁵ _____ plan. Financial funding may also depend on shared staff, so the displaced work should be visible rather than discovered after approval.

Conversation continues on the next page.

A budget choice with no stop-doing consequences

CONVERSATION / CONTINUED

- 11 **Ivo:** What about one and a half million each? It fits the envelope, though I suspect neither sponsor has costed that smaller version.
- 12 **Grace:** It would fit the cash ceiling, but each ⁶ _____ assumes two million. A smaller allocation needs a revised scope and benefit estimate, not an automatic claim that both original plans remain deliverable.
- 13 **Ivo:** We also need someone responsible for turning the savings into actual results. A forecast can remain on the slide long after the activity changes.
- 14 **Grace:** Name a ⁷ _____ for each material saving, with the baseline and verification method. That makes the post-decision review about realized outcomes rather than repeated promises.
- 15 **Ivo:** Some benefits may depend on the same system change. If both divisions include those savings in full, the combined case could double-count them.
- 16 **Grace:** Build a ⁸ _____ and identify overlaps. We should not add benefits that rely on the same limited resource or represent the same underlying saving without checking the relationship.
- 17 **Ivo:** If the initial evidence is promising but incomplete, we could fund a defined stage and review the result before releasing the rest.
- 18 **Grace:** That is ⁹ _____, provided the gate has real criteria and authority. It should not become a full commitment disguised as a sequence of automatic approvals.
- 19 **Ivo:** I will ask both sponsors for feasible versions within the envelope. Use what Alpha's study taught us, but do not count its unrecoverable cost as a reason to proceed.
- 20 **Grace:** Good. The final ¹⁰ _____ should explain why the chosen use of funds is preferable on that shared basis. A larger gross number or a completed study cannot substitute for the decision logic.

CHECK THE GAPS

1. investment envelope / 2. gross benefits / 3. sunk cost / 4. incremental cash flows / 5. resource reallocation / 6. investment case / 7. benefit owner / 8. dependency map / 9. stage-gated funding / 10. capital allocation

[Why these answers fit, page 136](#)

F Check accuracy and scope

A budget choice with no stop-doing consequences

Return to the case

Two divisions each request \$2 million from a \$3 million investment envelope. Alpha projects \$700,000 annual gross savings and Beta \$900,000, but implementation timing, ongoing costs, and benefit validation are incomplete. Each proposal currently assumes full funding; neither identifies the work that would stop or wait. Alpha has already spent \$400,000 on a completed feasibility study that cannot be recovered. Portfolio lead Ivo and finance director Grace must frame the allocation decision without treating gross savings as net value or past spending as automatic justification.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. How should Alpha's study be used?

- A.** Exclude all study findings because the cost is sunk.
- B.** Use its evidence, but do not treat its unrecoverable cost as automatic justification.
- C.** Count the full study cost as new cash available.
- D.** Fund Alpha solely to avoid admitting the study was completed.

2. What would make a \$1.5 million allocation to each proposal assessable?

- A.** The original cases ranked by gross savings per requested dollar alone
- B.** Revised scopes, delivery schedules, costs, and benefits for the reduced funding
- C.** The original \$2 million scopes with unchanged savings and completion dates
- D.** Proportional savings reductions without checking minimum delivery requirements

[Answers and explanations, page 138](#)

Listen for the distinction

Switch roles for the study discussion. Stress unrecoverable past cost while retaining useful evidence; neither gross savings figure settles the ranking.

A disciplined comparison is not a contest between sponsors

Division leaders may defend their projects with different metrics or emotional appeals to prior effort. Put the proposals on a shared basis and make the opportunity cost visible. Challenge the comparison method without implying that a team's past work was pointless or that one favorable headline decides the allocation.

F Say it / transfer to a new case

A sunk fee and a new decision

A completed, nonrefundable study cost \$30,000. A new pilot would require another \$70,000. The study contains useful evidence, but no pilot approval has been given.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

sunk / evidence / commitment / approval

- 01 **Analyst:** The completed study fee is a ¹ _____ cost.
- 02 **Sponsor:** Funding the pilot would create a new ² _____.
- 03 **Analyst:** We should use the study's ³ _____.
- 04 **Sponsor:** Past spending does not supply pilot ⁴ _____.

CHECK THE GAPS

1. sunk / 2. commitment / 3. evidence / 4. approval

[Why these answers fit, page 138](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "A budget choice with no stop-doing consequences". Ivo: "We also need someone responsible for turning the savings into actual results. A forecast can remain on the slide long after the activity changes." Grace: [missing response] Ivo: "Some benefits may depend on the same system change. If both divisions include those savings in full, the combined case could double-count them." Which response belongs in the gap?

- A.** That is stage-gated funding, provided the gate has real criteria and authority. It should not become a full commitment disguised as a sequence of automatic approvals.
- B.** They are gross benefits, not complete net value. We still need implementation timing, ongoing costs, and evidence supporting the savings before making that comparison decisive.
- C.** Name a benefit owner for each material saving, with the baseline and verification method. That makes the post-decision review about realized outcomes rather than repeated promises.
- D.** Require an explicit resource reallocation plan. Financial funding may also depend on shared staff, so the displaced work should be visible rather than discovered after approval.

[Answers and explanations, page 139](#)

A Read the situation

LESSON 06 / GROWTH STRATEGY, MARKET ENTRY, PARTNERSHIPS, AND M&A LOGIC

Qualify an acquisition rationale and distinguish recurring potential from timed, net cash benefits.

A savings headline without an integration plan

A proposed acquisition case claims \$4 million in annual procurement savings once fully implemented. The estimate assumes combined buying volumes and revised supplier contracts. No supplier has confirmed the proposed terms, and no integration plan or cost-to-achieve estimate exists. The purchase price is outside this meeting. Strategy lead Elena and integration director Marcus must identify the evidence needed before presenting the savings as dependable. The executive committee has authorized analysis only, not a bid. Building internally and forming a partnership remain alternatives.

People: Elena, Strategy lead; Marcus, Integration director.

Read the record

Choose one answer per question using the facts above.

1. What does the \$4 million figure describe?

- A. Potential annual procurement savings after full implementation
- B. Confirmed first-year net cash savings
- C. The approved purchase price
- D. A binding supplier discount

2. What has the committee authorized?

- A. Analysis of the proposal
- B. Submission of a binding bid
- C. Immediate integration spending of any amount
- D. Signing revised supplier contracts

3. Which information is missing?

- A. Whether alternatives remain available
- B. An integration plan and cost-to-achieve estimate
- C. The existence of an acquisition proposal
- D. The category of proposed savings

[Answers and explanations, page 140](#)

B Vocabulary in use

CORE TERMS

acquisition rationale

The explanation of why buying a business may create value.

test the acquisition rationale

build-buy-partner

A comparison of internal development, acquisition, and collaboration routes.

compare build-buy-partner options

inorganic growth

Expansion through acquisitions or similar external combinations.

evaluate inorganic growth

partnership model

The agreed structure for collaborating with another organization.

define the partnership model

synergy

An additional benefit expected from combining activities or businesses.

validate the synergy estimate

gross savings

Savings before specified implementation or offsetting costs.

state gross savings separately

strategic fit

The relationship between an option and the company's objectives and capabilities.

assess strategic fit

organic growth

Expansion generated within the business rather than by acquisition.

pursue organic growth

market-entry mode

The arrangement used to enter a market.

select a market-entry mode

deal thesis

The central value-creation argument for a transaction.

challenge the deal thesis

run-rate savings

The recurring savings level expected once changes are fully operating.

distinguish run-rate savings from first-year cash

cost to achieve

Spending required to deliver a proposed benefit.

estimate the cost to achieve

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

acquisition rationale ACQUISITION RATIONALE

test the acquisition rationale

Keep the meaning precise: The explanation of why buying a business may create value.

market-entry mode MARKET-ENTRY MODE

select a market-entry mode

Keep the meaning precise: The arrangement used to enter a market.

B Precision and professional shorthand

EXTEND YOUR RANGE

integration roadmap

A sequenced plan for combining selected activities.

develop the integration roadmap

commercial diligence

Investigation of market and customer assumptions behind a proposal.

commission commercial diligence

revenue dissynergy

Lost revenue associated with the disruption or combination.

assess potential revenue dissynergies

standalone case

Expected performance without the proposed combination.

establish the standalone case

double-counting

Including the same underlying benefit or cost more than once.

eliminate double-counting

bid authority

Permission to submit an offer within specified limits.

confirm bid authority

integration dependency

A prerequisite affecting the delivery of combined operations.

identify integration dependencies

supplier renegotiation

Discussion intended to change existing supplier terms.

test supplier renegotiation assumptions

customer retention

The maintenance of existing customer relationships or revenue.

protect customer retention

incremental value

Additional value relative to the chosen comparison case.

estimate incremental value

execution risk

The possibility that implementation does not deliver the plan.

assess execution risk

integration owner

The person accountable for a defined integration activity.

appoint an integration owner

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

cost to achieve **COST TO ACHIEVE**

estimate the cost to achieve

Keep the meaning precise: Spending required to deliver a proposed benefit.

revenue dissynergy **REVENUE DISSYNERGY**

assess potential revenue dissynergies

Keep the meaning precise: Lost revenue associated with the disruption or combination.

Phrases that move the work forward

Qualify the headline

The \$4 million is an unverified annual run-rate estimate.

Separate cash from potential

That is not yet a first-year cash-flow forecast.

Test the mechanism

Which supplier terms must change for the savings to occur?

Mark authority

The committee authorized analysis, not a bid.

Define the comparison

What would improve in the standalone business anyway?

Expose a dependency

This saving depends on successful supplier renegotiation.

Qualify strategic fit

Strategic fit supports the rationale but does not establish the price.

Separate decisions

A positive diligence finding does not itself confer transaction authority.

Ask about timing

When would each saving begin, and when would it reach full effect?

Request implementation costs

We need the cost to achieve before describing a net benefit.

Keep alternatives open

We should compare building, buying, and partnering on the same basis.

Name an owner

Who is accountable for validating and delivering this saving?

Prevent duplication

Let us remove benefits already counted in the existing improvement plan.

Protect the commercial base

Could integration disrupt the customers we need to retain?

Ask for a bridge

Show the steps from gross potential to timed net cash flows.

Summarize the next gate

Return with verified assumptions, delivery costs, timing, and accountable owners.

Precision in real exchanges

Purpose: Request implementation costs

Useful wording: We need the cost to achieve before describing a net benefit.

Purpose: Test the mechanism

Useful wording: Which supplier terms must change for the savings to occur?

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which statement preserves the evidence boundary?

- A.** A savings estimate is itself a signed commercial agreement.
- B.** The committee has already approved the acquisition.
- C.** Supplier terms still need validation before the savings can be treated as dependable.
- D.** Combined volume guarantees every supplier will accept the requested terms.

2. Which bridge is still needed before reporting a net first-year acquisition benefit?

- A.** Timing of realized savings, implementation payments, and relevant offsetting effects
- B.** The annual run rate divided equally between the first two reporting periods
- C.** The run rate less the historical cost of preparing the strategy presentation only
- D.** The annual gross procurement estimate relabeled as cash once the committee sees it

3. A colleague needs the term for this meaning: Expansion generated within the business rather than by acquisition. Which term fits?

- A.** organic growth
- B.** synergy
- C.** commercial diligence
- D.** double-counting

D Choose the response that fits / continued

4. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?" **Marcus:** [missing response] **Elena:** "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." **Which response belongs in the gap?**

- A.** As potential annual run-rate savings after full implementation, yes, with qualifications. As confirmed first-year cash, no. We do not have the timing yet.
- B.** That would label a gross figure as net. We have no cost to achieve estimate, so we cannot yet build that bridge honestly.
- C.** Include it in the build-buy-partner comparison, alongside internal development. Match the objectives and timeframes so acquisition is not the only fully described route.
- D.** Then reconcile the standalone case first. Benefits expected without the deal do not become acquisition-specific merely because we move them to this spreadsheet.

[Answers and explanations, page 140](#)

One useful distinction

Annual run-rate savings are not automatically cash received during the first year. A change introduced halfway through a year has a different time profile from one operating throughout it. The proposal also needs implementation costs and offsetting effects before anyone labels the benefit net.

E Conversation

A savings headline without an integration plan

A savings headline without an integration plan

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

cost to achieve / deal thesis / standalone case / integration roadmap / bid authority / integration owner / build-buy-partner / supplier renegotiation / revenue dissynergies / run-rate savings

- 01 **Elena:** The committee will ask whether the acquisition creates four million dollars of savings. That is our largest quantified benefit. Can we defend it?
- 02 **Marcus:** As potential annual ¹ _____ after full implementation, yes, with qualifications. As confirmed first-year cash, no. We do not have the timing yet.
- 03 **Elena:** The spreadsheet combines buying volumes and assumes better prices. Has anyone actually checked what the suppliers would agree to?
- 04 **Marcus:** No supplier has confirmed the terms. The ² _____ assumption needs testing against the contracts and available volume before we call the saving dependable.
- 05 **Elena:** The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?
- 06 **Marcus:** That would label a gross figure as net. We have no ³ _____ estimate, so we cannot yet build that bridge honestly.
- 07 **Elena:** There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan.
- 08 **Marcus:** Then reconcile the ⁴ _____ first. Benefits expected without the deal do not become acquisition-specific merely because we move them to this spreadsheet.
- 09 **Elena:** Could a partnership give us part of the purchasing benefit without buying the company? We have not developed that alternative.
- 10 **Marcus:** Include it in the ⁵ _____ comparison, alongside internal development. Match the objectives and timeframes so acquisition is not the only fully described route.

Conversation continues on the next page.

A savings headline without an integration plan

CONVERSATION / CONTINUED

- 11 **Elena:** Commercial is worried that changed service arrangements could unsettle customers. We cannot just assume the revenue stays intact during integration.
- 12 **Marcus:** Agreed. Assess possible ⁶ _____ with the customer team. Identify the exposure and evidence instead of inserting an arbitrary offsetting percentage.
- 13 **Elena:** What would you need to turn this headline into something an integration team could actually deliver?
- 14 **Marcus:** An ⁷ _____ linking each benefit to actions, contract changes, dependencies, dates, and costs. A total without that bridge is still a hypothesis.
- 15 **Elena:** Who signs off on the procurement assumption? The analyst can maintain the model, but cannot negotiate or implement the new terms.
- 16 **Marcus:** Name an ⁸ _____ with the relevant operational responsibility. Separate the model's preparation from accountable validation, delivery, and independent challenge.
- 17 **Elena:** One colleague thinks a stronger savings slide means we can submit an offer. The committee only authorized analysis.
- 18 **Marcus:** Then the pack must say no ⁹ _____ has been granted. Better evidence supports a later request; it does not extend our authority.
- 19 **Elena:** Keep the four million labeled potential, show the missing evidence, and bring the alternative routes back. We are not deciding a purchase price today.
- 20 **Marcus:** I will keep the ¹⁰ _____ provisional and assign the validation work. The next paper will distinguish recurring potential, timed cash, and the decision actually requested.

CHECK THE GAPS

1. run-rate savings / 2. supplier renegotiation / 3. cost to achieve / 4. standalone case / 5. build-buy-partner / 6. revenue dissynergies / 7. integration roadmap / 8. integration owner / 9. bid authority / 10. deal thesis

[Why these answers fit, page 141](#)

F Check accuracy and scope

A savings headline without an integration plan

Return to the case

A proposed acquisition case claims \$4 million in annual procurement savings once fully implemented. The estimate assumes combined buying volumes and revised supplier contracts. No supplier has confirmed the proposed terms, and no integration plan or cost-to-achieve estimate exists. The purchase price is outside this meeting. Strategy lead Elena and integration director Marcus must identify the evidence needed before presenting the savings as dependable. The executive committee has authorized analysis only, not a bid. Building internally and forming a partnership remain alternatives.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which comparison helps identify incremental value?

- A. Compare the acquisition with a business assumed to have no future performance.
- B. Count existing improvement savings again as entirely new synergies.
- C. Exclude alternatives because an acquisition has been mentioned.
- D. Compare the combination with a defined standalone case and other feasible routes.

2. What should happen before a bid is submitted?

- A. Obtain the required bid authority through the applicable decision process.
- B. Treat permission to analyze as unlimited bidding authority.
- C. Ask an analyst to infer permission from the headline saving.
- D. Replace approval with a positive meeting tone.

[Answers and explanations, page 143](#)

Listen for the distinction

Switch roles for turns 11-20. Distinguish customer exposure, integration ownership, and bid authority; no offer is authorized.

Challenge the bridge, not the ambition

A useful challenge identifies the missing steps between an attractive strategic idea and a result. Ask about timing, delivery responsibility, dependencies, and costs without suggesting that uncertainty makes the proposal worthless. A credible case can contain potential value and still require substantial further work.

F Say it / transfer to a new case

Annual potential is not first-year cash

A fictional saving of \$120,000 per year begins on July 1 and accrues evenly. A one-time implementation payment is \$40,000. Ignore taxes, discounting, and other costs; use six months of savings.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

\$120,000 / cost to achieve / \$20,000 / \$60,000

- 01 **Analyst:** The annual run-rate saving is ¹ _____.
- 02 **Reviewer:** Six months produces gross savings of ² _____.
- 03 **Analyst:** The implementation payment is a ³ _____.
- 04 **Reviewer:** The first-year net cash benefit on this basis is ⁴ _____.

CHECK THE GAPS

1. \$120,000 / 2. \$60,000 / 3. cost to achieve / 4. \$20,000

[Why these answers fit, page 143](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "A savings headline without an integration plan". Elena: "What would you need to turn this headline into something an integration team could actually deliver?" Marcus: [missing response] Elena: "Who signs off on the procurement assumption? The analyst can maintain the model, but cannot negotiate or implement the new terms." Which response belongs in the gap?

- A.** Then reconcile the standalone case first. Benefits expected without the deal do not become acquisition-specific merely because we move them to this spreadsheet.
- B.** That would label a gross figure as net. We have no cost to achieve estimate, so we cannot yet build that bridge honestly.
- C.** An integration roadmap linking each benefit to actions, contract changes, dependencies, dates, and costs. A total without that bridge is still a hypothesis.
- D.** As potential annual run-rate savings after full implementation, yes, with qualifications. As confirmed first-year cash, no. We do not have the timing yet.

[Answers and explanations, page 144](#)

Review 3 / Meaning and context

Use language from the lessons you have completed. Choose one answer per question.

Case file

Revisit "Portfolio Strategy, Capital Allocation, and Resource Reallocation" and "Growth Strategy, Market Entry, Partnerships, and M&A Logic". Choose precise terminology, then reconstruct the missing responses using both neighboring turns. The final two questions also revisit earlier conversations.

1. A colleague needs the term for this meaning: The total authorized resources available for a set of investments. Which term fits?

