THE VELOCITY OPERATING SYSTEM

THE OPERATOR'S DAILY JOURNAL

365 DAYS · 52 MODULES · 4 QUARTERLY RESETS

One principle. One question. One action.

FIRST EDITION

Run the inside like Toyota. Position the outside like Sequoia.

THE OPERATOR’S DAILY JOURNAL

Built on The Velocity Operating System v3.0

ABOUT THIS EDITION

This journal is a working instrument, not a reading book. It carries one operating principle for each of 365 days, sequenced as 52 weekly modules rising through four levels — Foundation, Core, Applied, Advanced — with a weekly review after every seventh day and a full Strategic Reset at weeks 13, 26, 39 and 52.

Every principle is sourced. The citation beneath each entry refers to The Velocity Operating System v3.0 or to its field editions: the Operator's Manual, the Rule Book, and the Metrics and Questions volume. Nothing here is unattributed.

Interior set in Caladea and Carlito. Printed on US Letter trim with a mirrored one-inch inside margin for perfect binding.

Belongs to

Day 1 date

HOW TO USE THIS JOURNAL

This is not a reading book. It is an operating instrument. Each day carries one principle from the Velocity Operating System, the mechanism underneath it, one question aimed at your business, and one action small enough to complete today.

The year is built as 52 weekly modules — one concept taught seven ways — rising through four levels: Foundation, Core, Applied, Advanced. You do not need to have read the book. The journal teaches the system in the order it should be installed.

THE DAILY LOOP — TWENTY MINUTES

Morning, before the first reactive commitment: read the principle, answer the question in writing, and commit to the action. Then run the daily operating checklist — it is the Morning Protocol, compressed.

Evening, before you close the day: three lines on what moved, what you bought versus what you earned, and what you got wrong. Two minutes. The evening entry is what converts the year from reading into calibration.

THE WEEKLY REVIEW

Every seventh day is followed by a one-page weekly review: ship-list hit rate, kills, deposits, covenant check, and next week's single play. Do not skip it. The daily pages produce data; the weekly page is where the data becomes a decision.

THE QUARTERLY RESET

Four times a year the journal stops and runs a full Reset: convexity audit, kill list, where the freed cash went, threshold progress, keeper test, and the prediction review against your decision journal. This is the only place in the journal where you are permitted to change your own rules.

HOW TO WRITE IN IT

Write numbers, not adjectives. Every prompt in this journal can be answered with a figure, a name, or a date. If your answer contains none of the three, you have written a feeling rather than an entry — and feelings do not compound.

Missing a day is not a failure; skipping the weekly review is. If you fall behind, do not backfill. Start on today's date and keep the cadence. Cadence is the product.

THE OPERATING CONSTITUTION

Eight principles, in order of precedence. When two rules conflict, the higher-numbered principle yields.

1. Distribution realism

Model every domain by its actual distribution. Lean the Gaussian zones. Barbell the power-law zones.

2. Survivorship precedes returns

No bet, vendor, hire or market entry may create ruin risk. Runway above 12 months, concentration below 25%, fractional Kelly — enforced as covenants, not aspirations.

3. Learning velocity is the master metric

Tests shipped, cycle time and cost per experiment lead every financial result by one to three quarters. Manage the lead, not the lag.

4. Traceability or deletion

Every metric traces through the driver tree to a revenue, margin, opex or cash line in one step — or it is deleted.

5. Evidence over narrative

Cohorts over averages. Base rates over anecdotes. Pre-registered criteria over post-hoc stories.

6. Intelligence at every workstation

Humans repositioned to judgment, taste and relationships. A human gate on anything customer-visible, financial or legal.

7. Cadence is the delivery mechanism

Strategy cascades through a fixed stack of meetings, each with one scorecard, one owner, one decision output.

8. Trust is an operating asset

Built through predictable communication, spent through silence and surprise. It sits on the dashboard next to cash.

