

SIMPLIFIED STRATEGIC PLANNING

The Manual for Small to Mid-Sized Companies

by

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and

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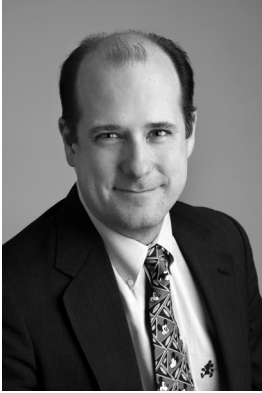


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Robert W. Bradford



Robert Bradford left Wall Street in 1987 to help build a one-person consulting business into a multimillion-dollar nationwide organization. Robert is the author of the Simplified Strategic Planning Manual, the best-selling Simplified Strategic Planning: a No-Nonsense Guide for Busy People Who Want Results Fast!, from Chandler House Press, and three other books on strategic management.

Robert actively leads strategic planning in dozens of companies (of all sizes) in a wide variety of industries with amazing results. Since 2001, Robert's corporate clients have increased their NET PROFITS by over \$50 BILLION. His real-world management experience and Ivy-League MBA enable Robert to bring real nuts-and-bolts strategic thinking into everything he does.

A master trainer, Robert has spent the last fourteen years converting management theory into real-life applications. Most clients engage Robert Bradford again and again to learn from his ever-growing experience in strategy that works today. Robert always stimulates great strategic thinking and leaves people with practical, "how-to" steps they can take back to their workplace. Robert holds the prestigious Certified Speaking Professional designation awarded by the National Speakers Association, an honor held by less than 2% of professional speakers worldwide.

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Denise A. Harrison



As a successful business catalyst for over 25 years, Denise Harrison has experience ranging from president of a mid-sized financial services firm to division president at a Fortune 500 corporation.

As president of a financial services firm, Denise initiated changes leading to record profitability through the introduction of an innovative one-stage process. This improvement bolstered customer satisfaction because it reduced cycle-time by 60%, significantly increasing customers' cash flow. Denise achieved further enhancements by striking an alliance with IBM, using their technology to gain customers more detailed and more timely information. Earlier, as a Fortune 500 company division president, she helped define the company's international expansion strategy. Implementing this strategy resulted in the acquisition of a European firm. In addition, Denise was senior vice president and general manager of two divisions where she significantly increased operational profitability and customer satisfaction by developing a system that monitored and tracked all aspects of the operation. The new system allowed information to flow directly into the customers' databases, reducing both cycle-time and administrative costs for customers.

Her goal is to work with firms to develop robust strategies to meet rapidly changing market conditions. Denise graduated from Wellesley College with a BA in Economics and has a Masters Degree in Business from Columbia University.

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Stephen A. Rutan



Steve Rutan has applied his background in business management and engineering in a variety of positions with both large and medium-sized companies. He worked in operations management and logistics consulting with an international food company, strategic planning at a major packaging supplier, and design engineering with a leading aircraft engine manufacturer. As general manager of the largest regional operation of a major dental products distributor, he supported the consolidation of a national distribution network, opening five new warehouses, improving operating procedures, order accuracy, and customer service. He managed the most cost-efficient facility in the company.

Steve guides the strategic plan development process at many different companies in a wide array of manufacturing, services and distribution industries. Focusing on privately held and family-owned businesses, he enjoys the dynamic process of developing team-based decisions that enable these companies to grow and profitably meet the needs of their marketplace.

Steve graduated from Dartmouth College with a B.A. in Engineering Sciences and completed graduate engineering work at the Massachusetts Institute of Technology. He holds an M.B.A. from Dartmouth's Amos Tuck School of Business Administration.

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M. Dana Baldwin



Dana Baldwin brings more than 30 years of business experience to clients and seminar participants. He held top management positions (Chairman, CEO, and COO) in two firms before joining the Center for Simplified Strategic Planning. He is familiar with all functional areas, having served in sales, sales management, production, and engineering prior to holding general management responsibilities.