- A. sunk cost
- B. investment envelope
- C. net present value
- D. divestment

2. A colleague needs the term for this meaning: The central value-creation argument for a transaction. Which term fits?

- A. integration roadmap
- B. acquisition rationale
- C. standalone case
- D. deal thesis

3. Rebuild the exchange from "More orders, more negative contribution". Mei: "So we cannot calculate a positive break-even volume by dividing a fixed-cost number by a contribution that remains negative." Hugo: [missing response] Mei: "Operations thinks repetition will cut delivery time. What would they need to show before we could put a lower cost per job into the case?" Which response belongs in the gap?

- A. Exactly. A useful break-even volume requires an economically meaningful model. We need a change in price, variable delivery cost, or the service itself before volume can cover the additional included costs.
- B. Correct. Include the relevant customer acquisition cost and other omitted items in the fuller analysis. Keep the current calculation clearly labeled so it is not mistaken for complete operating profit.
- C. Yes. Higher demand and the cost to serve are separate parts of the story. More completed work can reveal customer interest while increasing the amount lost on the current delivery basis.
- D. We need evidence of willingness to pay at the revised offer. A pricing scenario should show its assumptions about volume and retention instead of lifting revenue with no behavioral consequence.

Review 3 / Meaning and context / continued

4. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "One colleague thinks a stronger savings slide means we can submit an offer. The committee only authorized analysis." Marcus: [missing response] Elena: "Keep the four million labeled potential, show the missing evidence, and bring the alternative routes back. We are not deciding a purchase price today." Which response belongs in the gap?

- A.** That would label a gross figure as net. We have no cost to achieve estimate, so we cannot yet build that bridge honestly.
- B.** Then reconcile the standalone case first. Benefits expected without the deal do not become acquisition-specific merely because we move them to this spreadsheet.
- C.** Then the pack must say no bid authority has been granted. Better evidence supports a later request; it does not extend our authority.
- D.** As potential annual run-rate savings after full implementation, yes, with qualifications. As confirmed first-year cash, no. We do not have the timing yet.

[Answers and explanations, page 161](#)

A Read the situation

LESSON 07 / UNCERTAINTY, SCENARIOS, STRATEGIC OPTIONS, AND RISK POSTURE

Describe conditional outcomes and connect observable signposts to proportionate, authorized responses.

A plausible downside is not a prediction

A planning team models next year using two illustrative cases. The base case assumes 10,000 units at \$200 each. A downside case assumes 8,000 units at \$180 each. No probabilities have been assigned, and neither case is an approved forecast. A proposed expansion can begin with a reversible \$50,000 test or proceed to a \$500,000 commitment. Neither route is approved. Strategist Noor and operations lead Leo must distinguish scenarios from predictions and propose measurable review triggers without implying that uncertainty has disappeared.

People: Noor, Strategist; Leo, Operations lead.

Read the record

Choose one answer per question using the facts above.

1. What is the status of the two cases?

- A. Illustrative scenarios without assigned probabilities
- B. Two approved forecasts with equal probabilities
- C. Confirmed sales orders for next year
- D. Actual results from last year

2. Which comparison is supported by the brief?

- A. The downside case proves demand will fall.
- B. The test is reversible and requires a smaller initial commitment.
- C. The test guarantees the expansion will succeed.
- D. The larger commitment has already been authorized.

3. What should the team clarify before acting on a review trigger?

- A. The measure, threshold, response, and decision authority
- B. Which scenario title sounds most optimistic
- C. How to turn an unassigned probability into certainty
- D. Whether a trigger can replace all judgment

[Answers and explanations, page 145](#)

B Vocabulary in use

CORE TERMS

scenario

A coherent description of a possible future under stated assumptions.

construct a plausible scenario

downside case

A set of assumptions producing a less favorable outcome.

stress the downside case

prediction

A statement about what is expected to happen.

avoid an unsupported prediction

plausibility

The degree to which an outcome is reasonably conceivable.

test scenario plausibility

sensitivity analysis

Examination of how changing inputs affects a result.

run sensitivity analysis

signpost

An observable development relevant to an uncertain future.

monitor early signposts

base case

A reference set of assumptions used for comparison.

label the base-case assumptions

forecast

An estimate of expected future results using a stated method.

update the approved forecast

probability

A quantified expression of likelihood on a stated basis.

justify the assigned probability

uncertainty

Lack of sufficient knowledge about outcomes or relevant conditions.

acknowledge material uncertainty

stress test

Analysis of performance under specified adverse conditions.

define the stress-test assumptions

leading indicator

A measure that may provide an early signal of later performance.

validate a leading indicator

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

scenario SCENARIO

construct a plausible scenario

Keep the meaning precise: A coherent description of a possible future under stated assumptions.

probability PROBABILITY

justify the assigned probability

Keep the meaning precise: A quantified expression of likelihood on a stated basis.

B Precision and professional shorthand

EXTEND YOUR RANGE

lagging indicator

A measure reflecting results after relevant activity has occurred.

review lagging indicators

threshold

The level at which a stated condition is met.

agree the threshold

reversible decision

A choice that can be changed with limited exit consequences.

favor a reversible decision where appropriate

option value

The value of preserving a future choice under uncertainty.

preserve option value

risk appetite

The types and amount of risk an organization is willing to pursue or retain.

clarify risk appetite

robust option

A choice that performs acceptably across the scenarios examined.

compare robust options

trigger

A defined condition prompting a specified review or response.

set a review trigger

contingency plan

A prepared response to a specified possible development.

activate a contingency plan

irreversible commitment

A commitment difficult or costly to undo.

defer an irreversible commitment

staged commitment

An allocation made in steps subject to specified reviews.

design a staged commitment

risk tolerance

The acceptable variation or limits around a defined exposure or objective.

specify risk tolerance

decision gate

A defined review point before a further commitment.

establish a decision gate

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

leading indicator LEADING INDICATOR

validate a leading indicator

Keep the meaning precise: A measure that may provide an early signal of later performance.

reversible decision REVERSIBLE DECISION

favor a reversible decision where appropriate

Keep the meaning precise: A choice that can be changed with limited exit consequences.

Phrases that move the work forward

State the condition

If volume and price follow these assumptions, revenue would be \$1.44 million.

Avoid invented likelihood

We have not assigned probabilities to either case.

Test resilience

Which option remains workable across both scenarios?

Define monitoring

Which observable signposts would challenge the current assumption?

Keep authority explicit

Meeting the threshold triggers a review, not automatic spending.

Describe the downside

This case tests adverse conditions without predicting that they will occur.

Set the next gate

The pilot evidence must be reviewed before any larger commitment.

Clarify exposure

How much can we commit before the next evidence review?

Separate a forecast

These are planning scenarios, not approved forecasts.

Name the reference

The base case is our comparison point, not a guarantee.

Preserve flexibility

The smaller test preserves a later decision on full expansion.

Specify the trigger

Let us agree the measure, threshold, and review period.

Request sensitivity

Show how the result changes when price and volume move separately.

Limit the claim

Reversibility reduces some commitment risk; it does not guarantee success.

Name the response

What action would the decision owner consider if the trigger is met?

Summarize uncertainty

The decision depends on assumptions that remain open to revision.

Precision in real exchanges

Purpose: Name the reference

Useful wording: The base case is our comparison point, not a guarantee.

Purpose: Test resilience

Useful wording: Which option remains workable across both scenarios?

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. What revenue follows from the downside assumptions?

- A.** \$2 million
- B.** \$3.44 million
- C.** \$1.44 million
- D.** \$1.6 million

2. Which statement avoids inventing probability?

- A.** Each scenario has a 50% chance because there are two.
- B.** The base case is certain because it is listed first.
- C.** The downside case is impossible because it is less attractive.
- D.** No probability has been assigned to either scenario.

3. A colleague needs the term for this meaning: An estimate of expected future results using a stated method. Which term fits?

- A.** sensitivity analysis
- B.** forecast
- C.** threshold
- D.** risk appetite

D Choose the response that fits / continued

4. Rebuild the exchange from "A plausible downside is not a prediction". Leo: "The other case has eight thousand units at one hundred eighty dollars. It changes both demand and price, which makes the revenue reduction more pronounced." Noor: [missing response] Leo: "Could we assign each case a fifty-percent chance? There are only two cases on the slide, and the committee may ask for an average." Which response belongs in the gap?

- A.** Document the risk limits and decision authority. A staged approach needs an actual boundary; calling something a pilot does not make an open-ended commitment small or reversible.
- B.** Define those signposts carefully. An inquiry and a confirmed order are not interchangeable, and a measure is useful only if its relationship to the decision is clear.
- C.** We should not turn a scenario into a prediction. Neither case has an assigned probability, and neither has been approved as our forecast for next year.
- D.** Yes. The downside case produces one point four four million dollars. We should explain both changes rather than describing the entire difference as a volume effect.

[Answers and explanations, page 145](#)

One useful distinction

A base case is not automatically the most likely outcome, and two scenarios do not automatically have a 50% probability each. If no probabilities have been established, report the cases without inventing them. Plausibility describes what could happen; probability makes a different, quantified claim.

E Conversation

A plausible downside is not a prediction

A plausible downside is not a prediction

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

option value / signposts / probabilities / sensitivity analysis / decision gate /
downside case / risk limits / trigger / scenario / base case

- 01 **Leo:** The workshop has a base case and a downside case. The sponsor wants us to say which one will happen so the expansion decision feels clearer.
- 02 **Noor:** We should not turn a ¹ _____ into a prediction. Neither case has an assigned probability, and neither has been approved as our forecast for next year.
- 03 **Leo:** The base case assumes ten thousand units at two hundred dollars. People keep calling it the expected outcome because it appears first in the presentation.
- 04 **Noor:** It is a ² _____ for comparison. That produces two million dollars of revenue on the stated assumptions, but the heading does not establish that those assumptions are most likely.
- 05 **Leo:** The other case has eight thousand units at one hundred eighty dollars. It changes both demand and price, which makes the revenue reduction more pronounced.
- 06 **Noor:** Yes. The ³ _____ produces one point four four million dollars. We should explain both changes rather than describing the entire difference as a volume effect.

E Conversation / continued

- 07 **Leo:** Could we assign each case a fifty-percent chance? There are only two cases on the slide, and the committee may ask for an average.
- 08 **Noor:** Not without a basis for the ⁴ _____. Two selected cases do not establish equal likelihood or exhaust every possible future. An unsupported average would add precision without adding evidence.
- 09 **Leo:** We could also vary the inputs separately. That would show how much of the result depends on price and how much depends on volume.
- 10 **Noor:** That is useful ⁵ _____. Keep the assumptions visible and use it to identify which uncertainties could change the decision, rather than create a large table without a purpose.

Conversation continues on the next page.

A plausible downside is not a prediction

CONVERSATION / CONTINUED

- 11 **Leo:** For expansion, we can run a reversible fifty-thousand-dollar test or commit five hundred thousand immediately. Neither proposal has approval at this point.
- 12 **Noor:** The smaller stage may preserve ⁶ _____ while we learn. We still need to explain what the test can establish, its limits, and whether its evidence would genuinely inform the larger decision.
- 13 **Leo:** We should monitor customer inquiries and confirmed demand during the test. Those measures could help us see whether the market assumptions are holding.
- 14 **Noor:** Define those ⁷ _____ carefully. An inquiry and a confirmed order are not interchangeable, and a measure is useful only if its relationship to the decision is clear.
- 15 **Leo:** What should trigger another decision? We cannot call a committee meeting every time a weekly number moves, but we also cannot ignore a sustained change.
- 16 **Noor:** Set a ⁸ _____ using an agreed measure, threshold, and period. Specify whether it calls for review, a pause, or another authorized response rather than leaving its meaning implicit.
- 17 **Leo:** The sponsor must define acceptable exposure before that review. Otherwise the team could keep spending while describing every step as learning.
- 18 **Noor:** Document the ⁹ _____ and decision authority. A staged approach needs an actual boundary; calling something a pilot does not make an open-ended commitment small or reversible.
- 19 **Leo:** I will request the fifty-thousand-dollar test with explicit limits. Keep the five-hundred-thousand-dollar expansion outside that request so the two approvals cannot be confused.
- 20 **Noor:** Add the next ¹⁰ _____ and the evidence required there. That gives the committee a practical way to act under uncertainty without pretending that we know the future.

CHECK THE GAPS

1. scenario / 2. base case / 3. downside case / 4. probabilities / 5. sensitivity analysis / 6. option value / 7. signposts / 8. trigger / 9. risk limits / 10. decision gate

[Why these answers fit, page 146](#)

F Check accuracy and scope

A plausible downside is not a prediction

Return to the case

A planning team models next year using two illustrative cases. The base case assumes 10,000 units at \$200 each. A downside case assumes 8,000 units at \$180 each. No probabilities have been assigned, and neither case is an approved forecast. A proposed expansion can begin with a reversible \$50,000 test or proceed to a \$500,000 commitment. Neither route is approved. Strategist Noor and operations lead Leo must distinguish scenarios from predictions and propose measurable review triggers without implying that uncertainty has disappeared.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. Which proposed rule defines a review trigger without granting cancellation authority?

- A. Increase the expansion budget after the threshold is breached for the agreed period.
- B. Review expansion after the agreed demand measure stays below its threshold for the specified period.
- C. Cancel expansion whenever the same demand measure falls below its threshold once.
- D. Monitor the demand measure weekly without specifying a review condition.

2. What does the \$50,000 test preserve?

- A. Automatic approval for the \$500,000 expansion
- B. Proof that all possible risks have been removed
- C. A later choice about the larger commitment, subject to evidence and approval
- D. A guarantee of future demand

[Answers and explanations, page 148](#)

Listen for the distinction

Switch roles for the staged-decision discussion. Keep \$50,000 and \$500,000 as unapproved options, and do not assign probabilities to the cases.

Speak conditionally without sounding evasive

Use a clear if-clause, name the assumption, and state what follows on that basis. Conditional language is stronger when it points to evidence and a response. Avoid both false certainty and vague warnings that leave colleagues unsure what to monitor or who should act.

F Say it / transfer to a new case

A trigger calls for review

The agreed rule calls for a review if confirmed weekly orders remain below 80 for three consecutive weeks. The last three totals are 76, 79, and 78. The rule grants no automatic cancellation authority.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

authority / review / threshold / trigger

- 01 **Analyst:** All three totals are below the ¹ _____.
- 02 **Lead:** The agreed review ² _____ has been met.
- 03 **Analyst:** We should now arrange the ³ _____.
- 04 **Lead:** Cancellation would still require ⁴ _____.

CHECK THE GAPS

1. threshold / 2. trigger / 3. review / 4. authority

[Why these answers fit, page 148](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "A plausible downside is not a prediction". Leo: "We should monitor customer inquiries and confirmed demand during the test. Those measures could help us see whether the market assumptions are holding." Noor: [missing response] Leo: "What should trigger another decision? We cannot call a committee meeting every time a weekly number moves, but we also cannot ignore a sustained change." Which response belongs in the gap?

- A. Yes. The downside case produces one point four four million dollars. We should explain both changes rather than describing the entire difference as a volume effect.
- B. We should not turn a scenario into a prediction. Neither case has an assigned probability, and neither has been approved as our forecast for next year.
- C. Document the risk limits and decision authority. A staged approach needs an actual boundary; calling something a pilot does not make an open-ended commitment small or reversible.
- D. Define those signposts carefully. An inquiry and a confirmed order are not interchangeable, and a measure is useful only if its relationship to the decision is clear.

[Answers and explanations, page 149](#)

A Read the situation

LESSON 08 / EXECUTION GOVERNANCE, OPERATING MODEL, KPIS, AND BOARD NARRATIVE

Turn a dense status presentation into a bounded decision request with owners, measures, and review conditions.

Twelve metrics, but what is the board being asked to approve?

A team asks the board to approve a twelve-week pilot at two sites with a \$150,000 spending cap. The proposed goal is to reduce median processing time from the measured six-day baseline to four days, while keeping the error rate at or below 2%. The operations director would own delivery and finance would verify spending. The draft contains twelve metrics but no explicit approval request. No full rollout is authorized. A final review must assess the pilot evidence before the board considers further investment.

People: Amara, Chief of staff; Tom, Operations director.

Read the record

Choose one answer per question using the facts above.

1. What decision is requested?

- A. Permission to remove the error-rate limit
- B. Approval of a two-site, twelve-week pilot capped at \$150,000
- C. Approval of an unlimited company-wide rollout
- D. Confirmation that the pilot has already met its target

2. Which measure is a quality guardrail?

- A. Keeping the error rate at or below 2%
- B. Spending the entire cap as quickly as possible
- C. Increasing the number of presentation slides
- D. Reporting twelve metrics regardless of relevance

3. Who would own delivery?

- A. Every board member individually
- B. Nobody until after rollout
- C. The operations director
- D. Finance solely because it checks spending

[Answers and explanations, page 150](#)

B Vocabulary in use

CORE TERMS

execution governance

The arrangements for directing, reviewing, and authorizing implementation.

establish execution governance

board narrative

The decision-focused explanation connecting evidence, choices, and the requested action.

sharpen the board narrative

pilot scope

The boundaries of a limited test.

protect the pilot scope

delivery owner

The person accountable for implementing the agreed work.

name the delivery owner

decision authority

Permission to approve a defined action or commitment.

identify decision authority

outcome metric

A measure of the result the initiative is intended to change.

define the outcome metric

operating model

The configuration of roles, processes, systems, and interactions used to deliver work.

define the operating model

decision request

The explicit action a decision-making body is asked to authorize.

state the decision request

spending cap

The maximum authorized expenditure for a defined purpose.

enforce the spending cap

accountability

Answerability for a defined result or responsibility.

assign clear accountability

key performance indicator

A selected measure used to assess important performance.

choose relevant key performance indicators

guardrail metric

A measure that limits unacceptable side effects or deterioration.

monitor the guardrail metric

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

execution governance EXECUTION GOVERNANCE

establish execution governance

Keep the meaning precise: The arrangements for directing, reviewing, and authorizing implementation.

spending cap SPENDING CAP

enforce the spending cap

Keep the meaning precise: The maximum authorized expenditure for a defined purpose.

B Precision and professional shorthand

EXTEND YOUR RANGE

metric definition

The specified calculation, data scope, and interpretation of a measure.

document the metric definition

measurement window

The period included in a performance calculation.

agree the measurement window

reporting cadence

The agreed frequency of updates or reviews.

set the reporting cadence

exception report

A focused update on deviations requiring attention.

issue an exception report

stage review

A formal assessment before deciding on a subsequent phase.

conduct the stage review

median

The middle value when observations are ordered, or the mean of the two middle values for an even count.

report median processing time

data owner

The person responsible for the quality and availability of specified data.

confirm the data owner

variance

A difference from a stated plan, baseline, or target.

explain material variance

escalation route

The path for raising an issue to the appropriate authority.

clarify the escalation route

rollout criteria

Conditions required before considering wider implementation.

agree rollout criteria

B Precision and professional shorthand / continued

decision record

Documentation of the choice made, its scope, and its conditions.

maintain the decision record

benefit verification

Checking whether claimed improvements occurred on a defined basis.

require benefit verification

Say it in context

Stress the highlighted expression. Keep the surrounding words connected; pause at the end of the phrase.

guardrail metric GUARDRAIL METRIC

monitor the guardrail metric

Keep the meaning precise: A measure that limits unacceptable side effects or deterioration.

reporting cadence REPORTING CADENCE

set the reporting cadence

Keep the meaning precise: The agreed frequency of updates or reviews.