THE NINE NON-NEGOTIABLES

01 One scorecard. One war room. One seven-day ship list. Single-threaded owners on everything.

02 No capital, hire or vendor decision without its matrix, its pre-mortem and its journal entry.

03 Cohorts over averages. Base rates over anecdotes. Pre-registration over post-hoc narrative.

04 Runway above 12 months. Concentration below 25%. Fractional Kelly. No ruin, ever.

05 Pilot before scale — channels, products, promotions, vendors and people alike.

06 Kill fast, publicly and cheaply. Credit the kill as completed work.

07 Ship the daily structural-hole contact and the reputation asset before reactive work begins.

08 One play at a time through the Commercial Council.

09 Every AI workflow has a named human owner and a stated gate before it ships.

THE POCKET CARD — TWELVE QUESTIONS

01 What is the number?

02 Show me the cohort.

03 Which node moved — reach, per-unit productivity, or price and mix?

04 Did we buy it or earn it?

05 Are we buying today's volume with tomorrow's baseline erosion?

06 What was the pre-registered criterion?

07 What decision does each outcome trigger?

08 If this fails completely, can we survive it?

09 What have you done to prove your thesis wrong?

10 Who owns this — one name?

11 Would we re-sign this person, vendor or commitment today, at full information?

12 What would this workflow look like at pennies of intelligence — and who still has to sign?

YOUR BASELINE — DAY ZERO

Fill this in before Day 1. In twelve months you will read it against Day 365. Numbers only.

Cash runway, in months, on committed outflows only

Largest single customer or channel, as a share of net revenue

Largest single position, as a share of enterprise value

Active strategic initiatives

Median decision latency on material decisions, in days

Tests shipped in the last four weeks

Kill rate over the last two quarters

Revenue per FTE

Documented, publishable wins toward the credibility threshold

The binding constraint, in one sentence, with the cohort that proves it

Strategy Begins With the Distribution

Day 1. Strategy does not begin with a plan. It begins with an accurate model of how results are distributed.

Get the distribution wrong and every downstream decision inherits the error: capital allocation, spend design, hiring, even your meeting calendar.

WHY IT HOLDS

Most operating systems carry a hidden assumption: outcomes are normal, effort converts linearly into results, and management's job is optimising averages.

All three are empirically false in the domains where enterprise value is actually created.

This year I'm publishing one operating principle a day - foundations first, advanced last. Day 1 is the load-bearing one. If your model of the distribution is wrong, better execution just gets you to the wrong place faster.

Source: VOS v3.0 Ch.1 opening

THE OPERATOR'S QUESTION

Which number did you manage to an average this week - and what would the ranked curve behind it actually show?

TODAY'S APPLICATION — one action, before noon

Pick the single largest line you own. Rank its components highest to lowest. Look at the shape before you look at the total.

DAILY OPERATING CHECKLIST

- ☐ Survivorship check — cash, yesterday's demand, tripwires, covenant proximity
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- ☐ One structural-hole contact made — a cluster I do not currently reach
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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Model the Domain by Its Actual Distribution

Day 2. Constitution, Principle 1:

Model every domain by its actual distribution. Lean the Gaussian zones. Barbell the power-law zones.

Any plan built on average SKU, average promotion, average account or average pipeline asset is wrong on arrival.

WHY IT HOLDS

This is the first principle in order of precedence, which means when it conflicts with another rule, it wins.

The test is mechanical. Pull the underlying data for any line you manage and rank it. If the top decile carries the number and the bottom half is a rounding error, you are in a power-law domain and every average you have been reporting describes nothing that exists.

Precedence matters because most executives concede the point intellectually and then build next quarter's plan on a blended number anyway.

Source: Operator's Manual, Operating Constitution #1

THE OPERATOR'S QUESTION

Where in your business are you still planning off a blended number because the decomposed one would force a decision?

TODAY'S APPLICATION — one action, before noon

Name one domain as Gaussian or power-law in writing, and state which discipline it therefore gets.

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EVENING — WHAT MOVED?

Bought or earned? ____________________   What I got wrong today:

The 63/5 Split

Day 3. The number that ends the argument.

In a 39,000-SKU grocery dataset: fewer than 20% of SKUs generate 80% of sales. The bottom 63% of SKUs generate 5% of revenue.

You are not managing a portfolio. You are subsidising one with the economics of another.

WHY IT HOLDS

Run your own version this week. Rank every SKU, account, store, service line, product or loan cohort by contribution and plot the cumulative curve.

Two things become visible immediately: which fifth of the book is actually funding the company, and how much working capital, changeover time and management attention the bottom half is consuming to produce almost nothing.

The tail does not merely underperform. It corrupts every average the organisation manages to.

Source: VOS v3.0 1.1; Operator's Manual B.2

THE OPERATOR'S QUESTION

If your bottom 63% went to zero tomorrow, what would you actually lose - and what would you gain back in attention, cash and changeover time?