Dana rose through the ranks of his family's manufacturing firm. His first executive position was Vice President of Sales, in which he quadrupled sales over five years. Then, as President, Dana navigated the challenges of management transition in a closely held family company. He established a new direction for the firm through management methods that shifted the firm from autocratic leadership to a collaborative environment. He also restructured the firm to address litigation that threatened its survival. After restructuring, Dana re-capitalized the firm by selling one of its product lines to an investor group. This process generated liquidity for the family and provided the fastest growing product line with growth capital. The acquiring firm recruited Dana to establish a new management team and build the business.

Dana graduated from the University of Michigan with a B.S. in Industrial Engineering. He also earned a Master of Management degree from the Kellogg Graduate School of Management at Northwestern University.

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Thomas E. Ambler



Thomas Ambler has a 30-year career of successes that reflects his versatility and creativity with experience ranging from the hands-on, nitty-gritty of a startup company through strategic planning in Fortune 500 companies. He has been President of a multi-plant, custom metal stamper where he led a turnaround and expanded the company through acquisition and new plants. As COO, he has directed a four-fold expansion of a young natural gas compressor manufacturing, service and leasing company in just two years. In his role as a principal, CFO and VP of Operations he was instrumental in the development of a startup manufacturer of proprietary electronic products for the transportation industry that led to a licensing agreement with a Fortune 500 company. He served as VP of Operations of a Fortune 500 subsidiary chartered to acquire and build a group of premier custom manufacturers serving industrial markets. His business knowledge and expertise span many diverse industries and company cultures and include all functional areas.

Tom graduated from the Massachusetts Institute of Technology with a B.S. degree in Industrial Management and Metallurgy and has completed graduate work at the University of Pittsburgh and NYU, exceeding the course requirements for an MBA with a concentration in Management Science.

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STRATEGIC PLANNING QUIZ

Mark the answers which you believe to be correct.

1. Strategic planning is;
 - a. a new management technique.
 - b. the first priority of top management.
 - c. a sophisticated process for big business.
2. The purpose of strategic planning is;
 - a. to develop a written master plan for the business.
 - b. to optimize the organization's potential.
3. Strategic planning deals with;
 - a. future decisions.
 - b. current decisions.
4. Strategic planning should;
 - a. compel attention to the current situation.
 - b. compel attention to assumptions about the future.
 - c. establish targets and priorities.
 - d. develop programs.
 - e. allocate resources.
5. Strategic planning is;
 - a. easy.
 - b. difficult.
6. Strategic planning should be done by;
 - a. the CEO.
 - b. the planning staff.
 - c. the Controller.
 - d. the top management team.
7. Some companies are too small for strategic planning.
 - a. true.
 - b. false.



TEAM MEMBER'S ROLE

In general, team members provide the input information and ideas, they participate in the analysis and decision making and they plan, direct and control the implementation.

I. Participation

- A. Ask for clarification of anything you do not understand.
- B. Give the team the benefit of your best thinking at planning sessions, but do not dominate the discussion.
- C. Do not remain silent if you disagree.
- D. Support the final decision, even if you do disagree.
- E. Complete assignments on time.

CEO'S ROLE

In general, the CEO fully supports and participates in the process and assures plan acceptability and implementation.

I. Participation

- A. Ask for clarification of anything you do not understand.
- B. Give the team the benefit of your best thinking at planning sessions, but do not dominate discussion.
- C. Give the team a great deal of scope, allowing deviation from what you have in mind.
- D. Diplomatically prevent the team from making decisions that are not acceptable to you.
- E. Complete assignments on time.

II. Team Leadership

- A. Support the process.
- B. Establish procedures to assure proper implementation management



LEADER'S ROLE

In general, the role of the leader is to assure well-thought-out, sound and appropriate strategy and to position the company for successful implementation.

I. Procedural

- A. Set agendas and manage process.
- B. Assure that you “touch all the bases”.
- C. Keep you on schedule.
- D. Free participants from process responsibility so they are free to focus on content.

II. Team Leadership

- A. Get you to the “heart of the matter”.
- B. Keep discussion “on track”.
- C. Introduce appropriate conceptual material.
- D. Stimulate good strategic thinking.
- E. Challenge subjective thinking.
- F. Draw out balanced input from all team members.
- G. Assure adequate input.
- H. Build consensus.
- I. Develop commitment.