C Phrases that move the work forward

Open with the request

We request approval for a twelve-week pilot at two sites.

Name the outcome

The target is a four-day median processing time.

Protect quality

The error rate must remain at or below 2%.

Separate verification

Finance will verify spending against the approved cap.

Reduce dashboard clutter

Retain measures that show results, guardrails, or material exceptions.

Clarify reporting

Agree who reports each measure and at what frequency.

Document authority

Record the scope and conditions of the approval explicitly.

Prepare the review

Present the evidence, limitations, and options at the final review.

State the ceiling

Total pilot spending must not exceed \$150,000.

Preserve the baseline

The measured baseline is six days on the stated definition.

Assign delivery

The operations director will own implementation.

Define the next decision

Wider rollout would require a separate board decision.

Specify measurement

Use the same case population and calculation when comparing periods.

Escalate an exception

A threatened cap or guardrail breach must reach the named decision owner.

Avoid premature success

The pilot is not successful merely because it launched on time.

Close with boundaries

This request does not authorize extra sites or an automatic extension.

Precision in real exchanges

Purpose: Preserve the baseline

Useful wording: The measured baseline is six days on the stated definition.

Purpose: Protect quality

Useful wording: The error rate must remain at or below 2%.

D Choose the response that fits

Choose one response for each situation. Preserve the facts, the decision boundary, and the purpose of the exchange.

1. Which board resolution matches the request without adding authority?

- A.** Approve a two-site, twelve-week pilot with spending capped at \$150,000.
- B.** Approve a two-site pilot and rollout once its speed target is achieved.
- C.** Note a twelve-week pilot proposal and release funding for additional sites.
- D.** Approve a \$150,000 pilot with duration to be decided after launch.

2. A pilot reaches four days but has a 2.5% error rate. What is accurate?

- A.** The board must approve rollout automatically.
- B.** It meets the speed target but breaches the stated quality guardrail.
- C.** It meets both conditions because speed improved.
- D.** The error rate can be ignored after launch.

3. A colleague needs the term for this meaning: The explicit action a decision-making body is asked to authorize. Which term fits?

- A.** stage review
- B.** decision request
- C.** measurement window
- D.** decision authority

D Choose the response that fits / continued

4. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "The current processing baseline is six days. We need to show what would count as meaningful improvement and how the number will be calculated." Tom: [missing response] Amara: "Speed alone could create the wrong incentive. A faster process would not be a success if the team introduced more errors while rushing work through." Which response belongs in the gap?

- A.** The outcome metric is median processing time, with a four-day target. We will preserve the calculation and case definitions so the comparison does not improve simply because its basis changes.
- B.** The error rate is our guardrail metric. It must stay at or below two percent. The review needs both results, not a headline that highlights speed and hides quality.
- C.** We need a clear decision request. We are asking for approval of a twelve-week pilot at two sites, with a maximum total spend of one hundred fifty thousand dollars.
- D.** It is a spending cap, not a spending obligation. Being below it does not authorize extra sites, and reaching it does not justify further spending without the necessary decision.

[Answers and explanations, page 150](#)

One useful distinction

A target is the result sought; a guardrail limits what must not deteriorate while pursuing it. Four-day median processing time does not compensate for an error rate above the stated 2% limit. The pilot must be assessed on both measures, with consistent definitions and a stated measurement period.

E Conversation

Twelve metrics, but what is the board being asked to approve?

Twelve metrics, but what is the board being asked to approve?

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

decision record / reporting cadence / delivery owner / stage review / decision request /
outcome metric / pilot scope / board narrative / spending cap / guardrail metric

- 01 **Amara:** The board pack has twelve metrics but no clear decision. Are we reporting progress, requesting advice, or asking for permission to start?
- 02 **Tom:** We need a clear ¹ _____. We are asking for approval of a twelve-week pilot at two sites, with a maximum total spend of one hundred fifty thousand dollars.
- 03 **Amara:** Put that on the first substantive slide. The directors should know the requested action before they interpret a dashboard or listen to the operating detail.
- 04 **Tom:** I will state the ² _____ explicitly. We are not requesting a company-wide rollout, an automatic extension, or permission to add locations as the team finds new opportunities.
- 05 **Amara:** The current processing baseline is six days. We need to show what would count as meaningful improvement and how the number will be calculated.
- 06 **Tom:** The ³ _____ is median processing time, with a four-day target. We will preserve the calculation and case definitions so the comparison does not improve simply because its basis changes.

E Conversation / continued

- 07 **Amara:** Speed alone could create the wrong incentive. A faster process would not be a success if the team introduced more errors while rushing work through.
- 08 **Tom:** The error rate is our ⁴ _____. It must stay at or below two percent. The review needs both results, not a headline that highlights speed and hides quality.
- 09 **Amara:** Who will be accountable for implementation? The draft names several functions, but that can leave everyone assuming someone else is responsible for the final result.
- 10 **Tom:** I will be the ⁵ _____. The supporting teams will have defined responsibilities, while finance separately verifies spending rather than becoming responsible for operational delivery.

Conversation continues on the next page.

Twelve metrics, but what is the board being asked to approve?

CONVERSATION / CONTINUED

- 11 **Amara:** We should also clarify the financial boundary. Some people hear a budget number as a target they are expected to use up before the period ends.
- 12 **Tom:** It is a ⁶ _____, not a spending obligation. Being below it does not authorize extra sites, and reaching it does not justify further spending without the necessary decision.
- 13 **Amara:** The board will need timely information if the pilot is moving outside its limits. Waiting until week twelve could make the review too late to help.
- 14 **Tom:** We should agree a ⁷ _____ and an exception route before launch. Routine updates can be brief, but threatened breaches need attention from the person authorized to respond.
- 15 **Amara:** Which of these twelve measures would change the board's decision? Move the activity detail behind the main recommendation rather than make directors search for the result.
- 16 **Tom:** I will focus the ⁸ _____ on the request, outcome, quality limit, spending, and exceptions. The supporting measures can stay in the appendix.
- 17 **Amara:** At the end, we need to assess the evidence and its limitations. Two sites may teach us something important without proving the model will work everywhere.
- 18 **Tom:** The final ⁹ _____ should compare results with the agreed criteria and identify remaining uncertainty. Any wider rollout stays a separate decision, even if the pilot looks encouraging.

Twelve metrics, but what is the board being asked to approve? / continued

- 19 **Amara:** Put the twelve weeks, two sites, and spending cap into the requested resolution. The record should make clear that a wider rollout needs another decision.
- 20 **Tom:** I will prepare the ¹⁰ _____ with those limits and the monitoring requirements. The implementation team will receive the actual resolution, not just the presentation.

CHECK THE GAPS

1. decision request / 2. pilot scope / 3. outcome metric / 4. guardrail metric / 5. delivery owner / 6. spending cap / 7. reporting cadence / 8. board narrative / 9. stage review / 10. decision record

[Why these answers fit, page 151](#)

F Check accuracy and scope

Twelve metrics, but what is the board being asked to approve?

Return to the case

A team asks the board to approve a twelve-week pilot at two sites with a \$150,000 spending cap. The proposed goal is to reduce median processing time from the measured six-day baseline to four days, while keeping the error rate at or below 2%. The operations director would own delivery and finance would verify spending. The draft contains twelve metrics but no explicit approval request. No full rollout is authorized. A final review must assess the pilot evidence before the board considers further investment.

Choose one answer per question. Use the case facts and keep any uncertainty or limits intact.

1. What follows from spending only \$135,000 within the approved scope?

- A. The remaining \$15,000 must be spent to prove success.
- B. The unused amount automatically authorizes another site.
- C. The quality guardrail no longer applies.
- D. The team is below the cap; it need not spend the remaining \$15,000.

2. What must precede a wider rollout?

- A. Review the pilot evidence and obtain the separate required decision.
- B. Let the twelve-week end date authorize it automatically.
- C. Treat a launch announcement as board approval.
- D. Replace the final review with an unrelated metric count.

[Answers and explanations, page 153](#)

Listen for the distinction

Switch roles for the measurement discussion. Contrast the four-day median target with the at-most-2% error guardrail; finance verifies spending, not operational delivery.

Put the decision before the dashboard

Senior listeners should not have to infer whether a presentation requests approval, reports progress, or seeks advice. State the requested decision early, then use a small number of relevant measures to support it. Keep delivery accountability distinct from independent verification and from authority to approve the next stage.

F Say it / transfer to a new case

Faster, but outside the quality limit

At review, median processing time is four days, the error rate is 2.5%, and spending is \$135,000. The pilot limits remain four days, at most 2% errors, and at most \$150,000 spending.

Complete the four gaps. With a partner, read alternate roles, then switch. Studying alone, read both roles and pause before each response.

WORD AND PHRASE BANK

cap / breached / met / decision

- 01 **Lead:** The processing-time target was ¹ _____.
- 02 **Reviewer:** The quality guardrail was ² _____.
- 03 **Lead:** Spending remained below the ³ _____.
- 04 **Reviewer:** Rollout still requires a separate ⁴ _____.

CHECK THE GAPS

1. met / 2. breached / 3. cap / 4. decision

[Why these answers fit, page 153](#)

Rebuild the exchange

Choose the missing response. Read the completed three-turn exchange aloud, changing roles on the second reading.

1. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "The board will need timely information if the pilot is moving outside its limits. Waiting until week twelve could make the review too late to help." Tom: [missing response] Amara: "Which of these twelve measures would change the board's decision? Move the activity detail behind the main recommendation rather than make directors search for the result." Which response belongs in the gap?

- A.** We need a clear decision request. We are asking for approval of a twelve-week pilot at two sites, with a maximum total spend of one hundred fifty thousand dollars.
- B.** I will state the pilot scope explicitly. We are not requesting a company-wide rollout, an automatic extension, or permission to add locations as the team finds new opportunities.
- C.** The final stage review should compare results with the agreed criteria and identify remaining uncertainty. Any wider rollout stays a separate decision, even if the pilot looks encouraging.
- D.** We should agree a reporting cadence and an exception route before launch. Routine updates can be brief, but threatened breaches need attention from the person authorized to respond.

[Answers and explanations, page 154](#)

Review 4 / Meaning and context

Use language from the lessons you have completed. Choose one answer per question.

Case file

Revisit "Uncertainty, Scenarios, Strategic Options, and Risk Posture" and "Execution Governance, Operating Model, KPIs, and Board Narrative". Choose precise terminology, then reconstruct the missing responses using both neighboring turns. The final two questions also revisit earlier conversations.

1. A colleague needs the term for this meaning: A set of assumptions producing a less favorable outcome. Which term fits?

- A. uncertainty
- B. downside case
- C. trigger
- D. staged commitment

2. A colleague needs the term for this meaning: Answerability for a defined result or responsibility. Which term fits?

- A. metric definition
- B. exception report
- C. accountability
- D. execution governance

3. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "Could a partnership give us part of the purchasing benefit without buying the company? We have not developed that alternative." Marcus: [missing response]

Elena: "Commercial is worried that changed service arrangements could unsettle customers. We cannot just assume the revenue stays intact during integration."

Which response belongs in the gap?

- A. As potential annual run-rate savings after full implementation, yes, with qualifications. As confirmed first-year cash, no. We do not have the timing yet.
- B. Include it in the build-buy-partner comparison, alongside internal development. Match the objectives and timeframes so acquisition is not the only fully described route.
- C. That would label a gross figure as net. We have no cost to achieve estimate, so we cannot yet build that bridge honestly.
- D. Then reconcile the standalone case first. Benefits expected without the deal do not become acquisition-specific merely because we move them to this spreadsheet.

Review 4 / Meaning and context / continued

4. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "At the end, we need to assess the evidence and its limitations. Two sites may teach us something important without proving the model will work everywhere." Tom: [missing response] Amara: "Put the twelve weeks, two sites, and spending cap into the requested resolution. The record should make clear that a wider rollout needs another decision." Which response belongs in the gap?

- A.** We need a clear decision request. We are asking for approval of a twelve-week pilot at two sites, with a maximum total spend of one hundred fifty thousand dollars.
- B.** I will state the pilot scope explicitly. We are not requesting a company-wide rollout, an automatic extension, or permission to add locations as the team finds new opportunities.
- C.** The final stage review should compare results with the agreed criteria and identify remaining uncertainty. Any wider rollout stays a separate decision, even if the pilot looks encouraging.
- D.** We should agree a reporting cadence and an exception route before launch. Routine updates can be brief, but threatened breaches need attention from the person authorized to respond.

[Answers and explanations, page 164](#)

Language for the next case

A competitor cuts price, but not on the same offer

like-for-like comparison

A like-for-like comparison aligns the included services and conditions rather than comparing headline prices alone.

Nikhil: Before we respond, is that a like-for-like comparison? Their public page excludes implementation and priority support.

cannibalization

Cannibalization occurs when a new offer displaces sales of the company's existing offer rather than generating only additional business.

Nikhil: Then examine cannibalization. Existing customers might trade down, so not every sale would be incremental.

capacity constraint

A capacity constraint is a delivery limit that can make an otherwise attractive sales response operationally unworkable.

Nikhil: That is an important capacity constraint. Include delivery demand and customer impact in the comparison, not just signed revenue.

customer switching

Customer switching means customers actually move to another provider; mentioning an advertisement does not establish that outcome.

Nikhil: Yes, as a signal. It is not yet evidence of customer switching or three lost deals.

price realization

Price realization is the price actually obtained after relevant discounts and concessions, not simply the published list price.

Nikhil: Model the price realization and what happens at renewal. A temporary discount can shape expectations beyond its stated period.

decision criteria

Decision criteria provide the common basis for comparing options, including contribution, customer value, and delivery feasibility here.

Nikhil: I will compare holding the package, a bounded offer test, and revised packaging against the same decision criteria.

Read the phrases aloud. Then complete the conversation on the following pages using the word bank.

Conversation

A competitor cuts price, but not on the same offer

A competitor publicly advertises a price 15% below the company's current package. Its advertised package excludes implementation and priority support, both included in the company's offer. Three prospects mentioned the advertisement; none has yet confirmed a purchasing decision. No pricing response is approved.

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

like-for-like comparison / price realization / cannibalization / capacity constraint /
decision criteria / customer switching

- 01 **Bea:** The competitor's new price is fifteen percent lower. Sales wants us to match it before we lose the pipeline.
- 02 **Nikhil:** Before we respond, is that a ¹ _____? Their public page excludes implementation and priority support.
- 03 **Bea:** Those are in our package. Customers may still react to the first number they see.
- 04 **Nikhil:** I agree. We need a clear comparison for the sales team, not a claim that price cannot matter.
- 05 **Bea:** Three prospects raised the advertisement this week. That feels like a warning we should take seriously.
- 06 **Nikhil:** Yes, as a signal. It is not yet evidence of ² _____ or three lost deals.
- 07 **Bea:** Would you leave the offer untouched until we have lost someone? That seems slow.
- 08 **Nikhil:** No. We can review recent objections and test how buyers value each service while we compare bounded response options.
- 09 **Bea:** One option is a lower-priced package without priority support, rather than cutting the full package.
- 10 **Nikhil:** Then examine ³ _____. Existing customers might trade down, so not every sale would be incremental.

Conversation continues on the next page.

A competitor cuts price, but not on the same offer

CONVERSATION / CONTINUED

- 11 **Bea:** Sales also proposed a temporary discount for new accounts. They think it would preserve the current package architecture.
- 12 **Nikhil:** Model the ⁴ _____ and what happens at renewal. A temporary discount can shape expectations beyond its stated period.
- 13 **Bea:** Our implementation team is already busy. Adding low-margin accounts could make the higher-value service worse.
- 14 **Nikhil:** That is an important ⁵ _____. Include delivery demand and customer impact in the comparison, not just signed revenue.
- 15 **Bea:** A trade-association colleague knows their commercial director. Could we ask whether the cut is likely to last?
- 16 **Nikhil:** Do not seek confidential future pricing from a competitor. Use lawful public information and route any proposed competitor contact through legal review.
- 17 **Bea:** For Friday, I need a recommendation that the team can act on, not twenty equally weighted possibilities.
- 18 **Nikhil:** I will compare holding the package, a bounded offer test, and revised packaging against the same ⁶ _____.
- 19 **Bea:** Include the evidence that would change your recommendation. I can arrange structured follow-up with the three prospects.
- 20 **Nikhil:** Good. We will report their actual concerns and decisions, then recommend the smallest justified response rather than assume every headline requires a price match.

CHECK THE GAPS

1. like-for-like comparison / 2. customer switching / 3. cannibalization / 4. price realization / 5. capacity constraint / 6. decision criteria

[Why these answers fit, page 167](#)

Three objections become three supposed lost accounts

Three customers ask about a competitor's price. No cancellation or supplier change has been confirmed.

Complete the exchange using each phrase once. Read both roles, then switch roles and repeat with the bank covered.

WORD AND PHRASE BANK

losses / prices / reduction / decision

- 01 **Commercial lead:** These are price objections, not confirmed customer ¹ _____.
- 02 **Strategist:** Check the package contents before comparing the headline ² _____.
- 03 **Commercial lead:** We can test an offer without promising a permanent ³ _____.
- 04 **Strategist:** Record the test limits and the evidence needed for a wider ⁴ _____.

CHECK THE GAPS

1. losses / 2. prices / 3. reduction / 4. decision

[Why these answers fit, page 167](#)

Keep the distinction audible

Challenge a reactive pricing proposal using a like-for-like comparison.

Language for the next case

Closing a product line does not close its obligations

exit obligations

Exit obligations are responsibilities that continue during or after withdrawal, such as contractual support commitments.

Clare: Stopping new sales is one decision. Ending service is another. What exit obligations have been included in that estimate?

run-off plan

A run-off plan manages existing commitments while new business is reduced or stopped over time.

Clare: And a run-off plan for service, staffing, renewals, and communication while those commitments are resolved.

cross-sell

Cross-sell involves selling different products to the same customer; exiting one product can affect the broader relationship.

Clare: Map that exposure account by account. A cross-sell assumption is not a guarantee that those other relationships remain unaffected.

stranded costs

Stranded costs remain after the associated activity is reduced or stopped rather than becoming immediate savings.

