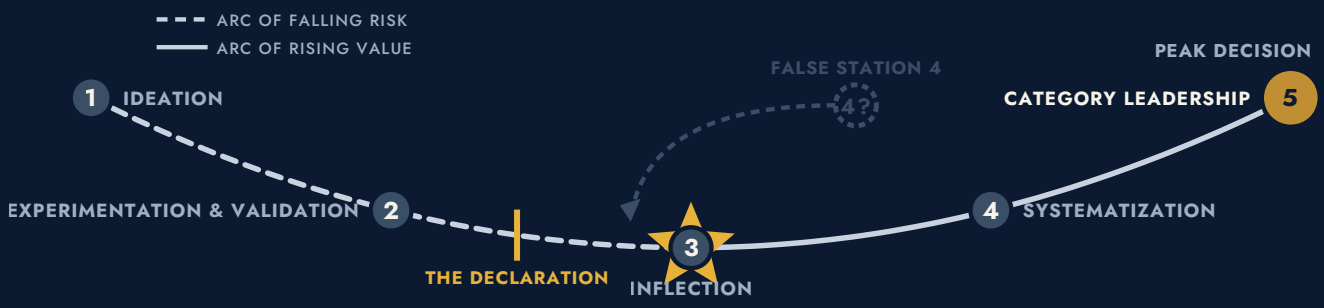
STATION 5

CATEGORY LEADERSHIP

WORKBOOK

Widen the moat, and prepare the Peak Decision while it is still widening.



> The leadership phase. The market recognizes a position the business can defend.

Business or unit

Prepared by

Started

Reviewed with

Build it yourself from the books. Go faster with The Pendulum System: a 30-minute call, a mastermind group of business leaders at your Station, or a retreat or other event. thependulumsystem.com
Printable forms: pendulumseries.com/resources

STATION 5 · CATEGORY LEADERSHIP · BEGIN HERE

Where this workbook starts

This workbook is for the owner whose business is at this Station now. It turns the Station's work into decisions, evidence and a plan, and ends at the gate.

THIS STATION

The leadership phase. The market recognizes a position the business can defend.

WHERE YOU ARE

The business has earned a position. That position still needs to strengthen while you decide what the next phase should demand of you and the business.

WHAT GRADUATING GIVES YOU

The choice of path, made against your North Star.

WHAT PASSING THIS GATE COSTS YOU

The comfort of drifting. Choosing your Peak path forecloses the other two.

HOW TO WORK IT

1. Read the worked example before each Work Now page: an owner's answers, taken from the books.
2. Fill the page after it for your own business. Mark every answer O, E, A or U.
3. Review the gate line by line. The first line you cannot mark Established is where the work is.
4. Put the quarter on one page, then bring the gate review and the plan to your next review, or to a call.

> Build it yourself from the books. Go faster with The Pendulum System: a 30-minute call, a mastermind group of business leaders at your Station, or a retreat or other event. thependulumsystem.com

How this workbook works

You do not graduate by completing the form. You graduate when the business condition is established and the evidence supports it.

A review date keeps the work moving; it is not a graduation deadline. Start with the earliest requirement your evidence does not yet support.

THE FOUR MARKS

Give every answer one mark, so you can see what you know and what you are hoping.

O Observed. It happened, and you can point to the record: the invoice, the call log, the buyer's words.

E Estimated. A number worked out from records. Say how.

A Assumed. What you believe and have not tested. An assumption is a test to run, not a fact to plan on.

U Unknown. What you need to find out. Name who will find it and by when.