TODAY'S APPLICATION — one action, before noon

Rank your SKUs, accounts, units or cohorts by contribution. Write down where the 80% line falls.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Show Me the Cohort

Day 4. The four most useful words an executive owns:

"Show me the cohort."

Then: does it change materially when decomposed? If yes, the average is retired from the discussion permanently. Not for this meeting. Permanently.

WHY IT HOLDS

The follow-ups, in order:

1. Show me the same number by cohort.
2. Does it change materially when decomposed?
3. Which segment is carrying the number, and which is being subsidised by it?
4. What is the number excluding the top decile?

Any metric that materially changes when decomposed is managed only in decomposed form from that point forward. That is a standard, not a preference - and the forum chair may reject the item unheard if it arrives blended.

Source: Metrics & Questions, Pt.3; Rule 306

THE OPERATOR'S QUESTION

Which metric on your scorecard have you never once seen decomposed by cohort?

TODAY'S APPLICATION — one action, before noon

Ask for one number by cohort today. If it changes materially, retire the average from every future discussion.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

The Average Audit

Day 5. A one-hour audit that pays for itself before lunch.

List every average currently on a scorecard in your business. For each: is it a real thing, or an artefact of blending two populations that behave nothing alike?

Most businesses find four or five.

WHY IT HOLDS

The audit:

1. Every average on every live scorecard, listed on one page.
2. Beside each, the cohort cut that would decompose it.
3. Beside that, the name of the person who owns it.
4. Run the decomposition on the three largest.
5. Delete or decompose - no third option.

Averages are a reporting convenience, not an operating reality. An executive presenting one without its decomposition has not finished the analysis.

Source: Operator's Manual D.1; Rules 305-306

THE OPERATOR'S QUESTION

Which averages in your reporting are artefacts of blending two populations that behave nothing alike?

TODAY'S APPLICATION — one action, before noon

List every average on every live scorecard. Circle the three biggest. Decompose one before end of day.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

What the Base Rates Actually Say

Day 6. Four independent datasets, one shape:

- 21,000+ venture financings: ~65% returned under 1x, ~4% returned 10x+
- 9,704 drug programmes: 7.9% of Phase I compounds reach approval
- P&G: ~65 core brands = ~90% of sales, >95% of profit
- 39,000 SKUs: bottom 63% = 5% of revenue

WHY IT HOLDS

Four unrelated industries reporting the same statistical signature is not a coincidence of sampling. All four are multiplicative systems, and multiplicative systems generate this shape by mathematical necessity.

Which forecloses the objection I hear most: "our industry is different." It may be different in mechanism. It is not different in shape.

The operator's translation: in any portfolio of bets, the median outcome is a rounding error and the tail is the strategy.

Source: VOS v3.0 1.1

THE OPERATOR’S QUESTION

What is the base rate for the thing you are currently most confident about?

TODAY’S APPLICATION — one action, before noon

Before your next approval, write down what happened the last ten times a company like yours tried it.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Managing to the Average Is a Ceiling

Day 7. Week one closes here.

Running a linear operating system in a power-law economy is not a neutral choice. It is a guaranteed ceiling on returns and a guaranteed floor on effort.

Every quarter spent optimising averages is a quarter of compounding surrendered.

WHY IT HOLDS

The insurgents taking share in your category are not smarter than your team. They are priced into the correct distribution and you are not.

What changes on Monday: pick the single largest line you manage. Rank it. Look at the curve. Then ask which decisions you made last quarter would have gone differently had you been looking at the curve instead of the mean.

Next week: why the curve appears at all, and what it means to cross a threshold.

Source: VOS v3.0 1.1 Consequence Framing

THE OPERATOR'S QUESTION

Which decisions from last quarter would have gone differently if you had been looking at the curve instead of the mean?

TODAY'S APPLICATION — one action, before noon

Choose one decision made on an average last quarter. Re-run it against the ranked data. Note the delta.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ______________________ What I got wrong today:

WEEKLY REVIEW · WEEK 01

Outcomes Are Not Normally Distributed

THE SHIP LIST

Committed ________ Shipped ________ Hit rate ________ %

What did not ship — and was it capacity, dependency or scoping?