Clare: That may leave stranded costs. Removing an accounting allocation does not remove the supplier bill.

transition costs

Transition costs are the resources needed to move from the current arrangement to the proposed future one.

Clare: Correct. Its transition costs may arrive before any operating savings, so show their timing.

avoidable costs

Avoidable costs are future costs that the chosen option can actually prevent, unlike allocations or continuing commitments.

Clare: Use a common time horizon and show avoidable costs, retained obligations, and the main customer risks for each.

Read the phrases aloud. Then complete the conversation on the following pages using the word bank.

Conversation

Closing a product line does not close its obligations

A product line has low new sales and ongoing customer contracts. A proposal assumes that stopping new orders next month eliminates all its costs immediately. Shared platform costs, customer support obligations, migration options, and contract terms have not been reviewed. The meeting is to frame the exit analysis, not announce a closure.

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

stranded costs / cross-sell / transition costs / run-off plan / avoidable costs / exit obligations

- 01 **Omar:** The proposal says we can stop taking new orders next month and remove the entire product cost base.
- 02 **Clare:** Stopping new sales is one decision. Ending service is another. What¹ _____ have been included in that estimate?
- 03 **Omar:** None yet. The analyst used the product's allocated costs as the expected saving.
- 04 **Clare:** Then we need to separate costs that actually disappear from those that move elsewhere in the company.
- 05 **Omar:** The shared platform is the biggest allocation. Other products will still use it after this line stops selling.
- 06 **Clare:** That may leave² _____. Removing an accounting allocation does not remove the supplier bill.
- 07 **Omar:** Some customers have another eighteen months on their contracts. We need counsel to review the actual commitments.
- 08 **Clare:** And a³ _____ for service, staffing, renewals, and communication while those commitments are resolved.
- 09 **Omar:** Could we migrate everyone to the newer product and close the old one sooner?
- 10 **Clare:** Only if it fits their needs and the terms allow the proposed approach. We have not assessed feature gaps, data movement, or customer consent.

Conversation continues on the next page.

Closing a product line does not close its obligations

CONVERSATION / CONTINUED

- 11 **Omar:** Then migration is an option to evaluate, not a saving we can put in the base case today.
- 12 **Clare:** Correct. Its ⁴ _____ may arrive before any operating savings, so show their timing.
- 13 **Omar:** We also need to avoid losing customers who buy several of our products. This is not an isolated revenue stream.
- 14 **Clare:** Map that exposure account by account. A ⁵ _____ assumption is not a guarantee that those other relationships remain unaffected.
- 15 **Omar:** Who should speak to the customer teams first? Rumors could get ahead of the analysis.
- 16 **Clare:** Use a small authorized working group now. We need a communication sequence before an external announcement, with no suggestion that closure is already approved.
- 17 **Omar:** For the recommendation, I will compare maintaining the line, stopping new sales with a run-off, and an assessed migration route.
- 18 **Clare:** Use a common time horizon and show ⁶ _____, retained obligations, and the main customer risks for each.
- 19 **Omar:** That will probably reduce the headline saving, but it gives the committee a decision it can actually implement.
- 20 **Clare:** And it tells the service team what must continue. An exit decision needs an operating plan, not just a deleted revenue line.

CHECK THE GAPS

1. exit obligations / 2. stranded costs / 3. run-off plan / 4. transition costs / 5. cross-sell / 6. avoidable costs

[Why these answers fit, page 169](#)

A cost allocation disappears from a spreadsheet

A discontinued service used 20% of a shared software platform. The platform contract continues at the same total price for the remaining services.

Complete the exchange using each phrase once. Read both roles, then switch roles and repeat with the bank covered.

WORD AND PHRASE BANK

saving / renewal / bill / baseline

- 01 **Analyst:** Removing the discontinued service's allocation does not reduce the supplier
1 _____.
- 02 **Director:** Show that amount as a continuing cost, not an immediate 2 _____.
- 03 **Analyst:** We can investigate a lower contract tier at the next 3 _____.
- 04 **Director:** Keep that possibility separate from the committed 4 _____.

CHECK THE GAPS

1. bill / 2. saving / 3. renewal / 4. baseline

[Why these answers fit, page 169](#)

Keep the distinction audible

Discuss an orderly business exit while separating avoidable costs from continuing obligations.

Language for the next case

A distribution partnership with unclear decision rights

exclusivity

Exclusivity limits the parties' ability to use other routes within a defined scope; its territory, products, and duration must be specified.

Anya: What exactly would exclusivity cover: the territory, a product range, a customer segment, or every route to market?

decision rights

Decision rights specify who can make which decisions, including which local adaptations need brand or legal approval.

Anya: So do I, within clear decision rights. Who approves product claims, pricing commitments, and use of the brand?

exit mechanism

An exit mechanism sets out how the relationship may end and how ongoing responsibilities are handled.

Anya: We need a reviewed exit mechanism, including any cure process, transition, and customer continuity. We cannot improvise that after a dispute.

performance milestones

Performance milestones are defined results or stages used to assess whether the partnership is delivering its intended value.

Anya: It may. But what performance milestones would justify retaining exclusive rights over that period?

data access

Data access describes which information each party may use for specified purposes, subject to relevant permissions and protections.

Anya: Then define data access, permitted uses, security responsibilities, and what happens when the partnership ends.

governance model

The governance model defines how the parties make decisions, review performance, and resolve issues during the relationship.

Anya: Exactly. The governance model is part of the value proposition, not paperwork to finish after signing.

Read the phrases aloud. Then complete the conversation on the following pages using the word bank.

Conversation

A distribution partnership with unclear decision rights

A distributor requests two-year regional exclusivity without a minimum purchase commitment. Data access, brand approvals, performance measures, and exit terms are unresolved. The strategy lead and channel director are preparing negotiation questions; neither may sign.

Complete the numbered gaps. Use each bank entry once; some entries contain several words.

WORD AND PHRASE BANK

exit mechanism / performance milestones / data access / exclusivity / decision rights / governance model

- 01 **Mateo:** The distributor can put us in front of customers we cannot reach ourselves. They want a two-year exclusive arrangement.
- 02 **Anya:** What exactly would ¹ _____ cover: the territory, a product range, a customer segment, or every route to market?
- 03 **Mateo:** Their draft says the whole region, but it does not distinguish existing accounts from new ones.
- 04 **Anya:** Then that is an open commercial term. We should not evaluate the proposal as though our existing direct relationships are unaffected.
- 05 **Mateo:** They have not offered a minimum purchase commitment. They say market development takes time.
- 06 **Anya:** It may. But what ² _____ would justify retaining exclusive rights over that period?
- 07 **Mateo:** We could discuss qualified account coverage, trained sales staff, and agreed sales measures rather than a single first-month number.
- 08 **Anya:** Yes, with definitions and evidence. We need to distinguish activity from completed business and avoid targets that encourage poor-fit sales.
- 09 **Mateo:** The draft also lets them adapt marketing materials locally. I support that flexibility.
- 10 **Anya:** So do I, within clear ³ _____. Who approves product claims, pricing commitments, and use of the brand?

Conversation continues on the next page.

A distribution partnership with unclear decision rights

CONVERSATION / CONTINUED

- 11 **Mateo:** That is unresolved. We should map the decisions rather than require head-office approval for every spelling correction.
- 12 **Anya:** Agreed. Keep routine adaptation workable and identify the decisions that could create a material obligation or risk.
- 13 **Mateo:** They want to hold the customer records in their own system. Our service team needs enough information to support buyers.
- 14 **Anya:** Then define ⁴ _____, permitted uses, security responsibilities, and what happens when the partnership ends.
- 15 **Mateo:** If performance falls short, would we simply terminate? That could leave customers without support.
- 16 **Anya:** We need a reviewed ⁵ _____, including any cure process, transition, and customer continuity. We cannot improvise that after a dispute.
- 17 **Mateo:** For the next meeting, I will bring their channel coverage and the unanswered commercial questions. What will you bring?
- 18 **Anya:** A comparison with a nonexclusive arrangement and a bounded pilot, including the control we retain and the capabilities each route requires.
- 19 **Mateo:** Then we are not rejecting the partner; we are testing whether the structure supports the strategy.
- 20 **Anya:** Exactly. The ⁶ _____ is part of the value proposition, not paperwork to finish after signing.

CHECK THE GAPS

1. exclusivity / 2. performance milestones / 3. decision rights / 4. data access / 5. exit mechanism / 6. governance model

[Why these answers fit, page 171](#)

An exclusive right without a defined territory

A draft grants exclusive distribution rights but leaves the territory and existing-account treatment unspecified. No signature is authorized.

Complete the exchange using each phrase once. Read both roles, then switch roles and repeat with the bank covered.

WORD AND PHRASE BANK

arrangement / alternative / scope / acceptance

- 01 **Channel lead:** We need the geographic ¹ _____ before evaluating the restriction.
- 02 **Strategist:** Also clarify whether existing accounts are inside or outside the
² _____.
- 03 **Channel lead:** I will request revised terms, not communicate an ³ _____.
- 04 **Strategist:** Compare the revised proposal with the nonexclusive ⁴ _____.

CHECK THE GAPS

1. scope / 2. arrangement / 3. acceptance / 4. alternative

[Why these answers fit, page 171](#)

Keep the distinction audible

Negotiate the operating boundaries of a strategic partnership before endorsing exclusivity.

01 / Answers and explanations

A / Read the situation

A1. What is the primary unresolved issue?

C. Which outcome the growth strategy should prioritize

The sponsor has not chosen the main objective, so the analysis cannot assume a specific outcome or solution.

[Return to the exercise, page 4](#)

A2. What do the supplied figures describe?

B. Last year's revenue and operating profit

The figures are historical business results, not targets, market estimates, or transaction terms.

[Return to the exercise, page 4](#)

A3. Which action is not authorized by the brief?

A. Treating an acquisition and 20% revenue target as approved

The case explicitly says no such target or acquisition has been authorized.

[Return to the exercise, page 4](#)

D / Response choices

D1. Which question best resolves the sponsor's ambiguous growth request?

A. Which outcome, target, and time horizon should the strategy prioritize?

The mandate lacks a selected outcome, target, and horizon. Choosing an acquisition, entry route, or approved forecast first would silently supply decisions the sponsor has not made.

[Return to the exercise, page 8](#)

D2. What operating margin follows from the supplied historical figures?

B. 10%

Operating profit of \$2 million divided by revenue of \$20 million equals 10%.

[Return to the exercise, page 8](#)

01 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: The senior person accountable for backing and directing an initiative. Which term fits?

C. executive sponsor

A Not here. scope boundary: A limit on what the assignment includes. The usual combination is "document the scope boundary".

B Not here. decision rights: The authority to make or approve specified choices. The usual combination is "clarify decision rights".

C Correct. executive sponsor: The senior person accountable for backing and directing an initiative. The usual combination is "confirm the executive sponsor".

D Not here. driver analysis: Examination of factors contributing to an observed result. The usual combination is "conduct driver analysis".

[Return to the exercise, page 8](#)

D4. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment". Daniel: "I see the distinction. A plan that adds revenue at a lower margin might look good under one measure and weak under another." Rina: [missing response] Daniel: "What are the few inputs you need from me now? We cannot spend the whole week defining the brief and arrive on Monday without options." Which response belongs in the gap?

D. Exactly. The objective changes the comparison. We should not choose the measure after seeing which option produces the most attractive number.

A Not here. This line belongs to turn 4, after Daniel says: "Those are all attractive, but I have not ranked them. Last year we had twenty million dollars in revenue and two million in operating profit." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 8, after Daniel says: "What are the few inputs you need from me now? We cannot spend the whole week defining the brief and arrive on Monday without options." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 12, after Daniel says: "Some people say weak sales execution is the reason growth has slowed. Others say the offer no longer fits what customers need." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Rina's response in turn 6. It connects Daniel's preceding point with Daniel's follow-up. The objective specifies the intended outcome and helps determine which options and trade-offs the analysis should compare.

[Return to the exercise, page 8](#)

E / Conversation

1. strategic mandate

Turn 2. The mandate defines the assignment's purpose and boundaries; the broad request has not yet selected the desired outcome.

01 / Answers and explanations / continued

2. baseline

Turn 4. The baseline is the prior result used for comparison, not an approved future target or permission to pursue a particular option.

3. objective

Turn 6. The objective specifies the intended outcome and helps determine which options and trade-offs the analysis should compare.

4. time horizon

Turn 8. The time horizon sets the period for assessing the result; short-term improvement and long-term market building may require different options.

5. strategic option

Turn 10. A strategic option is a possible route for assessment; mentioning it does not authorize a transaction or define the outcome.

6. diagnosis

Turn 12. Diagnosis seeks an evidence-based explanation of the challenge; the two suggested causes have not yet been established.

7. issue tree

Turn 14. An issue tree organizes the key analytical questions so evidence gathering remains connected to the decision.

8. assumption register

Turn 16. An assumption register records premises and their verification status so estimates do not become silent facts in later presentations.

9. decision rights

Turn 18. Decision rights identify who can approve the objective, commitments, and recommendation rather than leaving authority implicit.

10. success criteria

Turn 20. Success criteria define how the effort will be judged; the case has not yet agreed a target, horizon, or priority measure.

[Return to the conversation, page 10](#)

01 / Answers and explanations / continued

F / Accuracy and scope

F1. Which sentence correctly labels an acquisition?

A. It is one option to assess after clarifying the mandate.

An acquisition is a possible course of action, not a goal or automatic authorization.

[Return to the exercise, page 13](#)

F2. Which summary best prepares the next discussion?

D. We need an objective, target, horizon, boundaries, and decision owner.

The listed inputs resolve the assignment's actual ambiguities without silently making the sponsor's decisions.

[Return to the exercise, page 13](#)

F / Guided speaking

1. option

Analyst: An overseas office is a possible option.

Turn 1. Opening an office is a course of action, not the business outcome it is intended to produce.

2. objective

Sponsor: We first need to define the objective.

Turn 2. The intended business outcome remains unstated, so it must be clarified before evaluating the option.

3. unagreed

Analyst: The spending limit remains unagreed.

Turn 3. The briefing supplies no agreed budget, so a spending amount must not be invented.

4. lease

Sponsor: This discussion does not authorize a lease.

Turn 4. The team expressly lacks authority to sign a lease for the proposed office.

[Return to the conversation, page 14](#)

01 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment".
Daniel: "Can you break that investigation into a few questions for the workshop? I want people to see what information could change the recommendation." **Rina:** [missing response] **Daniel:** "We will also need to distinguish facts from assumptions. Several figures in early presentations came from estimates that nobody formally checked." Which response belongs in the gap?

B. I can use an issue tree to separate customer demand, the offer, and execution questions. It should structure the work, not become a diagram that pretends we already know the answer.

A Not here. This line belongs to turn 16, after Daniel says: "We will also need to distinguish facts from assumptions. Several figures in early presentations came from estimates that nobody formally checked." It addresses that point, not the missing turn in the supplied exchange.

B Correct. This is Rina's response in turn 14. It connects Daniel's preceding point with Daniel's follow-up. An issue tree organizes the key analytical questions so evidence gathering remains connected to the decision.

C Not here. This line belongs to turn 20, after Daniel says: "Send me a one-page mandate before Monday. Leave the target open for my decision; the twenty-percent figure mentioned earlier was not an agreement." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 10, after Daniel says: "We have not agreed a spending limit. I also mentioned acquisition in a previous conversation, but I did not approve a transaction." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 14](#)

02 / Answers and explanations

A / Read the situation

A1. How much capacity do both full initiatives require?

D. 220 specialist-weeks

The two requirements are 120 and 100 specialist-weeks, totaling 220.

[Return to the exercise, page 15](#)

A2. What is the shortfall against available capacity?

D. 60 specialist-weeks

Required capacity of 220 minus available capacity of 160 leaves a 60-week gap.

[Return to the exercise, page 15](#)

A3. Which assumption is unsupported?

C. Extra staffing or reduced scope has already been approved.

The briefing explicitly says hiring, outsourcing, and scope reductions have not been approved.

[Return to the exercise, page 15](#)

D / Response choices

D1. Which statement reports the constraint precisely?

A. Full delivery needs 220 specialist-weeks, exceeding current capacity by 60.

Combined demand, not each separate request, must be compared with the available specialist-weeks.

[Return to the exercise, page 19](#)

D2. Which proposal is correctly described as an option?

B. Evaluate a phased approach without claiming it is already approved.

A phased approach is a possible plan to assess, while the other options conceal or invent capacity.

[Return to the exercise, page 19](#)

02 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: A choice that sacrifices one benefit to obtain another. Which term fits?

D. trade-off

A Not here. strategic fit: Compatibility among choices, capabilities, and the intended direction. The usual combination is "assess strategic fit".

B Not here. adjacency: A related market or activity beyond the current core. The usual combination is "evaluate an adjacency".

C Not here. deprioritization: A decision to give an activity less priority or delay it. The usual combination is "document deprioritization".

D Correct. trade-off: A choice that sacrifices one benefit to obtain another. The usual combination is "make the trade-off explicit".

[Return to the exercise, page 19](#)

D4. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "Could we ask for efficiency savings and leave both dates in place? I need something positive to take to the executive meeting." Sana: [missing response] Victor: "I understand the arithmetic. What I need is a choice that does not look like we are retreating from growth." Which response belongs in the gap?

D. We can investigate savings, but they do not yet enlarge the resource envelope. Keeping both full promises would conceal a sixty-specialist-week gap.

A Not here. This line belongs to turn 8, after Victor says: "I understand the arithmetic. What I need is a choice that does not look like we are retreating from growth." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 12, after Victor says: "The core work uses one hundred twenty weeks. Choosing it first leaves forty, but it also delays the other opportunity." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 4, after Victor says: "Each request was below one hundred sixty when I reviewed it. Why are we only raising this now?" It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Sana's response in turn 6. It connects Victor's preceding point with Victor's follow-up. The resource envelope is the bounded amount actually available; efficiency hopes do not establish additional usable resources.

[Return to the exercise, page 19](#)

E / Conversation

1. capacity constraint

Turn 2. The capacity constraint is the limited 160 specialist-weeks shared by both initiatives, not a judgment that either lacks value.

02 / Answers and explanations / continued

2. resource bottleneck

Turn 4. The resource bottleneck arises because both initiatives need the same limited specialist team; separate sponsorship does not create separate capacity.

3. resource envelope

Turn 6. The resource envelope is the bounded amount actually available; efficiency hopes do not establish additional usable resources.

4. where to play

Turn 8. Where to play identifies the arena selected for competition, such as the current core or the adjacent segment.

5. how to win

Turn 10. How to win concerns the proposed basis of success with the selected customers, which market size alone does not establish.

6. opportunity cost

Turn 12. Opportunity cost is the value of the next-best alternative forgone, including the delayed use of scarce specialist time.

7. minimum viable scope

Turn 14. Minimum viable scope must be sufficient for the specified purpose or learning question; merely shrinking work does not make a useful pilot.

8. sequencing

Turn 16. Sequencing orders initiatives over time and can address shared-resource conflicts without assuming immediate new staffing.

9. stop-doing list

Turn 18. A stop-doing list makes discontinued or suspended work explicit, preventing new priorities from simply accumulating on top of existing demand.

10. commitment

Turn 20. A commitment is the chosen, authorized plan with resources and limits; it differs from the unapproved alternatives discussed in the meeting.

[Return to the conversation, page 21](#)

02 / Answers and explanations / continued

F / Accuracy and scope

F1. Which question addresses how to win rather than where to play?

B. Why would the selected customers prefer our offer to their current alternatives?

Customer preference and the basis of advantage address how to win. Selecting segments, geography, and categories defines the arena, or where to play.

[Return to the exercise, page 24](#)

F2. Which conclusion follows from the resource data alone?

A. Both full initiatives cannot fit the stated capacity without a change.

Capacity establishes feasibility limits but does not alone rank the options' value or prove their profitability.

[Return to the exercise, page 24](#)

F / Guided speaking

1. 105

Lead: The combined requirement is 105 analyst-days.

Turn 1. Adding the two pilot requirements gives 55 plus 50, or 105 analyst-days.

2. 15

Analyst: That exceeds available capacity by 15 days.

Turn 2. The shortfall is 105 required minus 90 available, which equals 15 analyst-days.

3. choice

Lead: We need an explicit resource or sequencing choice.

Turn 3. The current full-scope combination cannot fit without changing resources, timing, or scope through a decision.

4. capacity

Analyst: Neither proposal creates extra capacity by itself.

Turn 4. A proposed initiative adds demand, not usable analyst time or approval for additional resources.

[Return to the conversation, page 25](#)

02 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "Could forty weeks fund a useful test of the adjacent offer? I am asking about feasibility, not approving a smaller project." Sana: [missing response] Victor: "Put that beside hiring. New people will need approval and onboarding; they will not appear fully productive next Monday." Which response belongs in the gap?

A. We can define a minimum viable scope around a specific learning question and estimate the work. We cannot assume forty weeks is enough without that design.

A Correct. This is Sana's response in turn 14. It connects Victor's preceding point with Victor's follow-up. Minimum viable scope must be sufficient for the specified purpose or learning question; merely shrinking work does not make a useful pilot.

B Not here. This line belongs to turn 2, after Victor says: "Keep both initiatives in next quarter's plan. The core service needs attention, but I do not want the adjacent launch slipping again." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 20, after Victor says: "Bring the customer evidence, expected value, and feasible scopes to the meeting. Leave the full-delivery promise out until we choose." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 10, after Victor says: "The adjacent proposal has a large market estimate. Its customer argument is thinner; we have not shown why buyers would switch." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 25](#)

03 / Answers and explanations

A / Read the situation

A1. Which figure describes the segment within the current service geography?

C. \$120 million

The case narrows total industry spending to the relevant segment and then to the current geography.

[Return to the exercise, page 28](#)

A2. What revenue does the 10% share assumption imply?

B. \$12 million annually

Ten percent of the stated \$120 million geographic segment estimate is \$12 million.

[Return to the exercise, page 28](#)

A3. What is not supplied?

D. Segment profit data and customer-switching evidence

The briefing explicitly leaves profitability and switching evidence unavailable, although the market-size and share inputs are supplied.

[Return to the exercise, page 28](#)

D / Response choices

D1. Which market statement is accurate?

C. Current reach covers an estimated \$120 million segment; capture is unvalidated.

The accurate statement retains the geographic filter and the uncertain capture assumption without adding nested totals.

[Return to the exercise, page 32](#)

D2. What does \$12 million represent in the model?

B. Annual revenue implied by the assumed share

The figure is calculated from assumed capture of annual spending, not an established result or profit measure.

[Return to the exercise, page 32](#)

03 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: The portion of serviceable demand realistically targeted for capture under stated assumptions. Which term fits?

D. serviceable obtainable market

A Not here. industry structure: The configuration of participants and forces shaping competition. The usual combination is "analyze industry structure".

B Not here. rivalry: Competition among existing participants. The usual combination is "evaluate competitive rivalry".

C Not here. channel access: The ability to reach customers through relevant distribution routes. The usual combination is "secure channel access".

D Correct. serviceable obtainable market: The portion of serviceable demand realistically targeted for capture under stated assumptions. The usual combination is "support the serviceable obtainable market".

[Return to the exercise, page 32](#)

D4. Rebuild the exchange from "A large industry is not the company's available market". Yara: "Within the segment, only one hundred twenty million is in our current service geography. We would need a separate expansion plan for the rest." Kai: [missing response] Yara: "The revenue model takes ten percent of that one hundred twenty million. That produces twelve million a year, but the percentage was selected as an initial assumption." Which response belongs in the gap?

D. That geographic filter narrows the serviceable available market under our current reach. We should show the filter explicitly, rather than let readers assume we can serve the entire segment immediately.

A Not here. This line belongs to turn 2, after Yara says: "The opening slide says we have a ten-billion-dollar immediate opportunity. It sounds compelling, but that number is total industry spending, not just our service." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 20, after Yara says: "I will separate the four numbers on the slide. Keep ten percent labeled as an assumption; nobody has validated that share yet." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 10, after Yara says: "Where is the margin evidence? We have a spending estimate, but I cannot see what we might earn after serving those customers." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Kai's response in turn 6. It connects Yara's preceding point with Yara's follow-up. The serviceable available market reflects demand the business can serve within its defined offering and reach.

[Return to the exercise, page 32](#)

03 / Answers and explanations / continued

E / Conversation

1. market boundary

Turn 2. The market boundary specifies included customers, products, and geography; total industry spending exceeds the current service scope.

2. total addressable market

Turn 4. Total addressable market must match the offering; a broader industry total may include irrelevant demand.

3. serviceable available market

Turn 6. The serviceable available market reflects demand the business can serve within its defined offering and reach.

4. capture assumption

Turn 8. The capture assumption is a model input requiring validation; its resulting revenue is not a forecast established by customer evidence.

5. profit pool

Turn 10. A profit pool measures profits in a defined set of activities; spending totals alone do not provide that amount.

6. buyer power

Turn 12. Buyer power concerns customers' influence over prices and terms; a spending estimate does not establish the entrant's negotiating position.

7. switching costs

Turn 14. Switching costs are burdens of changing providers that can prevent interest from becoming actual adoption.

8. substitute

Turn 16. A substitute meets the underlying need in another way, such as an internal approach, rather than copying the same commercial service.

9. barriers to entry

Turn 18. Barriers to entry concern conditions that make participation difficult; their existence and magnitude require investigation rather than assumption.

03 / Answers and explanations / continued

10. bottom-up estimate

Turn 20. A bottom-up estimate builds from accounts, usage, and pricing to test the aggregate calculation and its capture assumptions.

[Return to the conversation, page 34](#)

F / Accuracy and scope

F1. Which evidence would most directly strengthen the 10% capture assumption?

A. Account-level buying and switching evidence, channel access, and delivery capacity

Capture requires a path to winning and serving actual demand. More estimates of total spending or a more convenient denominator do not validate the assumed share.

[Return to the exercise, page 37](#)

F2. Which distinction is correct?

A. A profit pool concerns profits, while the supplied market figures concern spending.

Revenue spending and available profits are distinct; the case supplies no cost or profitability evidence to equate them.

[Return to the exercise, page 37](#)

F / Guided speaking

1. eighty

Analyst: The current-region estimate is eighty million dollars.

Turn 1. The supplied regional subset is \$80 million, not the whole category or segment.

2. subset

Director: It is a subset of the target segment.

Turn 2. The regional amount lies within the \$200 million segment rather than outside it.

3. spending

Analyst: Adding the nested figures would double-count spending.

Turn 3. The same underlying spending appears in the larger and smaller groups, so their sum is not a distinct total.

03 / Answers and explanations / continued

4. explicit

Director: Keep the boundary and geography explicit.

Turn 4. Stating the definitions prevents a broad category from being mistaken for the company's current reachable demand.

[Return to the conversation, page 38](#)

F / Rebuild the exchange

1. Rebuild the exchange from "A large industry is not the company's available market". Yara: "The account team also says customers may find it difficult to change providers. We should test that rather than assume interest means easy conversion." Kai: [missing response] Yara: "A customer might also solve the problem internally. That option would not appear on a list of companies selling the same service as ours." Which response belongs in the gap?

D. Yes, investigate switching costs. Migration effort, disruption, and contractual conditions may matter, but the current evidence has not quantified them for this segment.

A Not here. This line belongs to turn 16, after Yara says: "A customer might also solve the problem internally. That option would not appear on a list of companies selling the same service as ours." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 12, after Yara says: "Some segments have a few large customers that negotiate hard. Our market-size estimate does not tell us what terms those customers would accept." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 8, after Yara says: "The revenue model takes ten percent of that one hundred twenty million. That produces twelve million a year, but the percentage was selected as an initial assumption." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Kai's response in turn 14. It connects Yara's preceding point with Yara's follow-up. Switching costs are burdens of changing providers that can prevent interest from becoming actual adoption.

[Return to the exercise, page 38](#)

04 / Answers and explanations

A / Read the situation

A1. What is contribution per job before the excluded costs?

B. Negative \$15

Revenue of \$100 less variable delivery cost of \$115 gives negative \$15 per completed job.

[Return to the exercise, page 39](#)

A2. What is monthly contribution at 1,500 jobs?

D. Negative \$22,500

The 1,500 jobs each contribute negative \$15, totaling negative \$22,500 before excluded costs.

[Return to the exercise, page 39](#)

A3. What stayed unchanged as volume rose?

D. Price and variable delivery cost per job

The briefing fixes unit price and unit variable cost while volume changes from 1,000 to 1,500.

[Return to the exercise, page 39](#)

D / Response choices

D1. Which monthly bridge correctly describes the volume increase at unchanged unit economics?

D. Revenue increased \$50,000; contribution declined by \$7,500.

The extra 500 jobs add \$50,000 revenue and \$57,500 variable cost, reducing contribution by \$7,500. The new contribution is negative \$22,500, but excluded costs prevent calling it operating profit.

[Return to the exercise, page 43](#)

D2. What happened to revenue between the two volumes?

C. It rose from \$100,000 to \$150,000 monthly.

Multiplying the \$100 job price by 1,000 and 1,500 jobs gives the two revenue totals.

[Return to the exercise, page 43](#)

04 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: Converting an offering or usage into revenue. Which term fits?

B. monetization

A Not here. payback period: Time required to recover an investment or acquisition cost on a defined basis. The usual combination is "estimate the payback period".

B Correct. monetization: Converting an offering or usage into revenue. The usual combination is "evaluate the monetization approach".

C Not here. gross margin: Revenue less cost of goods or services sold, expressed as an amount or ratio. The usual combination is "define the gross-margin basis".

D Not here. learning curve: Changes in performance or cost associated with accumulated experience. The usual combination is "estimate the learning curve".

[Return to the exercise, page 43](#)

D4. Rebuild the exchange from "More orders, more negative contribution". Mei: "Revenue still increased from one hundred thousand to one hundred fifty thousand. We should explain both changes rather than make either one disappear." Hugo: [missing response] Mei: "Someone suggested that scale spreads fixed costs, so we should keep growing until the arithmetic fixes itself. Does that address the actual problem?" Which response belongs in the gap?

C. Yes. Higher demand and the cost to serve are separate parts of the story. More completed work can reveal customer interest while increasing the amount lost on the current delivery basis.

A Not here. This line belongs to turn 10, after Mei says: "So we cannot calculate a positive break-even volume by dividing a fixed-cost number by a contribution that remains negative." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 16, after Mei says: "We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable." It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Hugo's response in turn 6. It connects Mei's preceding point with Mei's follow-up. Cost to serve concerns delivery and support economics; the supplied variable cost currently exceeds the price of each job.

D Not here. This line belongs to turn 14, after Mei says: "A higher price is another possibility, although the current demand was observed at one hundred dollars. We cannot assume it would remain unchanged." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 43](#)

04 / Answers and explanations / continued

E / Conversation

1. unit economics

Turn 2. Unit economics compares revenue and costs for the defined job; higher volume alone does not establish a viable relationship.

2. contribution

Turn 4. Contribution is revenue less the stated variable costs, giving negative \$15 per job before excluded expenses.

3. cost to serve

Turn 6. Cost to serve concerns delivery and support economics; the supplied variable cost currently exceeds the price of each job.

4. variable cost

Turn 8. Variable cost rises with each job; spreading fixed costs cannot repair negative unit contribution.

5. break-even volume

Turn 10. Unchanged negative contribution cannot cover positive fixed costs, so no positive break-even volume exists on this basis.

6. learning curve

Turn 12. A learning curve is a hypothesis about improvement with experience; an untested estimate should not be treated as an achieved cost reduction.

7. willingness to pay

Turn 14. Willingness to pay must be tested at the new price; existing-price demand does not establish acceptance.

8. customer acquisition cost

Turn 16. Customer acquisition cost is excluded here; complete relationship profitability requires this and other relevant costs.

9. cohort economics

Turn 18. Cohort economics follows comparable customer groups over time and can reveal differences hidden by an aggregate average.

04 / Answers and explanations / continued

10. scalability

Turn 20. Scalability concerns how growth affects economics and performance; it is not established merely by a higher number of completed jobs.

[Return to the conversation, page 45](#)

F / Accuracy and scope

F1. Which evidence would support a better scale argument?

A. A verified mechanism reducing variable cost per job or improving realized price

Improving the actual unit revenue-cost relationship, not just the volume label, is needed to address the negative contribution.

[Return to the exercise, page 49](#)

F2. Which metric is not fully determined by the supplied figures?

C. Operating profit

Fixed and acquisition costs are excluded, so the supplied contribution calculation does not determine complete operating profit.

[Return to the exercise, page 49](#)

F / Guided speaking

1. thirty

Analyst: Contribution per job is thirty dollars.

Turn 1. The unit contribution is \$120 revenue minus \$90 variable cost, which equals \$30.

2. fifteen thousand

Lead: The included fixed cost is fifteen thousand dollars monthly.

Turn 2. The case explicitly supplies \$15,000 of monthly fixed costs for the simplified calculation.

3. five hundred

Analyst: Break-even volume is five hundred jobs.

Turn 3. Dividing the \$15,000 fixed cost by \$30 contribution per job gives 500 jobs.

4. assumptions

Lead: That answer depends on the stated assumptions.

Turn 4. Constant unit economics and the exclusion of other costs define the limited exercise, not a universal business forecast.

[Return to the conversation, page 50](#)

04 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "More orders, more negative contribution". Mei: "A higher price is another possibility, although the current demand was observed at one hundred dollars. We cannot assume it would remain unchanged." Hugo: [missing response] Mei: "We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable." Which response belongs in the gap?

C. We need evidence of willingness to pay at the revised offer. A pricing scenario should show its assumptions about volume and retention instead of lifting revenue with no behavioral consequence.

A Not here. This line belongs to turn 6, after Mei says: "Revenue still increased from one hundred thousand to one hundred fifty thousand. We should explain both changes rather than make either one disappear." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 16, after Mei says: "We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable." It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Hugo's response in turn 14. It connects Mei's preceding point with Mei's follow-up. Willingness to pay must be tested at the new price; existing-price demand does not establish acceptance.

D Not here. This line belongs to turn 10, after Mei says: "So we cannot calculate a positive break-even volume by dividing a fixed-cost number by a contribution that remains negative." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 50](#)

05 / Answers and explanations

A / Read the situation

A1. What funding gap exists if both full requests are accepted?

C. \$1 million

Two \$2 million requests total \$4 million against a \$3 million envelope, leaving a \$1 million gap.

[Return to the exercise, page 54](#)

A2. What do the \$700,000 and \$900,000 figures represent?

B. Projected annual gross savings with incomplete validation

The briefing labels them projected gross savings and leaves timing, costs, and validation incomplete.

[Return to the exercise, page 54](#)

A3. How should the completed \$400,000 study be treated in the forward choice?

B. As an unrecoverable past cost, not automatic justification to continue

The study cost cannot be recovered, so it does not itself establish the best use of resources from now onward.

[Return to the exercise, page 54](#)

D / Response choices

D1. Which conclusion follows from the budget arithmetic?

B. Both full scopes cannot be funded within the current envelope.

Combined requests exceed the available funding, while neither past spending nor an untested split creates extra capacity.

[Return to the exercise, page 58](#)

D2. Why does Beta's \$900,000 headline not settle the decision?

B. It is gross and unvalidated, with timing and ongoing costs incomplete.

The proposals need comparable forward economics and evidence rather than a ranking based on one incomplete gross figure.

[Return to the exercise, page 58](#)

05 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: Selection among investments when available funding is limited. Which term fits?

D. capital rationing

A Not here. avoidable cost: A cost that can be prevented by choosing a particular course of action. The usual combination is "identify avoidable costs".

B Not here. harvest strategy: A strategy emphasizing cash extraction with limited further investment. The usual combination is "assess a harvest strategy".

C Not here. internal rate of return: A discount rate at which the modeled net present value is zero. The usual combination is "qualify the internal rate of return".

D Correct. capital rationing: Selection among investments when available funding is limited. The usual combination is "account for capital rationing".

[Return to the exercise, page 58](#)

D4. Rebuild the exchange from "A budget choice with no stop-doing consequences". Ivo: "Alpha's sponsor says we have already spent four hundred thousand on the feasibility study, so not proceeding would waste what the team has done." Grace: [missing response] Ivo: "We should distinguish that from a future cost we could avoid by choosing another option. Otherwise every past and future amount gets mixed together." Which response belongs in the gap?

D. That amount is a sunk cost. We should use the study's information, but the unrecoverable spending does not establish that Alpha is the best use of the next dollar.

A Not here. This line belongs to turn 8, after Ivo says: "We should distinguish that from a future cost we could avoid by choosing another option. Otherwise every past and future amount gets mixed together." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 2, after Ivo says: "Both divisions want two million dollars, but we have three million to allocate. The presentation recommends funding both without explaining the missing million." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 16, after Ivo says: "Some benefits may depend on the same system change. If both divisions include those savings in full, the combined case could double-count them." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Grace's response in turn 6. It connects Ivo's preceding point with Ivo's follow-up. The sunk cost cannot be recovered and does not automatically justify new spending.

[Return to the exercise, page 58](#)

E / Conversation

1. investment envelope

Turn 2. The investment envelope is the \$3 million total available; separate requests must be evaluated together against that limit.

05 / Answers and explanations / continued

2. gross benefits

Turn 4. Gross benefits are stated before relevant offsetting costs; the incomplete timing and validation prevent treating them as net value.

3. sunk cost

Turn 6. The sunk cost cannot be recovered and does not automatically justify new spending.