III. Quality Assurance

- A. Prevent procedural errors.
- B. Prevent conceptual errors.
- C. Assure well-crafted STRATEGY.
- D. Assure well-crafted MISSION STATEMENT.
- E. Assure well-crafted GOALS.
- F. Assure well-crafted OBJECTIVES.
- G. Assure well-crafted ACTION PLANS.

IV. Resource Management

- A. Assure realistic understanding of resource requirements.
- B. Assure realistic understanding of resource availability.
- C. Assure proper resource allocation.

COORDINATOR'S ROLE

In general, the coordinator provides logistical support to the process.

I. Procedural

- A. Manage collection, duplication and distribution of materials.
- B. Coordinate schedule.
- C. Make meeting arrangements.
- D. Distribute written communications.

II. Team Leadership

- A. Remind team members of deadlines.
- B. Remind team members of late work.



STRATEGIC PLANNING

- Identify sound and appropriate course and direction that will truly optimize future potential
- Sharply focus resources in support of that course and direction



STRATEGIC QUESTIONS

- What are we going to sell?
- To whom are we going to sell it?
- How do we beat or avoid the competition?



PURPOSE OF STRATEGIC PLANNING

To optimize your future potential in terms of

- profit-ability
- survive-ability
- growth-ability



WHY SOME DON'T PLAN

- Some feel planning is superfluous
- Some feel it is for big business only
- Some prefer one-person, seat-of-the-pants planning
- Some think planning will be time-consuming
- Some fear failure
- Some feel uncertainty renders planning useless

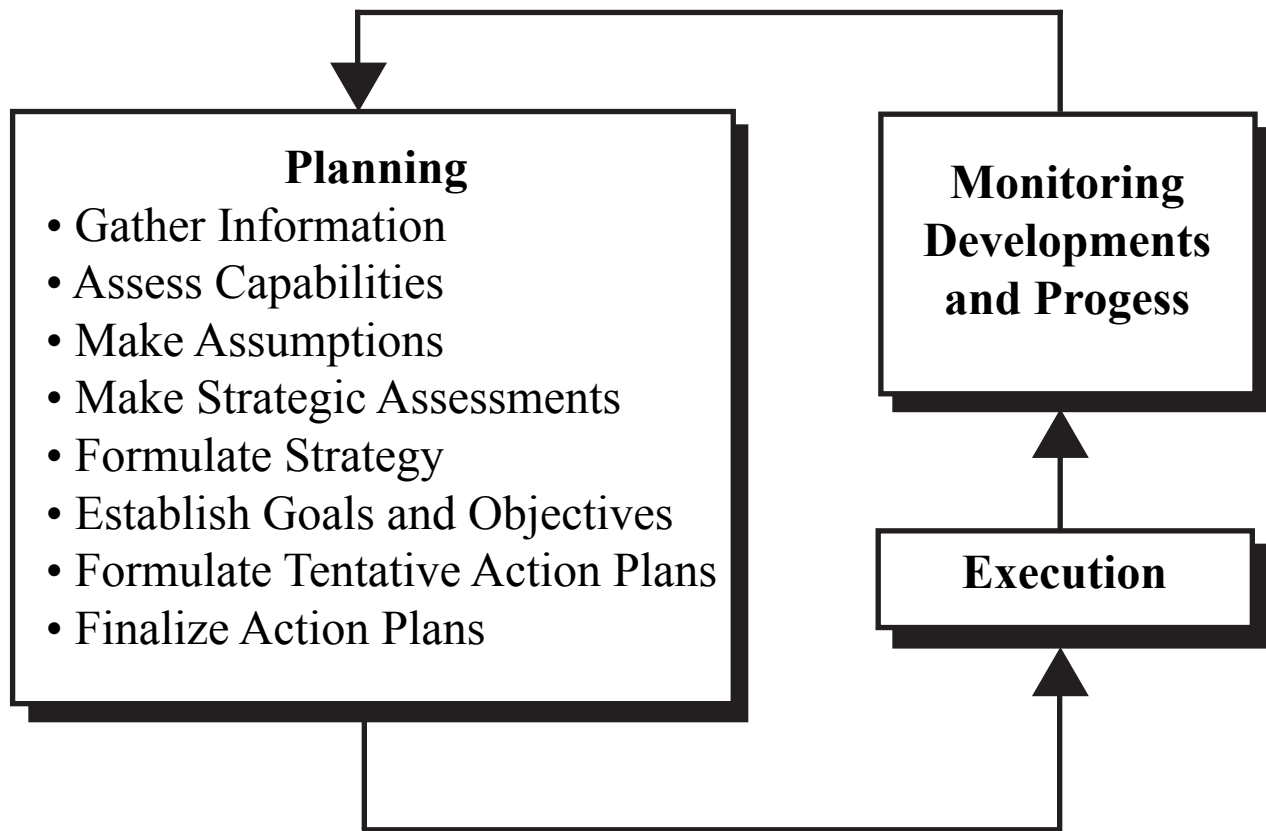


FACTORS WHICH LEAD TO PLANNING

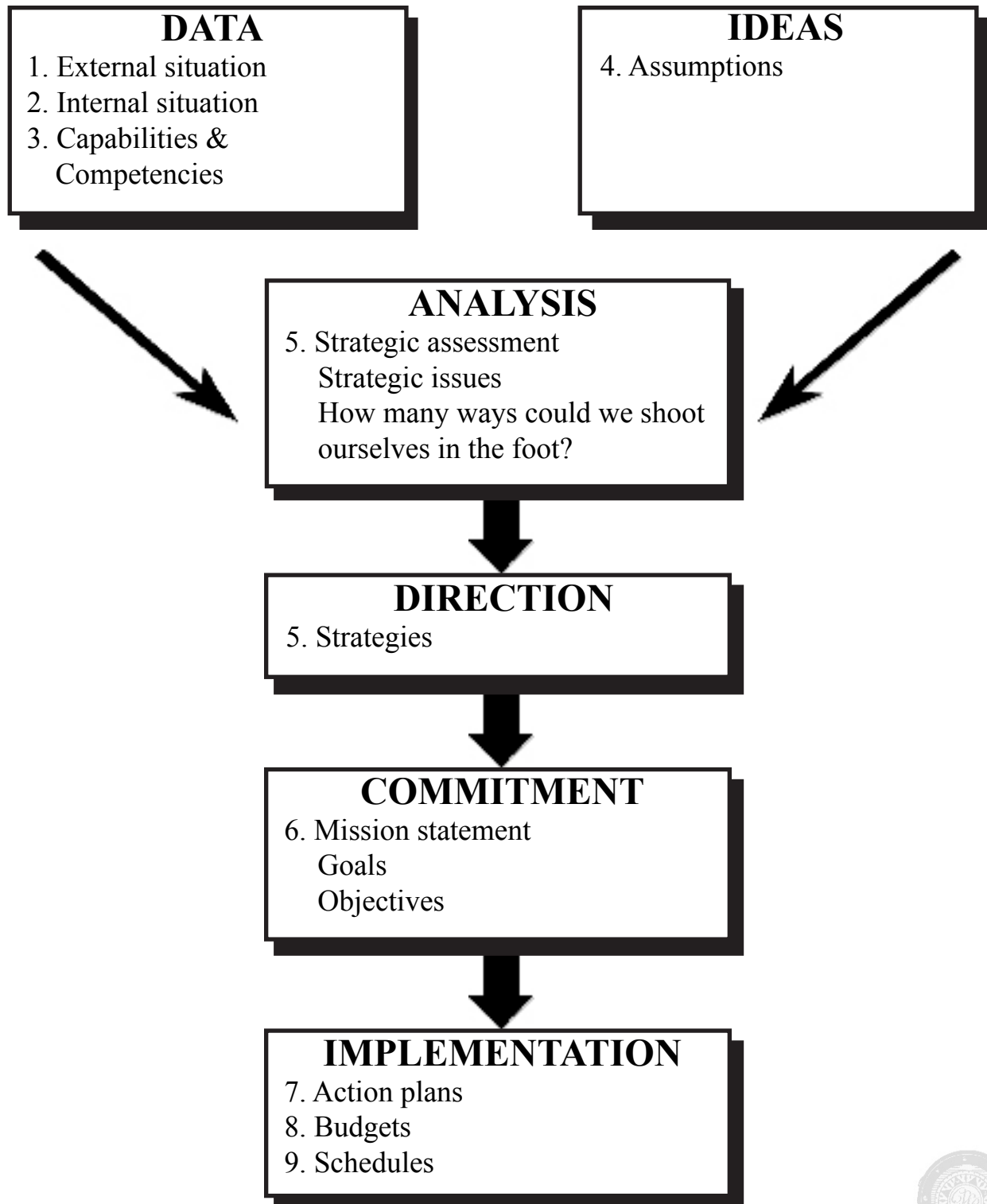
- New opportunities
- New threats or problems
- Rapid growth
- Change in management team
- Need for team building
- Uncertainty
- Stagnation
- Disagreement among principals
- Need for major funding
- Dissatisfaction



STRATEGIC MANAGEMENT



SIMPLIFIED STRATEGIC PLANNING PROCESS FLOW



The SIMPLIFIED STRATEGIC PLANNING manual contains the instructions (blue pages), exhibits (yellow pages), and illustrated worksheets (white pages) for effective and efficient strategic planning for your business.

Process Overview

Thoughtful and thorough use of this manual will lead you through the SIMPLIFIED STRATEGIC PLANNING process in the following steps.

1. Development and examination of the necessary external and internal information required for strategic planning.
2. Identification and evaluation of strengths, weaknesses, and strategic competency which are critical to your future success.
3. Examination of necessary assumptions concerning probable future developments which would have a significant impact on your business and over which you have no control and no certain knowledge.
4. Identification and evaluation of your threats and opportunities.
5. Strategic assessment of your present and potential market segments.
6. Selection of market and competitive strategies for your core business.
7. Selection of appropriate development strategies.
8. Determination and definition of the desired role of the business.
9. Development of guiding principles for the successful conduct of the business.
10. Establishment of realistic, specific objectives to support your strategies, desired role and guiding principles.
11. Development of action plans which will translate your objectives into results.
12. Provision of necessary resources (time and money) within availability constraints for the achievement of those results.
13. Scheduled reviews of situational developments, progress and performance on a timely basis.

Suggestions for Best Results

SIMPLIFIED STRATEGIC PLANNING has been proven to be effective and efficient. Your success with it will depend on your efforts. The following suggestions will help you succeed.

1. SIMPLIFIED STRATEGIC PLANNING should be done in writing. This will assure thoroughness and thoughtfulness.
2. Keep it brief and simple. Of course you must go into sufficient detail to get it right, but don't get carried away. Complexity and sophistication are the enemies of efficiency. It should be a useful management tool. Don't include details that managers will never have the interest to reference again.
3. Forward momentum of the planning process requires the establishment and maintenance of a scheduled planning cycle. (See suggested schedule in the section on schedules and agendas.)
4. The Planning Team should be the company's top management team. It should ideally have no fewer than six and no more than about eight members.
5. Good leadership and management of the process is essential. This will be a time intensive task. You should designate a process leader to run the meetings who has little involvement in the content of the plan, so that he or she may free others up to focus on the critical issues.
6. All planning matters should be discussed and approved by the entire Planning Team. Otherwise there is risk of incomplete understanding and unspoken disagreement.
7. Team members should understand that the chief executive officer has the final word

and that each team member is expected to support the final decision. But divergent thinking should be encouraged during discussion.

8. **Assignments must be completed and circulated well in advance of each meeting. Failure to do so results in deficient work and/or a waste of time during the meeting to correct the deficient work. Additionally, it causes unnecessary embarrassment.** Commitment to the process on the part of the team members is essential.
9. Strive for objectivity.
10. Understand and avoid the pitfalls listed in the seminar notes at the end of the workbook.
11. Monitor and revise the plan at a regular interval appropriate for the rate of change in your business or as significant changes occur in the environment. Keep each team member's workbook up to date

Time Requirements

Experience has shown that planning team members will need to devote about 5% of their time to SIMPLIFIED STRATEGIC PLANNING during the first year and 2%-3% in subsequent years. Do not begrudge this time. You should be spending this portion of your time on strategic matters. Furthermore, much of this time will be spent doing things you already do, but within a different framework. The toughest part is the startup, during which you will be putting in time without appreciable immediate results. But once beyond the startup stage, SIMPLIFIED STRATEGIC PLANNING will make your use of time much more productive.