KILLS AND VERDICTS

What I killed this week, and what it taught me:

DEPOSITS

Convex actions ____ / 7 Structural-hole contacts ____ / 5 Reputation assets ____

COVENANT CHECK

Runway ______ months Largest concentration ______ % Open severity-1 ______ Tripwires fired ______

NEXT WEEK

The one play. One sentence, executable, countable:

A rule I saw breached, and its root cause — process, tooling, authority or conduct:

WHAT I LEARNED THAT CHANGES HOW I OPERATE

Multiplicative Growth Makes the Curve

Day 8. Power laws are not accidents of an industry. They are the deterministic output of two mechanisms.

First: multiplicative growth. When growth is proportional rather than additive, and failure has a floor while upside has no ceiling, a power law emerges mathematically.

WHY IT HOLDS

A delisted SKU goes to zero. It cannot go negative. That asymmetry - bounded below, unbounded above, compounding proportionally - is sufficient on its own to generate the curve.

Which means the shape is not a market condition you can wait out. It is arithmetic.

A business growing 140% a year and one growing 4% a year are not two points on one curve. They are two different physics, and no amount of effort inside the second set converts you into the first.

Source: VOS v3.0 1.2

THE OPERATOR'S QUESTION

Which variable in your business is compounding proportionally, and which is only being added to?

TODAY'S APPLICATION — one action, before noon

Identify the one number that multiplies rather than adds. Put it at the top of your scorecard.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Advantage Attracts Advantage

Day 9. Mechanism two: preferential attachment.

Retailers give shelf to brands that already turn. Talent goes to teams already winning. Capital goes to operators already trusted.

Each loop is a positive feedback circuit. Positive feedback circuits are what convert small early differences into 63/5 splits.

WHY IT HOLDS

The operating consequence is that early position is worth more than late effort, and the rule follows directly: get to a documented, visible win faster than you get to scale.

The loop runs in reverse with equal force. Preferential attachment built Halo Top to the #1 US ice cream pint at roughly $342-373M. Preferential attachment reversing took it to about $211M by 2021, -43% from peak, once incumbents offered retailers the same story with more reliable supply.

The curve gives, and the curve takes.

Source: VOS v3.0 1.2; Law 3

THE OPERATOR'S QUESTION

Where is advantage currently attracting advantage in your favour - and where is it running against you?

TODAY'S APPLICATION — one action, before noon

Name one loop where your position is compounding. Name one where a competitor's is. Write the mechanism for each.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Velocity Per Unit of Distribution

Day 10. If I could keep one commercial metric, it would be this one.

Velocity per unit of distribution: units sold per outlet per week, or the per-unit productivity equivalent for your model.

Distribution can be purchased. Velocity must be earned - and only velocity compounds.

WHY IT HOLDS

Never present it as an average. Show the top decile of outlets and the bottom decile, and the baseline in non-promoted weeks, seasonally adjusted.

Then ask the question that separates a real number from a reported one: is it rising per unit, or are we adding units and reporting a larger total?

Olipop reached roughly $200M on about 28,000 doors where the industry norm is 80,000+. The variable being compounded was velocity per store, not door count.

Source: Metrics & Questions 2.13; VOS v3.0 1.2

THE OPERATOR'S QUESTION

Is your per-unit productivity rising, or are you adding units and reporting a larger total?

TODAY'S APPLICATION — one action, before noon

Compute velocity per unit of distribution for your top and bottom decile. Do not present the average.

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today:

Which Tail Are We Failing to Feed?

Day 11. The diagnostic question underneath every turnaround I have run:

"Which variable's tail are we failing to feed?"

Not which department is underperforming. Which variable. Revenue is customers x behaviour x value per behaviour, and only one of those three is usually binding.

WHY IT HOLDS

This is why the driver tree exists - it decomposes revenue into distribution, velocity and price so each can be read as its own distribution rather than blended into a number describing nothing.

Ask it in this order:

1. Which node moved - reach, per-unit productivity, or price and mix?
2. Which of those did we buy, and which did we earn?
3. What is the same number on a full-price-only basis?

Most "growth problems" resolve into one node once the question is asked precisely.

Source: VOS v3.0 1.2; Metrics & Questions Pocket Card 3-4

THE OPERATOR'S QUESTION

Which node's tail are you failing to feed - reach, per-unit productivity, or price and mix?

TODAY'S APPLICATION — one action, before noon

Decompose last month's revenue change into those three. Name which one moved most.

DAILY OPERATING CHECKLIST

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EVENING — WHAT MOVED?

Bought or earned? ____________________ What I got wrong today: