

THE PRICE NOBODY CHARGED · CHAPTER SIX

The First Ninety Days

Five practices set in order, from fixing the history before anything changes to measuring what was recovered.

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Chapter Six of The Price Nobody Charged. The whole book, with every chapter, is at business.hautelumiere.life/library/the-price-nobody-charged (DOI https://doi.org/10.5281/zenodo.23989120).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

Five practices set in order, from fixing the history before anything changes to measuring what was recovered. It is a quarter to eight on a Monday, and the finance director of a firm of some three hundred people has the first clear morning she has had since the year-end. The firm makes and services equipment for commercial kitchens. It sells through account managers to restaurant groups and hotels, and directly to a long tail of small independent restaurants; it runs a service division that bills engineers' time; and it holds a few dozen supply and maintenance agreements with larger customers, some of them many years old. She has read the first five chapters of a book like this one, or lived them, and she suspects that every one of the five leaks is somewhere in her ledgers. She has a notebook, a coffee, and a list of the firm's twenty largest customers. She does not yet have a plan, and she can feel the pull, in her shoulders, to write one by lunchtime and announce it on Friday.

CHAPTER SIX

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The First Ninety Days

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Monday, day one

It is a quarter to eight on a Monday, and the finance director of a firm of some three hundred people has the first clear morning she has had since the year-end. The firm makes and services equipment for commercial kitchens. It sells through account managers to restaurant groups and hotels, and directly to a long tail of small independent restaurants; it runs a service division that bills engineers' time; and it holds a few dozen supply and maintenance agreements with larger customers, some of them many years old. She has read the first five chapters of a book like this one, or lived them, and she suspects that every one of the five leaks is somewhere in her ledgers. She has a notebook, a coffee, and a list of the firm's twenty largest customers. She does not yet have a plan, and she can feel the pull, in her shoulders, to write one by lunchtime and announce it on Friday.

She is a composite, drawn from the way these first weeks are described in the research the earlier chapters read and in the house's own practice, and no firm is meant. This chapter is written to her, and to anyone in her position: the person who runs something, or runs its money, and wants to begin. It describes the first ninety days in order, with who is in the room, what each step needs, roughly how long it takes, the decisions that change the result, the mistakes made at each step and how to see them early, how to read what comes back, and what to do on the first Monday. The worksheets and run sheets it refers to are gathered in Chapter 7.

Two things should be said before the plan. The first is that nothing here requires a programme, a consultant's software or a name. Ammanuel Santa Anna's canon, writing about the relational side of how value moves through an organisation, gives the warning in six words: "Relational value is not a program."[23] A finance director who launches the practices in this book as a revenue-assurance initiative, with a title and a slide, will find that account managers respond to the initiative, defensively, and not to the practices. The second is that the order matters more than any single step. The chapters were written in the order a reader meets the leaks. The ninety days run in the order the practices depend on each other.

Why this order

The five practices of this book are the waterfall and the band (Chapter 1), the scope ledger (Chapter 2), the clause register and the call (Chapter 3), the denial walk (Chapter 4), and the discount record with the measurement conversation (Chapter 5). In the first ninety days they run in this sequence: fix the history, see the price, read the contracts, walk the work, speak to customers, and only then change incentives and agree the measure.

The reasoning has three parts. First, every practice in this book eventually changes something a customer sees, and the measure of what was recovered is only believable if it is read against a history fixed before anything changed. So the first move, on the first days, is to copy the records and date them. Chapter 5 ex-

plains why, and *Where the Flow Stops* explains it at greater length: a baseline cannot be re-created once the work has moved it.

Second, everything is seen inside the firm before anything is said outside it. The waterfall, the register and the walk are all internal readings. They can be done without a single customer knowing, and they should be, because the conversations of Chapter 3 go well only when the firm knows exactly what it is asking, why, and what it is giving back. A firm that rings its customers in week two, before it has drawn its own waterfall, will ask for the wrong things and concede the wrong ones.

Third, incentives come last. It is tempting to start with them, because the quarter-end discount of Chapter 5 is so visible. But a pay plan redesigned before the firm has seen its waterfall is redesigned on guesswork, and the account managers will experience it, correctly, as a judgement made about them without evidence. Once the waterfall and the register are on the table, the case for changing what the plan counts is in front of everyone, in the firm's own numbers.