WHAT IS IN THIS WORKBOOK

PART	WHAT IT COVERS	PAGE
Begin here	What this Station asks, and how to work it	2
Are you here?	The business has shown it can deliver without you, but it is not yet the name customers look for first.	4
Worked examples	One before each Work Now page: an owner's answers, taken from the books	6
The Work Now 1	Strengthen the capabilities, moat and brand that make the business the preferred choice.	7
The Work Now 2	Watch customer and economic evidence.	9
The Work Now 3	Compare the next paths against your ambitions, capabilities and risk.	11
The gate review	Station 5 graduates into the Peak Decision, not a Station 6.	14
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THE FIELD MANUAL FORMS THESE PAGES BUILD ON

- Appendix I, Worksheet 5: Core Improvement and the Peak Decision
- Appendix I: Prepare for the Peak Decision
- Appendix G: For the Partner
- Chapter 2: The 90-Day Plan

Where a quoted line names a chapter or appendix, it means The Pendulum Field Manual.

Are you at Station 5?

WHERE YOU ARE

The business has earned a position. That position still needs to strengthen while you decide what the next phase should demand of you and the business.

YOU ARE HERE IF

The business has shown it can deliver without you, but it is not yet the name customers look for first.

Check each sign you recognize, then write the evidence below.

- ☐ It runs without me. What now?
- ☐ Don't know: keep, sell, or build the next one?
- ☐ From the inside it feels different: a growing sense of something missing, stagnation beneath the success.

The False Station 4 Check. Run this check when an established business has people and systems but still lacks a clear competitive direction, or when adding more process fails to resolve the strain. Use the False Station 4 Workbook.

RECORD THE WORKING DIAGNOSIS

Business or offer being examined

MARK ☐

Current Station and the evidence supporting it

MARK ☐

Graduation condition still unfinished

MARK ☐

Evidence or capability to establish next

MARK ☐

Action owner and review date

MARK ☐

"I don't know." Missing evidence is an action to take, not a verdict about your ability. Your Station is not a grade. It names the work to do next.

The Framework Friction Score

Once a quarter, and whenever the same mismatch keeps coming back in the weekly check, score how badly the business's 3A is mismatched with its Station, and so how urgently to act. Score against the Station you are in, not the one you would like to be in.

Start with your calendar, which has already recorded your Altitude: tag each meeting of the last two weeks as Street Level, Hilltop or Mountain Peak, by how far ahead it looked.

Dimension	What Station 5 asks	What you and the team actually do	Match?	Severity	Frequency	S × F
Altitude: what the calendar shows	Rising toward Mountain Peak: the moat, the next swing, the Peak Decision while the moat is still widening		☐			
Aptitude: who creates the value	Leaders of leaders; the founder sets direction		☐			
Attitude: how money and standards are treated	Strategic Allocation: investment in the core and, if chosen, new swings, each with a limit		☐			
					Total	

For each dimension that does not match, score its Severity from 1 to 5 and its Frequency from 1 to 5, and multiply them. Add the results. A dimension that matches scores zero, and the most the business can score is 75. The form does not add up for you. Multiply and total by hand, so you see where the number comes from.

SEVERITY

- 1: it costs time or patience, and nothing else. No work redone, no date moved.
- 2: work inside the business is redone or delayed, but no customer, partner or employee has been let down.
- 3: someone has been let down: a promise to a customer, partner or employee missed, or a person lost over it.
- 4: the damage shows in the numbers or the plan: a customer or contract lost, a quarter's goal missed, or a gate condition that has not moved in a quarter.
- 5: the evidence shows a threat, within months, to the business's cash, its largest customer or its license to operate, and this mismatch is the cause.

FREQUENCY

How often it bit in the same quarter. A bite is an occasion you can name: a decision that waited, a job that went back, a rescue. 1: once or twice in the quarter. 2: about monthly. 3: about weekly. 4: several times a week. 5: every working day.

THE TOTAL SETS THE PRIORITY

0–5	Normal: check quarterly
6–15	Significant: act within a month
16–30	High: act within a week
31–50	Critical: act now
51–75	Severe: act now, and check for an emergency

One rule overrides the bands: a Severity of 5 on any dimension is an emergency, however rarely it bites. Score the damage that has happened and the threat the evidence shows, not the one you fear, and write the evidence beside each number.

The evidence behind each score

A high score points at structure, and the answer is a change in structure: start with the highest-scoring dimension. The Field Manual's Correct the mismatch, in Chapter 3, says what to change for each dimension.

The Work Now 1: how it looked

WORKED EXAMPLE

How the page looked in Steve's story, taken from the books. Read it, then fill the next page for your own business.

Core improvement: what must keep getting better, and who owns it?

> *Felix had two candidates for the quarter's improvement money: a second stockroom to shorten restocking runs, or a text telling the customer who was coming and when. The stockroom served the vans. The text served the promise.*
>
> *Owner: Steve sets it. Felix runs it.*

Position: brand-fed share, discount-to-close, share inside the Declaration:

> *"Two people on my street told me you're the one to call when it's an emergency. What's your availability?"*
>
> *He closed roughly two in three of them, because the ad and the buyer were describing the same thing, and each new customer cost about $70 instead of $120.*

Changes to standards and systems made this quarter without your approval, and who made them

> *At the Quarterly Reset, the membership rep brought those conversion numbers and proposed the next improvement: the same kind of message ahead of each cooling-season check-in. Felix funded it. Steve read about it in the review.*

1 The Work Now

THE WORK NOW 1

Strengthen the capabilities, moat and brand that make the business the preferred choice.

Category Leadership requires continued improvement of the core. The next phase must be considered alongside the capabilities and resources that protect the existing position.

Core improvement: what must keep getting better, and who owns it?

MARK

Position: brand-fed share, discount-to-close, share inside the Declaration:

MARK

Changes to standards and systems made this quarter without your approval, and who made them

MARK

The Work Now 2: how it looked

WORKED EXAMPLE

How the page looked in Steve's story, taken from the books. Read it, then fill the next page for your own business.

Culture lived; who seeks us out first; capacity for what's next:

> *The same pull worked on people: the best salespeople in the trade, the rainmakers, now wanted to sell for Certainty.*
>
> *The business had run for six months without a day-to-day decision from him.*

Evidence	A year ago	Now	Widening, holding or narrowing
Customers who come to you first	*In Station 4, a homeowner with a dead air conditioner knew the Certainty name and still called two other companies.*	*Now the same homeowner called Certainty first.*	*Widening*
Price paid against the nearest alternative	—	*When a competitor mailed his customers a $49 tune-up offer, they threw it away.*	—
Competitors who define themselves against you	—	*Rivals painted "same-day service" on their vans, one advertised "Certainty like Steve," and BigCool launched "BigCool Certainty" in Clear Lake and Friendswood.*	*"Steve knew he had won."*

2 The Work Now

THE WORK NOW 2

Watch customer and economic evidence.

Holding is not widening. Put this year beside last year and look for the direction, not the level.

Is the moat widening?

Evidence	A year ago	Now	Widening, holding or narrowing
Customers who come to you first			
Price paid against the nearest alternative			
Discount-to-close			
Share inside the Declaration			
Competitors who define themselves against you			

Culture lived; who seeks us out first; capacity for what's next:

MARK

The Work Now 3: how it looked

WORKED EXAMPLE

How the page looked in Steve's story, taken from the books. Read it, then fill the next page for your own business.

North Star: what do we actually want the business, and our life, to become?

> *In it, he described the Craftsman path: keep Certainty in Houston, keep making it better, let it grow at its own pace, and enjoy a business that runs without him. He meant every word.*
>
> *"Will you regret not seeing how far it can go?" Lisa asked.*
>
> *"Yeah," he said finally. "I think I would."*
>
> *And when his son asks what Dad does for work, Steve can say: "I end emergencies."*

3 The Work Now

THE WORK NOW 3

Compare the next paths against your ambitions, capabilities and risk.

Explore the alternatives before forcing a choice. The Entrepreneurial Pendulum develops the Second and Third Swings, their patterns and their architectural implications.

North Star: what do we actually want the business, and our life, to become?

MARK

The Peak paths, side by side

Category Leadership: strengthen the advantage and prepare a deliberate choice. This page records readiness and learning, not a compulsory decision date.

Path	The question to examine	What it would take: leadership, capital, time	What it would cost the core	Fit with the North Star
Craftsman: optimize and evolve	What would make the focused business stronger, more valuable and more satisfying to own?			
Merchant: harvest and exit	What value has been created, who could recognize it, and what readiness or timing would a responsible exit require?			
Multiplier: build and expand	What pattern can be repeated or combined, and what leadership, capital and governance can support another Pendulum?			

Craftsman (keep), Merchant (sell) or Multiplier (build): consequences:

MARK

What must we learn before deciding? Action, owner and review date:

MARK

A worked example

> Steve's evidence, four years after he started: homeowners who once called two other companies called him first and threw away a rival's $49 tune-up offer; supply houses stocked to his parts list; three smaller competitors asked to license his systems; his former employer launched "BigCool Certainty."

Look at what the evidence is made of: counts, dates, prices, names and people's own words. None of it is an opinion about the business.

Your evidence, in the same terms: counts, dates, prices, names, words

Gate review

THE OUTCOME TO SEEK

A core that improves without you, a widening moat, a market that seeks you out first, and the Peak Decision that follows.

THE GATE TO GRADUATE

Station 5 graduates into the Peak Decision, not a Station 6.

Start with the earliest requirement your evidence does not yet support. The first line you cannot mark Established is where the work is.

1 The core runs profitably and keeps improving without your operational decisions.

☐ Established ☐ Not yet ☐ Unknown

The evidence

MARK

Next action, owner and review date

2 Customer and economic evidence show the moat widening, not just holding.

☐ Established ☐ Not yet ☐ Unknown

The evidence

MARK

Next action, owner and review date

3 Culture and values are documented and lived: decisions are faster, retention is higher and complaints drop without you in the room.

☐ Established ☐ Not yet ☐ Unknown

The evidence

MARK

Next action, owner and review date

4 The market seeks you out first: customers come to you and pay your price, and competitors define themselves against you.

☐ Established ☐ Not yet ☐ Unknown

The evidence

MARK

Next action, owner and review date

5 You have the evidence and the capacity to make the Peak Decision while the moat is still widening.

☐ Established ☐ Not yet ☐ Unknown

The evidence

MARK

Next action, owner and review date

The one-page plan

> **The question for this Station.** Station 5: How will the core and our position keep improving while we prepare for the Peak Decision?

Record the graduation condition, the evidence already held and the gap to close. Choose the Big Three: up to three objectives, never more, that will change that condition, each with an owner, a measure and a review date. Everything else goes on the Not Now list.

Quarter and business or offer

MARK

Working Station and graduation condition

MARK

Evidence we already hold

MARK

Gap we will close and how we will recognize progress

MARK

The Big Three: each objective, owner, measure and review date

Objective	Owner	Measure	Review date

What we will stop or change

MARK

Resources required and next review date

MARK

THE WEEKLY CHECK-IN

Ask: What changed in the evidence or capability this week? Did we complete the action? Did it move the business toward the graduation condition? If it did not, distinguish a missed action from a weak assumption or an unsuitable method. Record the next decision.

This page is the Field Manual's 90-Day Plan, Chapter 2.

Graduation sign-off

A calendar, a headcount or a finished worksheet does not pass a gate; the market and the numbers do.

- ☐ Gate line 1 established, with the evidence on page 14
- ☐ Gate line 2 established, with the evidence on page 14
- ☐ Gate line 3 established, with the evidence on page 14
- ☐ Gate line 4 established, with the evidence on page 15
- ☐ Gate line 5 established, with the evidence on page 15

Date

Reviewed by, separately, and compared

Navigator's tip: complete the check separately, then compare the evidence behind your conclusions. The disagreement often reveals the decision the two of you need to make.

What carries forward: the evidence, the commitments and the open questions

> Next: the Peak Decision.

Go back to the earliest gate you can no longer prove and repair it deliberately: a Regression, which is discipline, not failure.

An AI interview

OPTIONAL

An AI assistant can play the adviser who keeps asking for the example. It cannot see your business, and nothing it says is evidence. Use it to sharpen your answers, then bring them back to these pages.

THREE RULES

1. Use labels, not names. No customer's or employee's name, contact details or account numbers go into the chat.
2. Give it your numbers. Never let it fill a gap with one of its own.
3. Mark everything it hands back O, E, A or U before you act on it. Most of it will be A.

COPY THIS INTO THE ASSISTANT

Interview me about my business at Station 5, Category Leadership, as the Pendulum Series defines it. The gate for this Station: Station 5 graduates into the Peak Decision, not a Station 6. 1. The core runs profitably and keeps improving without your operational decisions. 2. Customer and economic evidence show the moat widening, not just holding. 3. Culture and values are documented and lived: decisions are faster, retention is higher and complaints drop without you in the room. 4. The market seeks you out first: customers come to you and pay your price, and competitors define themselves against you. 5. You have the evidence and the capacity to make the Peak Decision while the moat is still widening. Judge only against that gate, and say so when a question goes beyond it. Ask one question at a time. When my answer is vague, ask for a specific example: a date, a number, what a buyer actually said. Keep four lists apart: what I observed, what I estimated, what I assumed, and what I don't know. When I answer with a hope, say so and ask what record would settle it. Use only what I tell you: no invented numbers, competitors or customer opinions. Start with: "What tells you the moat is widening, not just holding?" Cover how the core improves without my decisions; the customer and economic evidence, this year against last; where culture held when holding it cost something; who seeks us out first; my North Star; Craftsman, Merchant and Multiplier and what each would demand of me and the business. After about ten questions, give me the evidence for and against a widening moat; for each path, what it would take and what it would cost the core; what I must learn before the Peak Decision; the first gate line my evidence does not yet support.

What it surfaced that you had not written down, marked O, E, A or U

What a good interview sounds like

A sample interview. The questions show how the assistant should press; the answers come from Steve's story in the books, some in the words of the people around them. Notice where it stops at a hope and asks for the record.

What tells you the moat is widening, not just holding?

> *In Station 4, a homeowner with a dead air conditioner knew the Certainty name and still called two other companies. Now the same homeowner called Certainty first.*

How does the core improve without your decisions?

> *At the Quarterly Reset, the membership rep brought those conversion numbers and proposed the next improvement: the same kind of message ahead of each cooling-season check-in. Felix funded it. Steve read about it in the review.*

Who defines themselves against you?

> *Rivals painted "same-day service" on their vans, one advertised "Certainty like Steve," and when BigCool, his former employer, launched "BigCool Certainty" in Clear Lake and Friendswood, Steve knew he had won.*

Every van is full. Does that prove another van will add sales?

> *Those calls prove the vans are full. They do not prove a new van adds sales.*

What do you want the business, and your life, to become?

> *In it, he described the Craftsman path: keep Certainty in Houston, keep making it better, let it grow at its own pace, and enjoy a business that runs without him. He meant every word.*

A loyal customer asked for plumbing with the same guarantee. What did that call prove?

> *"Nothing," he said. "It earned a question. And a question gets a Permission Plan—not a promise I cannot keep yet."*

Before your call

Your next conversation. Use it to examine one decision, not to tour the whole workbook.

A 30-minute call. We'll place your business on its Station and name the gate you haven't yet passed. Then we'll agree on the one move that matters most now. There's no obligation.

A Station mastermind. A group of business leaders at the same Station, working through the same gate.

A retreat or other event. In person or virtual.

What would graduating from this Station change for the business? Name it in money, risk, customers or your time.

Which gate line can you not yet mark Established, and what evidence is missing?

The one move you want to examine: the decision, the evidence it needs and when you could review it.

Bring the gate review, the Friction Score and the one-page plan from this workbook.

> The Pendulum System: thependulumsystem.com