4. incremental cash flows

Turn 8. Incremental cash flows are the future cash consequences changed by the decision, unlike the unrecoverable completed-study expenditure.

5. resource reallocation

Turn 10. Resource reallocation moves limited resources between uses and should identify the work displaced by the funded proposal.

6. investment case

Turn 12. The investment case must match its funding; reduced allocations require revised scope and benefit estimates.

7. benefit owner

Turn 14. A benefit owner is accountable for achieving and verifying the claimed result, not just submitting an attractive forecast.

8. dependency map

Turn 16. A dependency map exposes shared prerequisites and overlapping benefits, helping prevent the same saving from being counted twice.

9. stage-gated funding

Turn 18. Stage-gated funding requires evidence reviews and real authority to change the next commitment.

10. capital allocation

Turn 20. Capital allocation distributes limited funds among competing uses based on the full comparison.

[Return to the conversation, page 60](#)

05 / Answers and explanations / continued

F / Accuracy and scope

F1. How should Alpha's study be used?

B. Use its evidence, but do not treat its unrecoverable cost as automatic justification.

A sunk expenditure should not drive the forward choice, while the information it produced may remain relevant.

[Return to the exercise, page 63](#)

F2. What would make a \$1.5 million allocation to each proposal assessable?

B. Revised scopes, delivery schedules, costs, and benefits for the reduced funding

Both proposals currently depend on \$2 million. A smaller allocation needs a feasible revised case; proportional arithmetic alone does not establish which activities and benefits remain possible.

[Return to the exercise, page 63](#)

F / Guided speaking

1. sunk

Analyst: The completed study fee is a sunk cost.

Turn 1. The \$30,000 has already been spent and cannot be recovered through the present decision.

2. commitment

Sponsor: Funding the pilot would create a new commitment.

Turn 2. The additional \$70,000 is a forward decision, not something already authorized by the study purchase.

3. evidence

Analyst: We should use the study's evidence.

Turn 3. Useful information remains relevant even when the spending that produced it is unrecoverable.

4. approval

Sponsor: Past spending does not supply pilot approval.

Turn 4. The briefing explicitly says no pilot approval exists, and completing a study does not create it.

[Return to the conversation, page 64](#)

05 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "A budget choice with no stop-doing consequences".
Ivo: "We also need someone responsible for turning the savings into actual results. A forecast can remain on the slide long after the activity changes." **Grace:** [missing response] **Ivo:** "Some benefits may depend on the same system change. If both divisions include those savings in full, the combined case could double-count them." **Which response belongs in the gap?**

C. Name a benefit owner for each material saving, with the baseline and verification method. That makes the post-decision review about realized outcomes rather than repeated promises.

A Not here. This line belongs to turn 18, after Ivo says: "If the initial evidence is promising but incomplete, we could fund a defined stage and review the result before releasing the rest." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 4, after Ivo says: "Beta projects nine hundred thousand in annual savings and Alpha seven hundred thousand. Would ranking those two figures be an adequate first answer?" It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Grace's response in turn 14. It connects Ivo's preceding point with Ivo's follow-up. A benefit owner is accountable for achieving and verifying the claimed result, not just submitting an attractive forecast.

D Not here. This line belongs to turn 10, after Ivo says: "Neither division says what would stop if it receives the money. Their proposals read as though the rest of the portfolio can continue unchanged." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 64](#)

06 / Answers and explanations

A / Read the situation

A1. What does the \$4 million figure describe?

A. Potential annual procurement savings after full implementation

The estimate describes potential annual savings at full implementation, with terms and delivery assumptions still unverified.

[Return to the exercise, page 65](#)

A2. What has the committee authorized?

A. Analysis of the proposal

The briefing explicitly limits authorization to analysis and says no bid has been approved.

[Return to the exercise, page 65](#)

A3. Which information is missing?

B. An integration plan and cost-to-achieve estimate

The case names procurement savings and available alternatives but supplies neither implementation planning nor delivery costs.

[Return to the exercise, page 65](#)

D / Response choices

D1. Which statement preserves the evidence boundary?

C. Supplier terms still need validation before the savings can be treated as dependable.

The proposed terms have not been confirmed, and the committee authorized analysis only.

[Return to the exercise, page 69](#)

D2. Which bridge is still needed before reporting a net first-year acquisition benefit?

A. Timing of realized savings, implementation payments, and relevant offsetting effects

A fully operating annual rate does not establish when cash savings begin. Costs to achieve and offsets must also be identified before deriving a net first-year result.

[Return to the exercise, page 69](#)

06 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: Expansion generated within the business rather than by acquisition. Which term fits?

A. organic growth

A Correct. organic growth: Expansion generated within the business rather than by acquisition. The usual combination is "pursue organic growth".

B Not here. synergy: An additional benefit expected from combining activities or businesses. The usual combination is "validate the synergy estimate".

C Not here. commercial diligence: Investigation of market and customer assumptions behind a proposal. The usual combination is "commission commercial diligence".

D Not here. double-counting: Including the same underlying benefit or cost more than once. The usual combination is "eliminate double-counting".

[Return to the exercise, page 69](#)

D4. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?" **Marcus:** [missing response] **Elena:** "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." **Which response belongs in the gap?**

B. That would label a gross figure as net. We have no cost to achieve estimate, so we cannot yet build that bridge honestly.

A Not here. This line belongs to turn 2, after Elena says: "The committee will ask whether the acquisition creates four million dollars of savings. That is our largest quantified benefit. Can we defend it?" It addresses that point, not the missing turn in the supplied exchange.

B Correct. This is Marcus's response in turn 6. It connects Elena's preceding point with Elena's follow-up. Cost to achieve identifies spending required to deliver savings and is missing from the proposed net-benefit calculation.

C Not here. This line belongs to turn 10, after Elena says: "Could a partnership give us part of the purchasing benefit without buying the company? We have not developed that alternative." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 8, after Elena says: "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 69](#)

E / Conversation

1. run-rate savings

Turn 2. Run-rate savings describe the recurring level after full implementation, not a confirmed amount realized in the first year.

06 / Answers and explanations / continued

2. supplier renegotiation

Turn 4. Supplier renegotiation could improve terms, but no supplier has confirmed the assumed discounts.

3. cost to achieve

Turn 6. Cost to achieve identifies spending required to deliver savings and is missing from the proposed net-benefit calculation.

4. standalone case

Turn 8. The standalone case shows performance without the acquisition, allowing the team to identify which improvements are genuinely incremental.

5. build-buy-partner

Turn 10. Build-buy-partner compares internal development, acquisition, and collaboration as alternative routes to the objective.

6. revenue dissynergies

Turn 12. Revenue dissynergies are losses associated with the combination or disruption and may offset some expected acquisition benefits.

7. integration roadmap

Turn 14. An integration roadmap connects proposed benefits with sequenced activities, dependencies, owners, and timing needed for delivery.

8. integration owner

Turn 16. An integration owner is accountable for delivering a defined activity; preparing the analysis alone does not create delivery responsibility.

9. bid authority

Turn 18. Bid authority is explicit permission to submit an offer; authorization to analyze does not provide that permission.

10. deal thesis

Turn 20. The deal thesis explains value creation; it remains provisional until material assumptions are tested.

[Return to the conversation, page 71](#)

06 / Answers and explanations / continued

F / Accuracy and scope

F1. Which comparison helps identify incremental value?

D. Compare the combination with a defined standalone case and other feasible routes.

A defined comparison separates acquisition-specific benefits from improvements available without the transaction.

[Return to the exercise, page 73](#)

F2. What should happen before a bid is submitted?

A. Obtain the required bid authority through the applicable decision process.

The explicit authorization covers analysis, not submission of an offer or any transaction commitment.

[Return to the exercise, page 73](#)

F / Guided speaking

1. \$120,000

Analyst: The annual run-rate saving is \$120,000.

Turn 1. The fully operating annual rate is given directly and does not change because implementation begins midyear.

2. \$60,000

Reviewer: Six months produces gross savings of \$60,000.

Turn 2. Half of the stated annual rate is realized during the six-month period under the exercise assumptions.

3. cost to achieve

Analyst: The implementation payment is a cost to achieve.

Turn 3. The payment is required to implement the saving, so it must be included in the specified net calculation.

4. \$20,000

Reviewer: The first-year net cash benefit on this basis is \$20,000.

Turn 4. Subtract the \$40,000 implementation payment from \$60,000 gross savings, using only the stated assumptions.

[Return to the conversation, page 74](#)

06 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "What would you need to turn this headline into something an integration team could actually deliver?" Marcus: [missing response] Elena: "Who signs off on the procurement assumption? The analyst can maintain the model, but cannot negotiate or implement the new terms." Which response belongs in the gap?

C. An integration roadmap linking each benefit to actions, contract changes, dependencies, dates, and costs. A total without that bridge is still a hypothesis.

A Not here. This line belongs to turn 8, after Elena says: "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 6, after Elena says: "The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?" It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Marcus's response in turn 14. It connects Elena's preceding point with Elena's follow-up. An integration roadmap connects proposed benefits with sequenced activities, dependencies, owners, and timing needed for delivery.

D Not here. This line belongs to turn 2, after Elena says: "The committee will ask whether the acquisition creates four million dollars of savings. That is our largest quantified benefit. Can we defend it?" It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 74](#)

07 / Answers and explanations

A / Read the situation

A1. What is the status of the two cases?

A. Illustrative scenarios without assigned probabilities

The brief explicitly calls the cases illustrative and supplies neither probabilities nor forecast approval.

[Return to the exercise, page 77](#)

A2. Which comparison is supported by the brief?

B. The test is reversible and requires a smaller initial commitment.

The supplied facts establish reversibility and spending amounts, not success, approval, or prediction.

[Return to the exercise, page 77](#)

A3. What should the team clarify before acting on a review trigger?

A. The measure, threshold, response, and decision authority

A useful trigger connects observable evidence with an explicit response and authorized decision process.

[Return to the exercise, page 77](#)

D / Response choices

D1. What revenue follows from the downside assumptions?

C. \$1.44 million

Multiply 8,000 units by \$180; the result is conditional revenue, not profit or a prediction.

[Return to the exercise, page 81](#)

D2. Which statement avoids inventing probability?

D. No probability has been assigned to either scenario.

The number and order of scenarios do not establish likelihood, and the brief explicitly supplies none.

[Return to the exercise, page 81](#)

07 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: An estimate of expected future results using a stated method. Which term fits?

B. forecast

A Not here. sensitivity analysis: Examination of how changing inputs affects a result. The usual combination is "run sensitivity analysis".

B Correct. forecast: An estimate of expected future results using a stated method. The usual combination is "update the approved forecast".

C Not here. threshold: The level at which a stated condition is met. The usual combination is "agree the threshold".

D Not here. risk appetite: The types and amount of risk an organization is willing to pursue or retain. The usual combination is "clarify risk appetite".

[Return to the exercise, page 81](#)

D4. Rebuild the exchange from "A plausible downside is not a prediction". Leo: "The other case has eight thousand units at one hundred eighty dollars. It changes both demand and price, which makes the revenue reduction more pronounced." Noor: [missing response] Leo: "Could we assign each case a fifty-percent chance? There are only two cases on the slide, and the committee may ask for an average." Which response belongs in the gap?

D. Yes. The downside case produces one point four four million dollars. We should explain both changes rather than describing the entire difference as a volume effect.

A Not here. This line belongs to turn 18, after Leo says: "The sponsor must define acceptable exposure before that review. Otherwise the team could keep spending while describing every step as learning." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 14, after Leo says: "We should monitor customer inquiries and confirmed demand during the test. Those measures could help us see whether the market assumptions are holding." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 2, after Leo says: "The workshop has a base case and a downside case. The sponsor wants us to say which one will happen so the expansion decision feels clearer." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Noor's response in turn 6. It connects Leo's preceding point with Leo's follow-up. The downside case combines lower volume and price, conditionally producing \$1.44 million revenue.

[Return to the exercise, page 81](#)

E / Conversation

1. scenario

Turn 2. A scenario describes a possible future under assumptions; it does not by itself predict which future will occur.

07 / Answers and explanations / continued

2. base case

Turn 4. The base case is the reference assumption set, not automatically the most likely outcome or an approved forecast.

3. downside case

Turn 6. The downside case combines lower volume and price, conditionally producing \$1.44 million revenue.

4. probabilities

Turn 8. Probabilities require a justified likelihood assessment; presenting two cases does not establish equal chances or an expected-value calculation.

5. sensitivity analysis

Turn 10. Sensitivity analysis changes inputs to show how results respond, helping distinguish the effects of price and volume.

6. option value

Turn 12. Option value preserves a later choice while gathering evidence; it does not guarantee success.

7. signposts

Turn 14. Signposts are observable developments relevant to the assumptions; monitoring them does not automatically establish a decision threshold or response.

8. trigger

Turn 16. A trigger links a defined condition to a specified response, here a review.

9. risk limits

Turn 18. Risk limits constrain exposure during the evidence-gathering stage and prevent learning language from disguising an open-ended spending commitment.

10. decision gate

Turn 20. A decision gate requires a defined review before further commitment; pilot approval must not silently become authorization for full expansion.

[Return to the conversation, page 83](#)

07 / Answers and explanations / continued

F / Accuracy and scope

F1. Which proposed rule defines a review trigger without granting cancellation authority?

B. Review expansion after the agreed demand measure stays below its threshold for the specified period.

The correct rule combines a measure, threshold, duration, and review response. Weekly monitoring alone is a signpost process; automatic cancellation or extra spending changes the granted authority.

[Return to the exercise, page 86](#)

F2. What does the \$50,000 test preserve?

C. A later choice about the larger commitment, subject to evidence and approval

The reversible test preserves flexibility but does not establish success or authorize subsequent spending.

[Return to the exercise, page 86](#)

F / Guided speaking

1. threshold

Analyst: All three totals are below the threshold.

Turn 1. Each supplied weekly total is less than 80, the level specified in the review rule.

2. trigger

Lead: The agreed review trigger has been met.

Turn 2. Three consecutive weeks below the threshold satisfy the complete condition, not just one part of it.

3. review

Analyst: We should now arrange the review.

Turn 3. The stated response is a review; the exercise supplies no different automatic action.

4. authority

Lead: Cancellation would still require authority.

Turn 4. Meeting the review condition does not confer the cancellation authority expressly excluded by the briefing.

[Return to the conversation, page 87](#)

07 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "A plausible downside is not a prediction". Leo: "We should monitor customer inquiries and confirmed demand during the test. Those measures could help us see whether the market assumptions are holding." Noor: [missing response] Leo: "What should trigger another decision? We cannot call a committee meeting every time a weekly number moves, but we also cannot ignore a sustained change." Which response belongs in the gap?

D. Define those signposts carefully. An inquiry and a confirmed order are not interchangeable, and a measure is useful only if its relationship to the decision is clear.

A Not here. This line belongs to turn 6, after Leo says: "The other case has eight thousand units at one hundred eighty dollars. It changes both demand and price, which makes the revenue reduction more pronounced." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 2, after Leo says: "The workshop has a base case and a downside case. The sponsor wants us to say which one will happen so the expansion decision feels clearer." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 18, after Leo says: "The sponsor must define acceptable exposure before that review. Otherwise the team could keep spending while describing every step as learning." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Noor's response in turn 14. It connects Leo's preceding point with Leo's follow-up. Signposts are observable developments relevant to the assumptions; monitoring them does not automatically establish a decision threshold or response.

[Return to the exercise, page 87](#)

08 / Answers and explanations

A / Read the situation

A1. What decision is requested?

B. Approval of a two-site, twelve-week pilot capped at \$150,000

The brief defines a bounded pilot request and expressly excludes full-rollout authorization.

[Return to the exercise, page 88](#)

A2. Which measure is a quality guardrail?

A. Keeping the error rate at or below 2%

The error limit protects quality while the team attempts to improve processing speed.

[Return to the exercise, page 88](#)

A3. Who would own delivery?

C. The operations director

The briefing assigns operational delivery to the operations director and financial verification to finance.

[Return to the exercise, page 88](#)

D / Response choices

D1. Which board resolution matches the request without adding authority?

A. Approve a two-site, twelve-week pilot with spending capped at \$150,000.

The proposed pilot has all three limits: two sites, twelve weeks, and a \$150,000 ceiling. Rollout is separate, noting a proposal is not the same as approving it, and duration cannot be left open.

[Return to the exercise, page 93](#)

D2. A pilot reaches four days but has a 2.5% error rate. What is accurate?

B. It meets the speed target but breaches the stated quality guardrail.

Four days meets the speed target, but 2.5% exceeds the maximum permitted error rate of 2%.

[Return to the exercise, page 93](#)

08 / Answers and explanations / continued

D3. A colleague needs the term for this meaning: The explicit action a decision-making body is asked to authorize. Which term fits?

B. decision request

A Not here. stage review: A formal assessment before deciding on a subsequent phase. The usual combination is "conduct the stage review".

B Correct. decision request: The explicit action a decision-making body is asked to authorize. The usual combination is "state the decision request".

C Not here. measurement window: The period included in a performance calculation. The usual combination is "agree the measurement window".

D Not here. decision authority: Permission to approve a defined action or commitment. The usual combination is "identify decision authority".

[Return to the exercise, page 93](#)

D4. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "The current processing baseline is six days. We need to show what would count as meaningful improvement and how the number will be calculated." Tom: [missing response] Amara: "Speed alone could create the wrong incentive. A faster process would not be a success if the team introduced more errors while rushing work through." Which response belongs in the gap?

A. The outcome metric is median processing time, with a four-day target. We will preserve the calculation and case definitions so the comparison does not improve simply because its basis changes.

A Correct. This is Tom's response in turn 6. It connects Amara's preceding point with Amara's follow-up. The outcome metric tracks the intended improvement: median processing time moving from six days to the four-day target.

B Not here. This line belongs to turn 8, after Amara says: "Speed alone could create the wrong incentive. A faster process would not be a success if the team introduced more errors while rushing work through." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 2, after Amara says: "The board pack has twelve metrics but no clear decision. Are we reporting progress, requesting advice, or asking for permission to start?" It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 12, after Amara says: "We should also clarify the financial boundary. Some people hear a budget number as a target they are expected to use up before the period ends." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 93](#)

E / Conversation

1. decision request

Turn 2. The decision request explicitly states what the board is being asked to authorize.

08 / Answers and explanations / continued

2. pilot scope

Turn 4. Pilot scope defines the limited sites, duration, and activities being tested; it must not imply permission for wider implementation.

3. outcome metric

Turn 6. The outcome metric tracks the intended improvement: median processing time moving from six days to the four-day target.

4. guardrail metric

Turn 8. The guardrail metric protects quality while speed improves; the case sets a maximum error rate of 2%.

5. delivery owner

Turn 10. The delivery owner is accountable for implementing the pilot; naming several supporting functions does not replace a clear accountable person.

6. spending cap

Turn 12. The spending cap limits expenditure; unused funds do not require spending or authorize expansion.

7. reporting cadence

Turn 14. Reporting cadence sets the frequency of updates so the relevant decision-makers receive evidence in time to oversee the pilot.

8. board narrative

Turn 16. The board narrative connects the requested decision with relevant evidence, limits, and accountability.

9. stage review

Turn 18. The stage review assesses evidence before a later commitment; completing the pilot does not itself authorize company-wide rollout.

10. decision record

Turn 20. The decision record documents approval and its limits, preventing an open-ended interpretation.

[Return to the conversation, page 95](#)

08 / Answers and explanations / continued

F / Accuracy and scope

F1. What follows from spending only \$135,000 within the approved scope?

D. The team is below the cap; it need not spend the remaining \$15,000.

A cap is a maximum rather than a required spending target or permission to expand scope.

[Return to the exercise, page 99](#)

F2. What must precede a wider rollout?

A. Review the pilot evidence and obtain the separate required decision.

The brief requires a final evidence review before the board considers further investment.

[Return to the exercise, page 99](#)

F / Guided speaking

1. met

Lead: The processing-time target was met.

Turn 1. The reported median equals the four-day target supplied in the briefing.

2. breached

Reviewer: The quality guardrail was breached.

Turn 2. The 2.5% error rate exceeds the stated maximum of 2%, despite the speed improvement.

3. cap

Lead: Spending remained below the cap.

Turn 3. The \$135,000 total is less than the authorized \$150,000 ceiling.

4. decision

Reviewer: Rollout still requires a separate decision.

Turn 4. Meeting some pilot measures does not authorize rollout, especially with an unresolved guardrail breach.

[Return to the conversation, page 100](#)

08 / Answers and explanations / continued

F / Rebuild the exchange

1. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "The board will need timely information if the pilot is moving outside its limits. Waiting until week twelve could make the review too late to help." Tom: [missing response] Amara: "Which of these twelve measures would change the board's decision? Move the activity detail behind the main recommendation rather than make directors search for the result." Which response belongs in the gap?

D. We should agree a reporting cadence and an exception route before launch. Routine updates can be brief, but threatened breaches need attention from the person authorized to respond.

A Not here. This line belongs to turn 2, after Amara says: "The board pack has twelve metrics but no clear decision. Are we reporting progress, requesting advice, or asking for permission to start?" It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 4, after Amara says: "Put that on the first substantive slide. The directors should know the requested action before they interpret a dashboard or listen to the operating detail." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 18, after Amara says: "At the end, we need to assess the evidence and its limitations. Two sites may teach us something important without proving the model will work everywhere." It addresses that point, not the missing turn in the supplied exchange.

D Correct. This is Tom's response in turn 14. It connects Amara's preceding point with Amara's follow-up. Reporting cadence sets the frequency of updates so the relevant decision-makers receive evidence in time to oversee the pilot.

[Return to the exercise, page 100](#)

Review 1 / Explanations

Cumulative review

1. A colleague needs the term for this meaning: The choice the analysis is intended to support. Which term fits?

C. decision question

A Not here. issue tree: A structured breakdown of a problem into questions. The usual combination is "build an issue tree".

B Not here. time horizon: The period over which a decision or outcome is evaluated. The usual combination is "agree the time horizon".

C Correct. decision question: The choice the analysis is intended to support. The usual combination is "frame the decision question".

D Not here. alignment: Shared understanding of the relevant goal or decision. The usual combination is "confirm alignment on the objective".

[Return to the exercise, page 26](#)

2. A colleague needs the term for this meaning: The established activities central to the company's current operation. Which term fits?

D. core business

A Not here. strategic ambition: The overall level or direction of desired achievement. The usual combination is "articulate the strategic ambition".

B Not here. competitive positioning: The chosen place and proposition relative to alternatives. The usual combination is "clarify competitive positioning".

C Not here. phased rollout: Introduction through defined stages rather than all at once. The usual combination is "propose a phased rollout".

D Correct. core business: The established activities central to the company's current operation. The usual combination is "strengthen the core business".

[Return to the exercise, page 26](#)

Review 1 / Explanations / continued

3. Rebuild the exchange from "Growth is an ambition, not yet a clear assignment".

Daniel: "We have not agreed a spending limit. I also mentioned acquisition in a previous conversation, but I did not approve a transaction." **Rina:** [missing response]

Daniel: "Some people say weak sales execution is the reason growth has slowed. Others say the offer no longer fits what customers need." Which response belongs in the gap?

B. I will treat acquisition as a strategic option, not the assignment itself. Otherwise we risk evaluating only how to acquire something instead of whether that route addresses the actual problem.

A Not here. This line belongs to turn 14, after Daniel says: "Can you break that investigation into a few questions for the workshop? I want people to see what information could change the recommendation." It addresses that point, not the missing turn in the supplied exchange.

B Correct. This is Rina's response in turn 10. It connects Daniel's preceding point with Daniel's follow-up. A strategic option is a possible route for assessment; mentioning it does not authorize a transaction or define the outcome.

C Not here. This line belongs to turn 16, after Daniel says: "We will also need to distinguish facts from assumptions. Several figures in early presentations came from estimates that nobody formally checked." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 18, after Daniel says: "I should confirm the outcome and limits, then the team can compare routes. Who else needs a decision role should be explicit as well." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 26](#)

Review 1 / Explanations / continued

4. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "I also want a page showing what stops. Otherwise another priority will arrive and we will have this argument again." Sana: [missing response] Victor: "Bring the customer evidence, expected value, and feasible scopes to the meeting. Leave the full-delivery promise out until we choose." Which response belongs in the gap?

A. I will include a stop-doing list with the consequences of each choice. Removing work needs a decision too; it cannot remain an unnamed assumption.

A Correct. This is Sana's response in turn 18. It connects Victor's preceding point with Victor's follow-up. A stop-doing list makes discontinued or suspended work explicit, preventing new priorities from simply accumulating on top of existing demand.

B Not here. This line belongs to turn 4, after Victor says: "Each request was below one hundred sixty when I reviewed it. Why are we only raising this now?" It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 2, after Victor says: "Keep both initiatives in next quarter's plan. The core service needs attention, but I do not want the adjacent launch slipping again." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 8, after Victor says: "I understand the arithmetic. What I need is a choice that does not look like we are retreating from growth." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 26](#)

Review 2 / Explanations

Cumulative review

1. A colleague needs the term for this meaning: The portion of defined demand the business can serve with its offering and reach. Which term fits?

B. serviceable available market

A Not here. price elasticity: Responsiveness of demand to price changes on a stated basis. The usual combination is "estimate price elasticity".

B Correct. serviceable available market: The portion of defined demand the business can serve with its offering and reach. The usual combination is "estimate the serviceable available market".

C Not here. supplier power: Input providers' ability to influence prices or terms. The usual combination is "assess supplier power".

D Not here. market share: A company's sales or volume relative to a defined market total. The usual combination is "state the market-share denominator".

[Return to the exercise, page 52](#)

2. A colleague needs the term for this meaning: Contribution divided by revenue on a stated basis. Which term fits?

B. contribution margin ratio

A Not here. business model: The logic by which a business creates, delivers, and captures value. The usual combination is "test the business model".

B Correct. contribution margin ratio: Contribution divided by revenue on a stated basis. The usual combination is "calculate the contribution margin ratio".

C Not here. customer acquisition cost: The cost of acquiring a customer under a defined cost and customer basis. The usual combination is "verify customer acquisition cost".

D Not here. scalability: Ability to grow activity without proportionate deterioration in performance or economics. The usual combination is "test scalability".

[Return to the exercise, page 52](#)

Review 2 / Explanations / continued

3. Rebuild the exchange from "Two priorities competing for the same specialist team". Victor: "The adjacent proposal has a large market estimate. Its customer argument is thinner; we have not shown why buyers would switch." Sana: [missing response] Victor: "The core work uses one hundred twenty weeks. Choosing it first leaves forty, but it also delays the other opportunity." Which response belongs in the gap?

C. That is the how to win question. We need a reason customers prefer our service, supported by capabilities and evidence, before size becomes an entry recommendation.

A Not here. This line belongs to turn 2, after Victor says: "Keep both initiatives in next quarter's plan. The core service needs attention, but I do not want the adjacent launch slipping again." It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 14, after Victor says: "Could forty weeks fund a useful test of the adjacent offer? I am asking about feasibility, not approving a smaller project." It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Sana's response in turn 10. It connects Victor's preceding point with Victor's follow-up. How to win concerns the proposed basis of success with the selected customers, which market size alone does not establish.

D Not here. This line belongs to turn 20, after Victor says: "Bring the customer evidence, expected value, and feasible scopes to the meeting. Leave the full-delivery promise out until we choose." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 52](#)

Review 2 / Explanations / continued

4. Rebuild the exchange from "More orders, more negative contribution". Mei: "Some customers may use the service repeatedly, while others use it once. An overall average could hide very different patterns." Hugo: [missing response] Mei: "I will remove the sound-business-model claim. Show the higher demand beside the larger contribution loss, then identify which pricing and delivery assumptions need testing." Which response belongs in the gap?

A. That is where cohort economics can help. We need consistent definitions and enough follow-up to compare groups, rather than calling all customers equally valuable from one month's total.

A Correct. This is Hugo's response in turn 18. It connects Mei's preceding point with Mei's follow-up. Cohort economics follows comparable customer groups over time and can reveal differences hidden by an aggregate average.

B Not here. This line belongs to turn 8, after Mei says: "Someone suggested that scale spreads fixed costs, so we should keep growing until the arithmetic fixes itself. Does that address the actual problem?" It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 2, after Mei says: "Completed jobs rose from one thousand to fifteen hundred this month. The slide says that revenue growth proves the new service has a sound business model." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 4, after Mei says: "Then the service gives up fifteen dollars on each job before we include fixed costs. I do not want to hide that behind the revenue line." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 52](#)

Review 3 / Explanations

Cumulative review

1. A colleague needs the term for this meaning: The total authorized resources available for a set of investments. Which term fits?

B. investment envelope

A Not here. sunk cost: An incurred cost that cannot be recovered or changed by the current decision. The usual combination is "separate sunk costs".

B Correct. investment envelope: The total authorized resources available for a set of investments. The usual combination is "respect the investment envelope".

C Not here. net present value: Discounted future net cash flows less the relevant initial investment. The usual combination is "compare net present values".

D Not here. divestment: Disposal of a business, investment, or asset. The usual combination is "evaluate a divestment".

[Return to the exercise, page 75](#)

2. A colleague needs the term for this meaning: The central value-creation argument for a transaction. Which term fits?

D. deal thesis

A Not here. integration roadmap: A sequenced plan for combining selected activities. The usual combination is "develop the integration roadmap".

B Not here. acquisition rationale: The explanation of why buying a business may create value. The usual combination is "test the acquisition rationale".

C Not here. standalone case: Expected performance without the proposed combination. The usual combination is "establish the standalone case".

D Correct. deal thesis: The central value-creation argument for a transaction. The usual combination is "challenge the deal thesis".

[Return to the exercise, page 75](#)

Review 3 / Explanations / continued

3. Rebuild the exchange from "More orders, more negative contribution". Mei: "So we cannot calculate a positive break-even volume by dividing a fixed-cost number by a contribution that remains negative." Hugo: [missing response] Mei: "Operations thinks repetition will cut delivery time. What would they need to show before we could put a lower cost per job into the case?" Which response belongs in the gap?

A. Exactly. A useful break-even volume requires an economically meaningful model. We need a change in price, variable delivery cost, or the service itself before volume can cover the additional included costs.

A Correct. This is Hugo's response in turn 10. It connects Mei's preceding point with Mei's follow-up. Unchanged negative contribution cannot cover positive fixed costs, so no positive break-even volume exists on this basis.

B Not here. This line belongs to turn 16, after Mei says: "We also left customer acquisition costs out of these figures. Even an improved delivery contribution would not automatically mean the whole customer relationship is profitable." It addresses that point, not the missing turn in the supplied exchange.

C Not here. This line belongs to turn 6, after Mei says: "Revenue still increased from one hundred thousand to one hundred fifty thousand. We should explain both changes rather than make either one disappear." It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 14, after Mei says: "A higher price is another possibility, although the current demand was observed at one hundred dollars. We cannot assume it would remain unchanged." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 75](#)

Review 3 / Explanations / continued

4. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "One colleague thinks a stronger savings slide means we can submit an offer. The committee only authorized analysis." **Marcus:** [missing response] **Elena:** "Keep the four million labeled potential, show the missing evidence, and bring the alternative routes back. We are not deciding a purchase price today." Which response belongs in the gap?

C. Then the pack must say no bid authority has been granted. Better evidence supports a later request; it does not extend our authority.

A Not here. This line belongs to turn 6, after Elena says: "The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?" It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 8, after Elena says: "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Marcus's response in turn 18. It connects Elena's preceding point with Elena's follow-up. Bid authority is explicit permission to submit an offer; authorization to analyze does not provide that permission.

D Not here. This line belongs to turn 2, after Elena says: "The committee will ask whether the acquisition creates four million dollars of savings. That is our largest quantified benefit. Can we defend it?" It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 75](#)

Review 4 / Explanations

Cumulative review

1. A colleague needs the term for this meaning: A set of assumptions producing a less favorable outcome. Which term fits?

B. downside case

A Not here. uncertainty: Lack of sufficient knowledge about outcomes or relevant conditions. The usual combination is "acknowledge material uncertainty".

B Correct. downside case: A set of assumptions producing a less favorable outcome. The usual combination is "stress the downside case".

C Not here. trigger: A defined condition prompting a specified review or response. The usual combination is "set a review trigger".

D Not here. staged commitment: An allocation made in steps subject to specified reviews. The usual combination is "design a staged commitment".

[Return to the exercise, page 101](#)

2. A colleague needs the term for this meaning: Answerability for a defined result or responsibility. Which term fits?

C. accountability

A Not here. metric definition: The specified calculation, data scope, and interpretation of a measure. The usual combination is "document the metric definition".

B Not here. exception report: A focused update on deviations requiring attention. The usual combination is "issue an exception report".

C Correct. accountability: Answerability for a defined result or responsibility. The usual combination is "assign clear accountability".

D Not here. execution governance: The arrangements for directing, reviewing, and authorizing implementation. The usual combination is "establish execution governance".

[Return to the exercise, page 101](#)

Review 4 / Explanations / continued

3. Rebuild the exchange from "A savings headline without an integration plan".

Elena: "Could a partnership give us part of the purchasing benefit without buying the company? We have not developed that alternative." **Marcus:** [missing response]

Elena: "Commercial is worried that changed service arrangements could unsettle customers. We cannot just assume the revenue stays intact during integration." Which response belongs in the gap?

B. Include it in the build-buy-partner comparison, alongside internal development. Match the objectives and timeframes so acquisition is not the only fully described route.

A Not here. This line belongs to turn 2, after Elena says: "The committee will ask whether the acquisition creates four million dollars of savings. That is our largest quantified benefit. Can we defend it?" It addresses that point, not the missing turn in the supplied exchange.

B Correct. This is Marcus's response in turn 10. It connects Elena's preceding point with Elena's follow-up. Build-buy-partner compares internal development, acquisition, and collaboration as alternative routes to the objective.

C Not here. This line belongs to turn 6, after Elena says: "The sponsor wants a net number on the first slide. Could we use four million for now and show implementation costs later?" It addresses that point, not the missing turn in the supplied exchange.

D Not here. This line belongs to turn 8, after Elena says: "There is an existing procurement-improvement project. Some of these descriptions look like the savings already in its plan." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 101](#)

Review 4 / Explanations / continued

4. Rebuild the exchange from "Twelve metrics, but what is the board being asked to approve?". Amara: "At the end, we need to assess the evidence and its limitations. Two sites may teach us something important without proving the model will work everywhere." Tom: [missing response] Amara: "Put the twelve weeks, two sites, and spending cap into the requested resolution. The record should make clear that a wider rollout needs another decision." Which response belongs in the gap?

C. The final stage review should compare results with the agreed criteria and identify remaining uncertainty. Any wider rollout stays a separate decision, even if the pilot looks encouraging.

A Not here. This line belongs to turn 2, after Amara says: "The board pack has twelve metrics but no clear decision. Are we reporting progress, requesting advice, or asking for permission to start?" It addresses that point, not the missing turn in the supplied exchange.

B Not here. This line belongs to turn 4, after Amara says: "Put that on the first substantive slide. The directors should know the requested action before they interpret a dashboard or listen to the operating detail." It addresses that point, not the missing turn in the supplied exchange.

C Correct. This is Tom's response in turn 18. It connects Amara's preceding point with Amara's follow-up. The stage review assesses evidence before a later commitment; completing the pilot does not itself authorize company-wide rollout.

D Not here. This line belongs to turn 14, after Amara says: "The board will need timely information if the pilot is moving outside its limits. Waiting until week twelve could make the review too late to help." It addresses that point, not the missing turn in the supplied exchange.

[Return to the exercise, page 101](#)

Additional case 1 / Explanations

Extended conversation

1. like-for-like comparison

Turn 2. A like-for-like comparison aligns the included services and conditions rather than comparing headline prices alone.

2. customer switching

Turn 6. Customer switching means customers actually move to another provider; mentioning an advertisement does not establish that outcome.

3. cannibalization

Turn 10. Cannibalization occurs when a new offer displaces sales of the company's existing offer rather than generating only additional business.

4. price realization

Turn 12. Price realization is the price actually obtained after relevant discounts and concessions, not simply the published list price.

5. capacity constraint

Turn 14. A capacity constraint is a delivery limit that can make an otherwise attractive sales response operationally unworkable.

6. decision criteria

Turn 18. Decision criteria provide the common basis for comparing options, including contribution, customer value, and delivery feasibility here.

[Return to the conversation, page 104](#)

Transfer exchange

1. losses

Commercial lead: These are price objections, not confirmed customer losses.

Turn 1. The customers asked questions; no cancellation or change of supplier is established.

Additional case 1 / Explanations / continued

2. prices

Strategist: Check the package contents before comparing the headline prices.

Turn 2. Differences in included services can make headline prices an incomplete comparison.

3. reduction

Commercial lead: We can test an offer without promising a permanent reduction.

Turn 3. A bounded test does not establish a permanent change in the company's prices.

4. decision

Strategist: Record the test limits and the evidence needed for a wider decision.

Turn 4. Further action should depend on the defined test evidence and authorized decision process.

[Return to the conversation., page 106](#)

Additional case 2 / Explanations

Extended conversation

1. exit obligations

Turn 2. Exit obligations are responsibilities that continue during or after withdrawal, such as contractual support commitments.

2. stranded costs

Turn 6. Stranded costs remain after the associated activity is reduced or stopped rather than becoming immediate savings.

3. run-off plan

Turn 8. A run-off plan manages existing commitments while new business is reduced or stopped over time.

4. transition costs

Turn 12. Transition costs are the resources needed to move from the current arrangement to the proposed future one.

5. cross-sell

Turn 14. Cross-sell involves selling different products to the same customer; exiting one product can affect the broader relationship.

6. avoidable costs

Turn 18. Avoidable costs are future costs that the chosen option can actually prevent, unlike allocations or continuing commitments.

[Return to the conversation, page 108](#)

Transfer exchange

1. bill

Analyst: Removing the discontinued service's allocation does not reduce the supplier bill.

Turn 1. The supplier's total contractual charge remains unchanged in the supplied facts.

Additional case 2 / Explanations / continued

2. saving

Director: Show that amount as a continuing cost, not an immediate saving.

Turn 2. A saving requires a real reduction in future cost, which is not established here.

3. renewal

Analyst: We can investigate a lower contract tier at the next renewal.

Turn 3. Renewal is a possible opportunity to review terms, not a saving already obtained.

4. baseline

Director: Keep that possibility separate from the committed baseline.

Turn 4. The baseline should preserve the actual continuing arrangement until a change is justified.

[Return to the conversation, page 110](#)

Additional case 3 / Explanations

Extended conversation

1. exclusivity

Turn 2. Exclusivity limits the parties' ability to use other routes within a defined scope; its territory, products, and duration must be specified.

2. performance milestones

Turn 6. Performance milestones are defined results or stages used to assess whether the partnership is delivering its intended value.

3. decision rights

Turn 10. Decision rights specify who can make which decisions, including which local adaptations need brand or legal approval.

4. data access

Turn 14. Data access describes which information each party may use for specified purposes, subject to relevant permissions and protections.

5. exit mechanism

Turn 16. An exit mechanism sets out how the relationship may end and how ongoing responsibilities are handled.

6. governance model

Turn 20. The governance model defines how the parties make decisions, review performance, and resolve issues during the relationship.

[Return to the conversation, page 112](#)

Transfer exchange

1. scope

Channel lead: We need the geographic scope before evaluating the restriction.

Turn 1. The territory determines where the proposed exclusive right would apply.

Additional case 3 / Explanations / continued

2. arrangement

Strategist: Also clarify whether existing accounts are inside or outside the arrangement.

Turn 2. The treatment of current customers is an unresolved part of the proposed relationship.

3. acceptance

Channel lead: I will request revised terms, not communicate an acceptance.

Turn 3. Requesting clarification does not accept the unapproved contractual proposal.

4. alternative

Strategist: Compare the revised proposal with the nonexclusive alternative.

Turn 4. The nonexclusive route provides a relevant alternative for evaluating the proposed restriction.

[Return to the conversation, page 114](#)

Find a phrase by purpose

Strategy Role, Problem Framing, and Executive Diagnosis

Clarify the request: Which outcome should the growth strategy prioritize?

Use the baseline: Last year revenue was \$20 million and operating profit was \$2 million.

Separate the measures: Revenue growth and profit improvement can point to different choices.

[Full phrase bank, page 7](#)

Strategic Choices: Ambition, Where to Play, How to Win, and Tradeoffs

Respect the ambition: Both initiatives may have value, but the current plan does not fit.

Show the arithmetic: The two initiatives require 220 specialist-weeks against 160 available.

Name the gap: We are short by 60 specialist-weeks.

[Full phrase bank, page 18](#)

Industry Structure, Competitive Dynamics, and Profit Pools

Challenge the boundary: The \$10 billion figure includes demand we cannot currently serve.

Apply the filters: The relevant segment is \$400 million, with \$120 million in our geography.

Name the assumption: Ten percent capture is a modeling input, not a validated result.

[Full phrase bank, page 31](#)

Business Models, Unit Economics, Capabilities, and Advantage

Acknowledge demand: More completed jobs show higher volume, not automatically a sound model.

Define the unit: We are measuring one completed job.

Show the bridge: Each \$100 of job revenue carries \$115 of variable delivery cost.

[Full phrase bank, page 42](#)

Find a phrase by purpose / continued

Portfolio Strategy, Capital Allocation, and Resource Reallocation

State the limit: Full funding for both requests exceeds the envelope by \$1 million.

Check comparability: Are the benefits measured over the same period and cost basis?

Distinguish the figure: These are projected gross savings, not validated net cash flows.

[Full phrase bank, page 57](#)

Growth Strategy, Market Entry, Partnerships, and M&A Logic

Qualify the headline: The \$4 million is an unverified annual run-rate estimate.

Ask about timing: When would each saving begin, and when would it reach full effect?

Separate cash from potential: That is not yet a first-year cash-flow forecast.

[Full phrase bank, page 68](#)

Uncertainty, Scenarios, Strategic Options, and Risk Posture

State the condition: If volume and price follow these assumptions, revenue would be \$1.44 million.

Separate a forecast: These are planning scenarios, not approved forecasts.

Avoid invented likelihood: We have not assigned probabilities to either case.

[Full phrase bank, page 80](#)

Execution Governance, Operating Model, KPIs, and Board Narrative

Open with the request: We request approval for a twelve-week pilot at two sites.

State the ceiling: Total pilot spending must not exceed \$150,000.

Name the outcome: The target is a four-day median processing time.

[Full phrase bank, page 92](#)

Vocabulary index

accountability[Lesson 08, p. 89](#)**activity system**[Lesson 02, p. 17](#)**alignment**[Lesson 01, p. 6](#)**avoidable cost**[Lesson 05, p. 55](#)**barrier to entry**[Lesson 03, p. 30](#)**baseline**[Lesson 01, p. 5](#)**benefit realization**[Lesson 05, p. 55](#)**bid authority**[Lesson 06, p. 67](#)**bottom-up estimate**[Lesson 03, p. 29](#)**build-buy-partner**[Lesson 06, p. 66](#)**buyer power**[Lesson 03, p. 30](#)**capability gap**[Lesson 04, p. 41](#)**capital allocation**[Lesson 05, p. 55](#)**capital rationing**[Lesson 05, p. 55](#)**channel access**[Lesson 03, p. 30](#)**cohort economics**[Lesson 04, p. 41](#)**commitment**[Lesson 02, p. 17](#)**competitive positioning**[Lesson 02, p. 17](#)**concentration**[Lesson 03, p. 30](#)**contingency plan**[Lesson 07, p. 79](#)**contribution margin ratio**[Lesson 04, p. 40](#)**cost advantage**[Lesson 02, p. 16](#)**acquisition rationale**[Lesson 06, p. 66](#)**adjacency**[Lesson 02, p. 16](#)**assumption register**[Lesson 01, p. 6](#)**avoidable costs**[Case 2, p. 107](#)**base case**[Lesson 07, p. 78](#)**benefit owner**[Lesson 05, p. 56](#)**benefit verification**[Lesson 08, p. 91](#)**board narrative**[Lesson 08, p. 89](#)**break-even volume**[Lesson 04, p. 40](#)**business model**[Lesson 04, p. 40](#)**cannibalization**[Lesson 02, p. 17, Case 1, p. 103](#)**capacity constraint**[Lesson 02, p. 16, Case 1, p. 103](#)**capital intensity**[Lesson 05, p. 56](#)**capture assumption**[Lesson 03, p. 29](#)**churn**[Lesson 04, p. 41](#)**commercial diligence**[Lesson 06, p. 67](#)**committed cost**[Lesson 05, p. 55](#)**competitive response**[Lesson 03, p. 30](#)**constraint**[Lesson 01, p. 5](#)**contribution**[Lesson 04, p. 40](#)**core business**[Lesson 02, p. 16](#)**cost to achieve**[Lesson 06, p. 66](#)

Vocabulary index / continued

cost to serve[Lesson 04, p. 40](#)**customer acquisition cost**[Lesson 04, p. 41](#)**customer retention**[Lesson 06, p. 67](#)**data access**[Case 3, p. 111](#)**deal thesis**[Lesson 06, p. 66](#)**decision criteria**[Case 1, p. 103](#)**decision question**[Lesson 01, p. 5](#)**decision request**[Lesson 08, p. 89](#)**defensibility**[Lesson 04, p. 41](#)**dependency map**[Lesson 05, p. 56](#)**diagnosis**[Lesson 01, p. 5](#)**divestment**[Lesson 05, p. 56](#)**downside case**[Lesson 07, p. 78](#)**economies of scale**[Lesson 04, p. 41](#)**evidence gap**[Lesson 01, p. 6](#)**exclusivity**[Case 3, p. 111](#)**execution risk**[Lesson 06, p. 67](#)**exit mechanism**[Case 3, p. 111](#)**fact base**[Lesson 01, p. 6](#)**forecast**[Lesson 07, p. 78](#)**gross benefit**[Lesson 05, p. 55](#)**gross savings**[Lesson 06, p. 66](#)**cross-sell**[Case 2, p. 107](#)**customer lifetime value**[Lesson 04, p. 41](#)**customer switching**[Case 1, p. 103](#)**data owner**[Lesson 08, p. 90](#)**decision authority**[Lesson 08, p. 89](#)**decision gate**[Lesson 07, p. 79](#)**decision record**[Lesson 08, p. 91](#)**decision rights**[Lesson 01, p. 6](#), [Case 3, p. 111](#)**delivery owner**[Lesson 08, p. 89](#)**deprioritization**[Lesson 02, p. 17](#)**differentiation**[Lesson 02, p. 16](#)**double-counting**[Lesson 06, p. 67](#)**driver analysis**[Lesson 01, p. 6](#)**escalation route**[Lesson 08, p. 90](#)**exception report**[Lesson 08, p. 90](#)**execution governance**[Lesson 08, p. 89](#)**executive sponsor**[Lesson 01, p. 5](#)**exit obligations**[Case 2, p. 107](#)**fixed cost**[Lesson 04, p. 40](#)**governance model**[Case 3, p. 111](#)**gross margin**[Lesson 04, p. 40](#)**guardrail metric**[Lesson 08, p. 89](#)

Vocabulary index / continued

harvest strategy[Lesson 05, p. 56](#)**hurdle rate**[Lesson 05, p. 56](#)**incremental cash flow**[Lesson 05, p. 55](#)**industry structure**[Lesson 03, p. 29](#)**integration dependency**[Lesson 06, p. 67](#)**integration roadmap**[Lesson 06, p. 67](#)**investment case**[Lesson 05, p. 55](#)**irreversible commitment**[Lesson 07, p. 79](#)**key performance indicator**[Lesson 08, p. 89](#)**leading indicator**[Lesson 07, p. 78](#)**like-for-like comparison**[Case 1, p. 103](#)**market segmentation**[Lesson 03, p. 30](#)**market-entry mode**[Lesson 06, p. 66](#)**median**[Lesson 08, p. 90](#)**minimum viable scope**[Lesson 02, p. 17](#)**net benefit**[Lesson 05, p. 56](#)**objective**[Lesson 01, p. 5](#)**operating model**[Lesson 08, p. 89](#)**opportunity cost**[Lesson 02, p. 16](#)**organic growth**[Lesson 06, p. 66](#)**partnership model**[Lesson 06, p. 66](#)**performance milestones**[Case 3, p. 111](#)**how to win**[Lesson 02, p. 16](#)**hypothesis**[Lesson 01, p. 6](#)**incremental value**[Lesson 06, p. 67](#)**inorganic growth**[Lesson 06, p. 66](#)**integration owner**[Lesson 06, p. 67](#)**internal rate of return**[Lesson 05, p. 56](#)**investment envelope**[Lesson 05, p. 55](#)**issue tree**[Lesson 01, p. 6](#)**lagging indicator**[Lesson 07, p. 79](#)**learning curve**[Lesson 04, p. 41](#)**market boundary**[Lesson 03, p. 29](#)**market share**[Lesson 03, p. 29](#)**measurement window**[Lesson 08, p. 90](#)**metric definition**[Lesson 08, p. 90](#)**monetization**[Lesson 04, p. 40](#)**net present value**[Lesson 05, p. 56](#)**operating leverage**[Lesson 04, p. 40](#)**operational effectiveness**[Lesson 02, p. 17](#)**option value**[Lesson 07, p. 79](#)**outcome metric**[Lesson 08, p. 89](#)**payback period**[Lesson 04, p. 41](#)**phased rollout**[Lesson 02, p. 17](#)

Vocabulary index / continued

pilot scope[Lesson 08, p. 89](#)**portfolio strategy**[Lesson 05, p. 55](#)**price elasticity**[Lesson 03, p. 30](#)**probability**[Lesson 07, p. 78](#)**profit pool**[Lesson 03, p. 29](#)**regulatory barrier**[Lesson 03, p. 30](#)**resource bottleneck**[Lesson 02, p. 17](#)**resource reallocation**[Lesson 05, p. 55](#)**return on invested capital**[Lesson 05, p. 56](#)**revenue model**[Lesson 04, p. 40](#)**risk appetite**[Lesson 07, p. 79](#)**rivalry**[Lesson 03, p. 30](#)**rollout criteria**[Lesson 08, p. 90](#)**run-rate savings**[Lesson 06, p. 66](#)**scenario**[Lesson 07, p. 78](#)**sensitivity analysis**[Lesson 07, p. 78](#)**serviceable available market**[Lesson 03, p. 29](#)**signpost**[Lesson 07, p. 78](#)**stage review**[Lesson 08, p. 90](#)**staged commitment**[Lesson 07, p. 79](#)**standalone case**[Lesson 06, p. 67](#)**stranded costs**[Case 2, p. 107](#)**plausibility**[Lesson 07, p. 78](#)**prediction**[Lesson 07, p. 78](#)**price realization**[Case 1, p. 103](#)**problem statement**[Lesson 01, p. 5](#)**recommendation**[Lesson 01, p. 6](#)**reporting cadence**[Lesson 08, p. 90](#)**resource envelope**[Lesson 02, p. 16](#)**retention**[Lesson 04, p. 41](#)**revenue dissynergy**[Lesson 06, p. 67](#)**reversible decision**[Lesson 07, p. 79](#)**risk tolerance**[Lesson 07, p. 79](#)**robust option**[Lesson 07, p. 79](#)**run-off plan**[Case 2, p. 107](#)**scalability**[Lesson 04, p. 41](#)**scope boundary**[Lesson 01, p. 5](#)**sequencing**[Lesson 02, p. 17](#)**serviceable obtainable market**[Lesson 03, p. 29](#)**spending cap**[Lesson 08, p. 89](#)**stage-gated funding**[Lesson 05, p. 56](#)**stakeholder map**[Lesson 01, p. 6](#)**stop-doing list**[Lesson 02, p. 17](#)**strategic ambition**[Lesson 02, p. 16](#)

Vocabulary index / continued

strategic fit[Lesson 02, p. 17](#), [Lesson 06, p. 66](#)**strategic mandate**[Lesson 01, p. 5](#)**stress test**[Lesson 07, p. 78](#)**success criterion**[Lesson 01, p. 6](#)**supplier power**[Lesson 03, p. 30](#)**switching cost**[Lesson 03, p. 30](#)**synergy**[Lesson 06, p. 66](#)**threshold**[Lesson 07, p. 79](#)**top-down estimate**[Lesson 03, p. 29](#)**trade-off**[Lesson 02, p. 16](#)**trigger**[Lesson 07, p. 79](#)**unit economics**[Lesson 04, p. 40](#)**value chain**[Lesson 03, p. 29](#)**variance**[Lesson 08, p. 90](#)**where to play**[Lesson 02, p. 16](#)**strategic focus**[Lesson 02, p. 16](#)**strategic option**[Lesson 01, p. 6](#)**substitute**[Lesson 03, p. 30](#)**sunk cost**[Lesson 05, p. 55](#)**supplier renegotiation**[Lesson 06, p. 67](#)**symptom**[Lesson 01, p. 5](#)**target**[Lesson 01, p. 5](#)**time horizon**[Lesson 01, p. 5](#)**total addressable market**[Lesson 03, p. 29](#)**transition costs**[Case 2, p. 107](#)**uncertainty**[Lesson 07, p. 78](#)**value capture**[Lesson 03, p. 29](#)**variable cost**[Lesson 04, p. 40](#)**weighted average cost of capital**[Lesson 05, p. 56](#)**willingness to pay**[Lesson 04, p. 41](#)

References and publication notes

All cases, organizations, figures, and conversations are fictional teaching material, not transcripts. Communication practice does not replace qualified advice or current workplace procedures.

[1] Harvard Business School, Institute for Strategy and Competitiveness. The Five Forces.

Background on industry structure and competitive forces. The invented market case is not an analysis of a real industry. Source checked 10 October 2026.

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[2] US Small Business Administration. Break-even point.

Background for basic price, variable-cost, contribution, and break-even terminology. The exercises state their own simplified cost assumptions. Source checked 10 October 2026.

<https://legacy.sba.gov/business-guide/plan-your-business/calculate-your-startup-costs/break-even-point>

[3] UK Government Office for Science. The Futures Toolkit.

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[4] HM Treasury. The Green Book (2026).

Public-sector appraisal reference for comparing options, costs, benefits, and uncertainty. It is not presented as a binding corporate-strategy standard or a private investment rule. Source checked 10 October 2026.

<https://www.gov.uk/government/publications/the-green-book--2/the-green-book-2026>

Companion course

The website offers the eight-lesson course and related practice. This book can be used independently. No audio access or external account is needed for its exercises.

<https://englishladder.com/efsp-corporate-strategy.html>

Frame the decision. Expose the trade-off. Make the recommendation precise.

Practice eight decision conversations that connect ambition, evidence, economics, uncertainty, and accountable execution.

Strategy Role, Problem Framing, and Executive Diagnosis

Revenue and operating profit are different measures. The historical figures imply a 10% operating margin on the stated basis, but do not tell the team which outcome to prioritize. A growth label should not silently become a revenue target, acquisition mandate, or permission to spend.

Industry Structure, Competitive Dynamics, and Profit Pools

TAM means total addressable market; SAM, serviceable available market; SOM, serviceable obtainable market. Define each boundary. Industry spending is not automatically the TAM for a narrow offer, and an assumed share is not demonstrated demand.

Strategic Choices: Ambition, Where to Play, How to Win, and Tradeoffs

The resource gap is 60 specialist-weeks, not 60 people and not automatically a cash budget of any particular size. Available capacity already excludes existing commitments. Do not count the same specialist time twice or treat an unapproved recruitment idea as immediately usable capacity.

Business Models, Unit Economics, Capabilities, and Advantage

The service loses \$15 of contribution per job on the stated revenue and variable-cost basis. At 1,000 jobs the contribution is negative \$15,000; at 1,500 it is negative \$22,500. Fixed and acquisition costs are excluded, so these are not complete operating-profit figures.

Frame the decision. Expose the trade-off. Make the recommendation precise. / continued

Phil Stilwell

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