The *High Frequency Workbook* says of a person who has avoided her own accounts for years something that every firm beginning this work should hear: "Financial avoidance is not laziness — it is a protection strategy. Your system is avoiding information that it anticipates will be painful. This chapter is about making it safe enough to look." So are the first thirty days.

Who is in the room

Three roles carry the first ninety days, and they should be named before anything else is done.

The sponsor is the most senior person whose authority the practices will need: usually the chief executive or the finance director, and in a large firm the head of a division. The sponsor's job is not to run the work. It is to protect the people who will find uncomfortable things, above all the account managers and the billing staff, and to make it plain, early and often, that the exercise is about the system and not about anyone's past decisions. Expect it to take three to four hours a week.

The working group is small: five or six people. Someone from finance who knows where the ledgers are. A commercial lead who can read a contract. One experienced account manager, chosen because colleagues trust her rather than because she is senior. Someone from billing or credit control, who sees the denials, the deductions and the late payments every day. Someone from operations or service, who knows what is delivered that never reaches an invoice. The group meets for an hour a week.

The convenor keeps the record: the copied histories and their dates, the waterfalls, the register, the walk sheets, the decisions taken and why. Often this is the finance member. The convenor needs about three hours a week in the first month and two thereafter, and the quality that matters most is that the account managers trust the convenor not to turn what they say into a case against them.

One decision changes the result more than any other at this stage. The sponsor must decide whether she will sit with an account manager, at least once, while a waterfall is drawn, and hear from him what each concession was for. A sponsor who reads waterfalls only in summary will see a list of leaks. A sponsor who sits through one will see a list of reasons, which is what the firm actually has to change.

Days one to ten: fixing the history

The first ten days change nothing visible. They gather five inputs, and fix one of them in place.

The first is the history. Before day eleven, finance and the convenor copy, date and file, unaltered, at least a year of every record the later practices will read, two years where the business is seasonal: invoices and the price master; rebate files and rebate payments; credit notes and returns; freight and delivery charges; payment days actually taken, by customer; timesheets and project budgets for the service division; deal records with their discounts and the dates they closed; and, if the firm has them, denials, short payments and customer deductions with their reasons. Nothing is decided about any of it. It is the history the measurement conversation will read on day seventy, fixed before any practice could move it.

The second is a list of ledgers and their owners. For one product line and one customer, the convenor writes down every place a piece of the price is decided or recorded, and who keeps it. The list usually runs to seven or eight entries and five or six departments. It is the first finding, and it should be shown to the working group without comment.

The third is a choice of customers: three for the first waterfalls, chosen as Chapter 1 describes, one large, one ordinary and one small and loyal, and one product line for the band.

The fourth is a list of the forty largest customers' agreements and where each is kept, without yet reading them. The commercial lead estimates how long the reading will take, and the estimate is usually doubled.

The fifth is one week of the denial or deduction queue, or, in a firm without one, of credit control's write-offs, simply counted by the reasons already recorded. The point is to know how large the pile is and roughly what it holds before anyone walks it.

At the end of the ten days the working group meets for the first time and writes, on one page, its first guess at where the revenue leaks: which bars of the waterfall it expects to be widest, which contracts it suspects, where it thinks work goes unbilled, what it expects the queue to show. It is a guess, and labelled as one. The page is kept and read again on day ninety.

What goes wrong at this stage. The commonest mistake is to announce. A sponsor who tells the sales team that finance is about to review discounting will find that every concession granted in the next month comes with a careful reason attached, and that the account managers stop speaking to the working group. The early sign is a question in a corridor: *is this about our commission?* If people are asking, it has been announced, and the sponsor should stop describing it. The second mistake is to begin with software. Reven-

ue-assurance tools exist and can be useful later; bought in week one, they replace the reading the firm needs to do with a dashboard nobody yet knows how to read. The third mistake is to skip the history because the records are untidy. Untidy history, copied and dated, is worth far more than tidy history reconstructed after the work has begun.



Days eleven to thirty: seeing the price

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Days eleven to thirty: seeing the price

In the third week the finance member and the account manager on the working group draw the first three waterfalls by hand, each in a two-hour session, with the account manager responsible for that customer in the room. Chapter 7 gives the sheet. Each bar is drawn from its own ledger, with its source written beside it, and then each bar is asked the three questions of Chapter 1: who approved it, and when; what was the reason at the time; does the reason still hold?

In the fourth week the convenor works out the pocket price for every customer who bought the chosen product line in the year, and draws the band. The working group spends an hour with it, asking what explains the order: volume, cost to serve, the length of the relationship, the account manager. What no reason the firm would defend can explain is written down as the finding.

The decisions that change the result are about tone and about the small customers. Every bar is given one of three provisional answers, keep, renegotiate or stop, but nothing is changed and nobody outside the room is told. And the customers at the top of the band, the ones who may be paying more than their business costs the firm, are listed as carefully as those at the bottom. The working group should expect the list of prices to come down to be shorter than the list to go up, and should treat it as just as important.

What goes wrong. The waterfall is drawn without the account manager, and becomes an audit of his judgement. The band is read only from the bottom. A finding is shared with the sales director before the account manager concerned has seen it. Freight and returns are spread as averages, and the differences the band exists to show disappear. The early signs are visible in the room. If the account manager defends every bar, he has been made to feel accused, and the sponsor should say, in a sentence, what the exercise is for. If nothing on the band surprises anyone, it has probably been drawn from averages.

How to read what comes back. By day thirty the convenor's record should hold three waterfalls with an answer beside every bar, a band with its unexplained spread marked, and a short list of the concessions whose reasons have expired. The bars that recur across all three customers are the firm's habits rather than any account's history. They are where to look first.

Days twenty-one to forty-five: reading the contracts

Overlapping with the waterfalls, the commercial lead and an administrator read the forty largest agreements for the clauses that move money, and build the register Chapter 3 describes. The reading takes, in most firms, a fortnight of one person's time spread over three or four weeks.

For each clause the register records its next date, the person who will act on it, and what was done last time it fell due. The commercial lead notes every place where two documents disagree, the purchase order and the acknowledgement, the agreement and a later letter, because the disagreement is itself unfinished business. Each unused clause is given one of the three decisions of Chapter 3, apply, revise or release, with its reason, and, as with the waterfall, nothing is said to any customer yet.

The decision that changes the result is the default for the past. The working group recommends, and the sponsor decides, a rule for missed years: in most cases they are released, openly, as the firm's own oversight, and the clause is applied from its next date. Exceptions are taken one at a time, with the firm's advisers, and nothing in this chapter is legal advice. A firm that decides this rule before the first call will make every call more easily, because the person making it knows what she can offer.

What goes wrong. The register is built by the legal team alone and becomes a list of rights rather than a calendar of decisions. Every unused clause is marked *apply*, including the ones that no longer describe the customer's business. The register is built and never read again. The early sign is the register's own dates: if the first date passes after day forty-five without a name beside it and a note of what was done, the register has become a file.

How to read what comes back. By day forty-five the register should show, for each of the forty agreements, the clauses that move money, their next dates, and a decision against each unused one. The total of what applying the *apply* clauses would bring from their next dates, with the *release* decisions shown beside it at nothing, is the first estimate of this leak. It is an estimate until the calls are made.

Days thirty-one to sixty: walking the work

In the second month two practices begin, side by side, in the parts of the firm that do the work.

In the service division, the scope ledger of Chapter 2 starts on two live jobs: one maintenance contract and one installation. The engineers write a line on the day a customer asks for something the job does not include, and the service manager answers every line on Mondays: change, given or declined. Before the ledger starts, the service manager writes down, with the engineers, the three or four requests that most often fall outside a job of each kind. In a firm without a service division or professional work, the same ledger can be kept by whoever handles special requests: same-day deliveries, extra visits, rush orders, samples.

In credit control, the denial walk of Chapter 4 is run on the last full month of short payments and deductions. The pile is sorted by cause, three ordinary items from the largest pile are walked backwards to the desk where the cause began, and one question or check is agreed at that desk. In a medical practice it is the denial queue; in a manufacturer it is deductions for short deliveries, late arrivals and disputed promotions; in a professional firm it is the invoices the client disputes.

The decisions that change the result are, for the ledger, the first *given*, and for the walk, the first change at the first desk. The first gift should appear on an invoice as a line at no charge, within a month, so that the engineers see the ledger produce a thank-you as well as a charge. The first change at the first desk should be one question, explained to the people who will ask it in terms of what it does for the customer.

What goes wrong. The ledger asks for too much and is filled in on Fridays from memory. Every line is answered *given*. Customers learn about changes only from their invoices. The walk is run on the largest single item rather than the largest pile. The first desk is told about the walk as a complaint. The early signs: a ledger with fewer lines in week four than in week one has stopped being kept; a first desk that asks why it is being blamed has been told about the walk in the wrong way.

How to read what comes back. By day sixty the ledger should show a handful of lines a week on each job, with their answers, and a first view of how much work falls outside the scope of a typical job. The walk

should show the share of the month's pile that began at one desk, and the question now asked there. Neither will yet show a gain. Both show where it is.

Days forty-six to seventy-five: speaking to customers

With the waterfalls drawn and the register built, the firm begins the conversations, in the order of the register's dates and the customers' own negotiation calendars, never all at once.

Each conversation is made by the person who holds the relationship, with the commercial lead or the finance member beside them for the first few. It follows the order Chapter 3 gives: name what the firm found and when; say what the firm did not do and that the missed period is its own to absorb; say what will happen from now and why; ask about the customer's side; offer what the waterfall showed in the customer's favour; confirm it in writing the same week; and only then change the invoice. For the small customers at the top of the band, the conversation is shorter and easier: the firm has found that it was charging more than the business warranted, and it is bringing the price down.

The decision that changes the result is to let a few conversations end without agreement. Some customers will refuse a change, and some will threaten to leave. The sponsor decides in advance which concessions the firm will hold to even at the risk of an account, and which it will trade, so that the person on the phone is not deciding alone, under pressure, what the firm is worth.

What goes wrong. The calls are made by finance rather than by the person who holds the relationship. The first a customer hears is a letter. Several changes are put to one customer at once, by surprise. The account manager trades away the change in the next conversation, because nothing about his pay has changed yet. The early sign of the last of these is visible in the waterfall itself, redrawn a month later: bars that were closed are open again under another name.

How to read what comes back. By day seventy-five the convenor's record should show, for each conversation, what was proposed, what was agreed, what was released and what was refused. The agreed changes, from their effective dates, are the first recovered revenue. The released items are the firm's gifts, now visible. The refused ones are information about which concessions the market actually requires, and they belong in the next year's price list.



Days sixty-one to ninety: the incentive and the measure

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Days sixty-one to ninety: the incentive and the measure

In the last month the sponsor and the sales director take the step Chapter 5 describes, and the working group holds the measurement conversation.

The step on incentives has three parts, and only the first two need to happen in the ninety days. Every discount beyond guidance is recorded on the deal with its reason, and the record shows the pocket price the firm will keep, worked out from the same ledgers the waterfall used, before the discount is approved. Discounts granted in the last fortnight of a period are reviewed by someone whose own pay does not depend on that period. And the sales director begins the design of a plan that counts what the firm keeps as well as what it ships, a design that belongs to the firm and its people and is not described here.

The measurement conversation follows the order Chapter 5 and Chapter 7 give: the unit for each practice; the history fixed on day ten; the adjustments, named now, before any result is known; what is not counted;

the balancing measures; who calculates; how the result is shown. Finance leads it, the commercial lead and an account manager are in the room, and so is someone from credit control. The output is one page, signed by the people in the room. It usually takes two meetings of ninety minutes.

By day ninety the first monthly figures should be on a page the sales team and the service engineers can see, plotted against the ordinary range of the fixed history, with the balancing measures in the same table.

What this step does not settle is how a measured gain is then shared with the people who found it: the proportions, the timing, the thresholds and the terms. Those depend on the organisation, its people and its history. They are decided with the people who will be covered, and for an organisation working with Luminous Prosperity they are the substance of the engagement, not of a book. What the first ninety days can do is make that later decision honest, by producing a gain the firm, its people and its customers could all look at.

