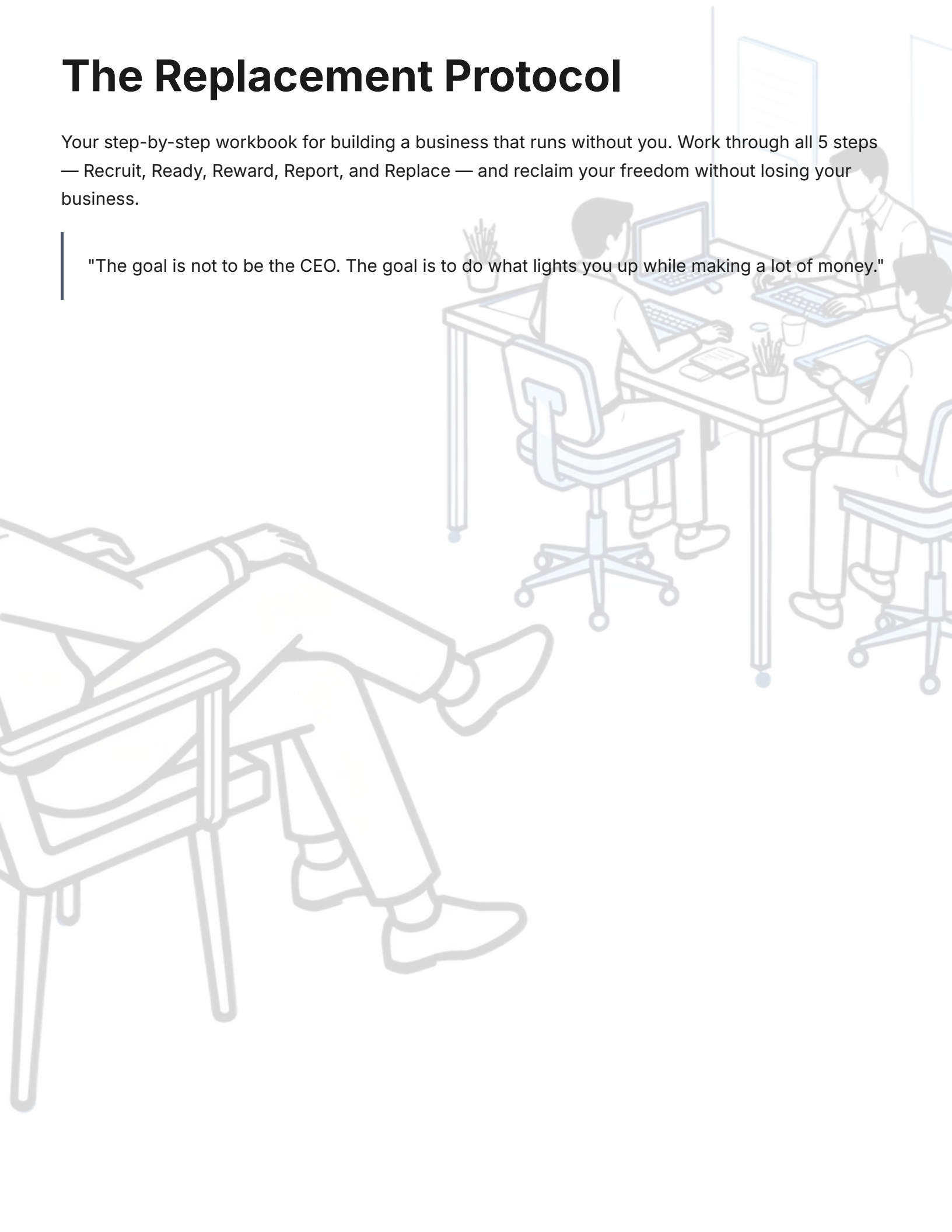


# The Replacement Protocol

Your step-by-step workbook for building a business that runs without you. Work through all 5 steps — Recruit, Ready, Reward, Report, and Replace — and reclaim your freedom without losing your business.

"The goal is not to be the CEO. The goal is to do what lights you up while making a lot of money."



# How to Use This Workbook


## The System

This workbook walks you through all 5 steps of the Replacement Protocol — the same system used to build businesses that run without their owners.

Each section includes a brief lesson, a real-world example, and a concrete exercise so you can take action immediately.

## How to Get the Most Out of It

- Work through each section **in order** — the steps build on each other
- Be honest with yourself — this only works if your answers are real
- The more specific your answers, the faster you'll get your freedom back
- Complete the action item at the end of each step before moving on

 This workbook is not theory. Every exercise is designed to produce a concrete next action. By the end, you'll have a 90-day roadmap to a self-running business.

# The 5 R's at a Glance

Five steps. One system. Total freedom. Here's the full Replacement Protocol in one view.



## **Recruit**

Find your A-player — they might already be on your team



## **Ready**

Develop them to run the business as well as you do



## **Reward**

Structure compensation so their goals and yours are aligned



## **Report**

Build a simple monitoring system so you never lose the pulse



## **Replace**

Know how to course-correct without jumping back in yourself

# Recruit: Finding Your Future Key Manager

Your next key manager — the person who will eventually run your entire business — is probably closer than you think. Before posting a job listing, look at who's already on your team: contractors you love working with, employees who show initiative, or someone you've been meaning to give more responsibility.

Hiring outside executives from big companies sounds appealing but usually fails. They're expensive, they don't want to get their hands dirty, and they're often a poor fit for a scrappy, fast-moving business. Instead, look for people with the right values and raw ability — then develop them.

## The Contractor Path

Bring someone on as a contractor first. If you like each other and they do great work, bring them on full-time. This is a high-success hiring approach.

## The Internal Promotion Path

Develop a future key manager from any current role — no matter how entry-level. Look for values, drive, and the capacity to grow.








# Exercise 1D: Values Alignment Check

Ask these questions about any candidate. Answer Yes, No, or Not Sure for each.

Question	Your Answer (Yes / No / Not Sure)	Notes
Are we aligned on how we treat customers?		
Are we aligned on how we treat employees?		
Do they have integrity under pressure?		
Do they take ownership of their mistakes?		
Are they motivated to build something — not just collect a paycheck?		

 If you answered 'No' or 'Not sure' more than once, this is not your person — no matter how talented they are.

## Step 1 Action Item

Based on your audits, write down your single most important next hiring action. Are you developing a contractor, promoting an employee, or making a new hire? Name the person or role before moving to Step 2.

# Ready: Developing Your Key Manager

You wouldn't let a brand new surgeon start operating on patients without supervision. Even if you've found the right person, you need to give responsibility gradually and build trust over time. This is the stage where you shift from being an operator to being a coach.



## The Surgeon Model

Give responsibility slowly. Start with one area. Let them make decisions there. Review and coach. Then expand. Expect this to cost you time upfront — that investment creates your freedom later.



## Weekly 1-on-1s

Schedule a weekly 1-on-1 meeting, especially in the first few months. Key rule: **they set the agenda**. This builds ownership and tells you immediately what they're wrestling with.



## Let Them Make Mistakes

You grew through your own mistakes. Your key manager needs the same room. Set guardrails, coach through failures, help them learn. Resist the urge to swoop in and fix everything yourself.

# Exercise 2A: Define Their Starting Scope

What is the first area of the business you'll hand off? Fill in your answers below.

**The area of responsibility I'm handing off:**

**Specific decisions they can make independently:**

Decision

**Decisions they should still run by me:**

Decision

# Ready: Your Action Exercises

## Exercise 2B: Set Up Your 1-on-1 Rhythm

Schedule your first 4 weekly 1-on-1s right now. Set clear ground rules: they own the agenda, send it 24 hours in advance, both come prepared, and action items are reviewed at the next meeting.

## Exercise 2C: The Guardrail Conversation

Have an honest conversation with your key manager before expanding their responsibility. Cover:

- What success looks like in their role
- Decisions they can make without you
- Decisions where you want to stay in the loop
- How you prefer to be updated (email, Slack, weekly report)

- ✔ Step 2 Action Item: Name the first responsibility you're handing off this week — and set the date for your first weekly 1-on-1.

# Reward: Structuring Compensation for Alignment

Incentives are your most powerful tool. If your key manager is compensated only with a flat salary, their financial interests and yours are not aligned. You want a structure where they win when the business wins — and feel the impact when it doesn't.



## Layer 3 — Equity / Profit Share

For your most trusted, long-term key managers. Turns a great employee into a true partner.



## Layer 2 — Bonus

Performance-based upside tied to business results (revenue, profit, or both). The alignment engine.



## Layer 1 — Base Salary

Competitive base pay that covers their life. Non-negotiable. If they're stressed about money, they can't perform.

# Reward: Your Action Exercises

## Exercise 3A: Design Your Compensation Structure

Draft the full compensation package for your key manager. Research the market rate for this role in your industry, set a base salary you're prepared to offer, then define bonus targets tied to revenue, profit, or both. Finally, decide whether equity or profit share is on the table — and what milestone would trigger that conversation.

Layer 1 — Base Salary	
Layer 2 — Bonus	
Layer 3 — Equity / Profit Share	

## Exercise 3B: The Alignment Check

Read each statement and confirm it applies to your planned structure:

My key manager makes meaningfully more money when the business performs well	My key manager feels the impact when the business underperforms	My key manager knows exactly what the metrics are and how they're tracked	We review performance and compensation at least once per year
There are no perverse incentives in the current structure			



If any box is unchecked, note what needs to change before finalizing the package.

# Report: Monitoring Without Micromanaging

Once you step back from day-to-day operations, you need a way to keep your finger on the pulse — without jumping back in. The solution isn't a massive dashboard with 50 metrics. It's a simple, consistent reporting system that shows you the things that actually matter.

## Daily Pulse Report


3–4 key metrics emailed every weekday morning. You should be able to read it in under 30 seconds. Cash balance, total sales, sales by channel.

## Monthly Financial Package

P&L, balance sheet, and cash flow statement — delivered by the 15th of each month, followed by a 1-hour review meeting.

## Monthly Forecast Review

Compare what you thought was going to happen versus what actually happened. This is how your business gets smarter and more predictable over time.

 Operators do the work. Owners monitor results and make decisions when needed. These three reports are the difference.

# Exercise 4A: Build Your Daily Pulse Report

Decide who owns building and sending this report, what time it should arrive each morning, and which 3–4 metrics to include. At minimum: daily cash balance, total sales, sales by top channel. Add your 'North Star Metric' — the one number that matters most right now.

**Who owns building and sending this report:**

**What time should it arrive each morning:**

**Metrics to include:**

Metric	Why It Matters
Daily Cash Balance	
Total Sales	
Sales by Top Channel	

**My North Star Metric (the one number that matters most right now):**

# Exercise 4B: Set Up Your Monthly Financial Review

Assign who prepares the financial package, set a delivery deadline, and schedule a recurring monthly review meeting. Every package must include: P&L, Balance Sheet, and Cash Flow Statement.

**Who prepares the financial package (bookkeeper, accountant, outsourced CFO, etc.):**

**Delivery deadline (e.g. by the 15th of each month):**

**Date and time of recurring monthly review meeting:**

## 3 Questions for Every Monthly Review

1. Where did we beat our forecast — and why?
2. Where did we miss our forecast — and why?
3. What's the biggest financial risk in the next 90 days?

**My answers / notes after this month's review:**

# Report: Your Action Exercises

## Exercise 4C: Build Your Monthly Forecast

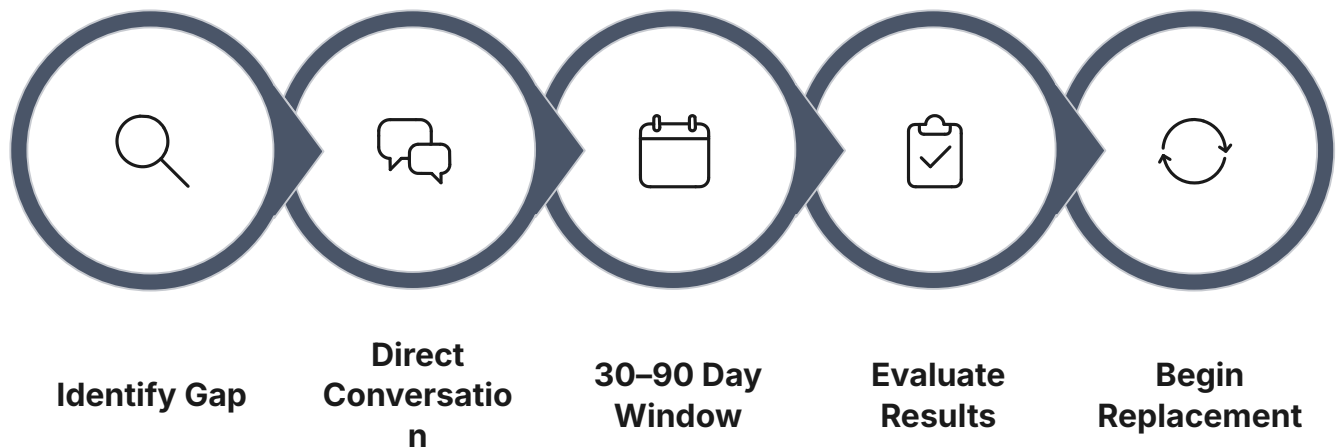
A forecast is your best guess at the next 12 months — then a monthly check on how close you were. Include monthly revenue, expense, and profit targets, plus any major initiatives planned.

Month	Revenue Target	Expense Target	Profit Target

- ✔ Step 4 Action Item: Set a live date for your daily pulse report and schedule your first monthly financial review before closing this workbook.

# Replace: Handling Underperformance Without Losing Ground

Not every hire will work out. That's not a failure — it's part of the process. The mistake isn't hiring the wrong person. The mistake is thinking that means you have to go back to running everything yourself. The goal is to build "scar tissue" — the wisdom that makes you better at hiring, developing, and managing key managers over time.



When a key manager isn't working out, your job is not to do their job. Your job is to replace them — while keeping the structure you've built intact.

# Replace: Your Action Exercises

## Exercise 5A: Define Your Performance Standards

What does "good performance" look like for your key manager? Be specific. Define targets for revenue, profit/margin, team/culture health, and any other metric that matters most. Then define the floor — the minimum acceptable performance that would trigger a direct conversation.

## Exercise 5B: The Performance Conversation Script

01

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### State the Observation

"I've noticed that [specific metric] has been [declining/off target] for [time period]." Use data, not judgment.

02

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### Ask for Their Perspective

"Help me understand what's driving this from your vantage point." Listen first.

03

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### Agree on a Path Forward

"Here's what I need to see in the next [30/60/90] days: [specific, measurable targets]."

04

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### Confirm Alignment

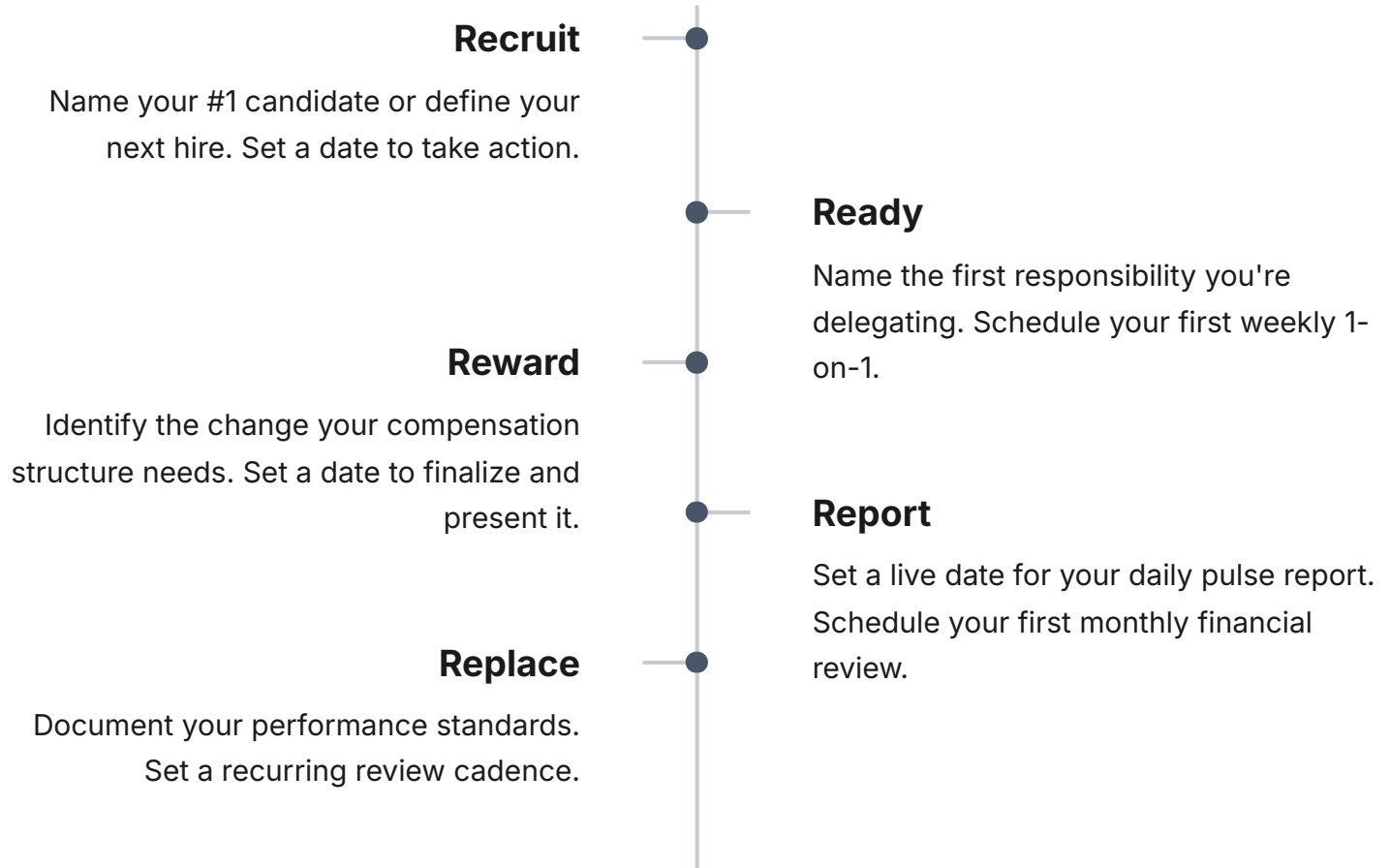
"Are we aligned on this? What do you need from me to make it happen?"

## Exercise 5C: Build Your Bench

The best time to think about replacing someone is before you need to. Identify at least one person in your network — a contractor, former employee, or referral — who could step into a key manager role if needed. Know exactly where you'd look first: current contractors, team members, referrals, or LinkedIn outreach.

# Your 90-Day Replacement Protocol Action Plan

Capture your top commitments from each of the 5 steps. This becomes your personal roadmap for the next 90 days.



# The Ultimate Test

Could you step away from your business for 6 months — no contact whatsoever — and come back to find it stronger than when you left?

If not yet, that's okay. That's exactly why this workbook exists. Work the protocol. Build the team. Trust the system. Every step you complete moves you closer to a business that runs — and grows — without you.

## Where You Are Today

Be honest. What is still dependent on you? What breaks when you're not there? Write it down — this is your starting line.

## Where You Want to Be in 12 Months

Paint the picture. What does your business look like when it runs without you? What are you doing instead? This is your finish line.

- ✔ Work the protocol. Build the team. Trust the system. Freedom is the result of doing the work — not avoiding it.