What goes wrong. The baseline is drawn from the worst recent period, because it makes the recovery look large. An adjustment is added after the results are in. Revenue released on purpose is counted as a gain foregone. The balancing measures are left off the page that the sponsor reads. The early sign is the same in every case: someone in the room, often the account manager, goes quiet. The sponsor's job at this step is to notice who has stopped speaking.

Day ninety: reading what you have

The working group meets on day ninety with six things on the table: the first-guess page from day ten, the waterfalls and the band, the register, the scope ledgers, the walk sheets, and the signed measurement page with its first figures.

It asks a short list of questions, in order. Where was the first guess right, and where wrong? Which bars of the waterfall were closed, and which reopened? Which clauses were applied, revised and released, and what did the customers say? What share of the work outside scope was billed, what share given on purpose, and what share is still invisible? What share of the walked pile began at one desk, and has it moved? What does the revenue measure show, and what do the balancing measures show beside it? And then the question that matters most for the next ninety days: which customers paid less as a result of this work, and do they know?

What not to conclude is as important. Ninety days are too short to say the leaks are closed; they are long enough to say whether the practices are being kept. A single month's rise in pocket price is not yet a gain, for the reasons Chapter 5 gave. And a quiet register or an empty ledger is a finding in itself. It usually means a practice has become a file, and the first place to look is whether anyone with authority has read it this month.

The canon's chapter on governance describes the regular check on commitments that keeps this alive, and the tone it asks for: "Not a performance — a report." The day-ninety review is that report, for the firm's revenue. Nobody needs to be praised for it and nobody blamed. It says where the money went, and what the firm decided about it.

What to do on Monday

If the whole of this chapter is too much to begin with, three things can be done on the first Monday, and none of them needs anyone's permission.

Choose the customer you think of as your best, and write down, for the product it buys most, every bar between the list price and what stays in the firm's pocket. If you do not know where one of them is recorded, write that down too.

Open the agreement with your second-largest customer, and find the next date on which a clause that moves money falls due. Put it in a diary, with a name.

And ask, once, the question the *High Frequency Workbook* puts to anyone avoiding their accounts, which comes in the first step of its exercise on knowing your numbers: "Look at the balances. Write them down."

The canon on keystone work begins its account of what to do with what is hidden from view with one plain sentence: "The first and most foundational principle is visibility." Every practice in this book is a way of making one kind of revenue visible to the people who decide what to do with it. The leaks were never secret. They were simply not looked at.

Monday, day ninety-one

It is a quarter to eight on a Monday, and the finance director's diary is full again. In a folder on her shelf are three waterfalls drawn in pencil, each with an answer beside every bar. The register on the shared drive shows four dates this month, each with a name. In the service division, two scope ledgers lie open on the engineers' bench, and one of last week's invoices carries a line at no charge that the customer mentioned in an email. On the wall in credit control, the deductions for short deliveries are counted by cause, and the warehouse's pile is smaller than it was in the spring. On the sales director's screen, every discount beyond guidance has a sentence beside it, and a pocket price.

None of these has a name. Nobody has announced anything. The finance director opens the register, notes the first date of the week, and closes the laptop.

References

1. Sources for this chapter: the practices and their sources are those of Chapters 1 to 5: Marn and Rosiello on the pocket price, Dutta, Zbaracki and Bergen on pricing as a capability, Star and Strauss on invisible work, Buehler, Griffin and Ross on the planning fallacy, Macaulay on contract in business, Zbaracki and colleagues on the costs of price adjustment, Anderson and Simester on customer antagonism, Gottlieb, Shapiro and Dunn, Dunn and colleagues, and Tseng and colleagues on medical billing, Tucker and Edmondson on first-order problem solving, and Oyer, Larkin, and Stephenson, Cron and Frazier on incentives and price. Full references are in those chapters' notes. The author's canon in this chapter: Santa Anna, A. *Integrated Value Stream Mapping*, "The Relational Field"; *The High Frequency Workbook*, the chapter on financial frequency and "Exercise 22: Conscious Abundance Practices"; *Conscious Governance Models*, "Regular accountability rounds"; *The Keystone Effect*, "Principle 1: Make the Invisible Visible". The Luminous Developmental Canon. The time estimates in this chapter are planning guides from practice, not findings of a study; adjust them to the organisation.

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