Appropriate Thinking

Current psychological theory tells us that the left side of the brain is logical, rational, cognitive, deductive and quantitative - while the right side of the brain is affective, insightful, subjective, intuitive, holistic and qualitative.

Management theory for many years focused entirely on "left side thinking" in which everything must be "scientific" and quantifiable. We went to such extremes that we disregarded that which cannot be measured or (worse yet) insisted upon measuring the unmeasurable. Under this "scientific" approach we would not tolerate non-cognitive thinking. Of course, management decisions never really worked this way. Decision making has always included subjectivity, insight, intuition and qualitative thinking despite much preaching to the contrary.

Today we recognize the validity of "right side thinking" as well as "left side thinking." We realize that we must see both the forest (right side) and the trees (left side). For example, one must not blindly accept a computerized econometric model. Yet one must not leap to conclusions either. Some issues require more or less emphasis on one side or the other. But there are very few strategic issues that don't require both. Recognizing this, there is the temptation to continue to view "right side thinking" and "left side thinking" in polarized terms, resulting in the concept of "balancing" between the two. This temptation should be rejected. The two should work together - not in balance - but rather in complement.

Our approach incorporates a logical framework for decision making within which "right side thinking" is encouraged. It is a decision making model which assures that all the "left side" bases are covered - but which does not impose rigid thinking or stifle creativity. In other words, it promotes divergent thinking in a disciplined fashion. (All true

innovation comes from divergent thinking.) The model is intended as a guide rather than a strait-jacket. Even this model should not be applied mechanistically.

Adapting to Special Situations

SIMPLIFIED STRATEGIC PLANNING is a proven general system for the single business unit. It is complete, and it covers every facet of strategic planning. However, no planning system (this one included) is perfectly suited to every specific application. It may need to be modified to fit your particular business.

You should consider SIMPLIFIED STRATEGIC PLANNING to be a general model which can be adapted to fit your needs. Do not use anything in the workbook that is of no benefit to your company, but be careful in eliminating any of these time-tested tools entirely. The most appropriate approach to modifying this process is to scale up or down the time invested in each exercise. The amount of emphasis placed on any section may change from year to year as the issues, stage in the life cycle, or the environment of the business changes. In some cases, you may have to add to the workbook for your specific needs.

Supporting Services and Products

Please feel free to call the CENTER FOR SIMPLIFIED STRATEGIC PLANNING, INC. if you have any questions concerning the use of the manual. Your suggestions would also be welcome. There is no charge for brief telephone consultations.

Consulting services are also available, including in-house workshops to train your team and initiate the process as well as full consultative process leadership to take a team through the development of a plan using SIMPLIFIED STRATEGIC PLANNING.

Support products are also available from the CENTER FOR SIMPLIFIED STRATEGIC PLANNING, INC. These include additional copies of this manual, computerized copies of master worksheets, and a short video which is suitable for providing an overview of the process and building commitment among team members to initiate strategic planning. Additional information can be found at our website www.cssp.com.

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 - 1.1- Market Segment Analysis
 - 1.2- Competitive Evaluations
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Example Case—Inno-Pak, Inc.

Food Packaging Industry—Background

The food industry is the largest manufacturing sector in the North American economy. Most of the many markets including this sector rely heavily on the packaging industry for providing suitable packaging materials to their plants and stores for the packaging of both raw and processed foodstuffs.

Packaged, processed foodstuffs range from tiny hard candies like Tic-Tacs with a long shelf-life to large fresh, unfrozen baked goods and meats with a very short shelf-life and everything in between. The packaging primarily falls into two categories:

1. materials like paper, plastic, glass, metal and foil pre-formed into fixed geometries (e.g., clamshells, bottles, pie plates, cans, etc.) and
2. simple paper, plastic and foil wraps that conform to the geometry of the specific item being packaged.

Inno-Pak has historically been a significant player in the Category 1 market.

Over the years changes in technology and consumer life-styles have played a significant role in shaping major segments of this market. One of the major life-style trends is the move away from home-cooking from scratch toward preprocessed “home-cooking” and restaurant meals. The flexibility introduced by the microwave oven continues to have a significant impact on both the foods packaged and the packaging itself. As a result, the supply chain for food has become more complex and the concerns for inventory management and extension of shelf-life in the pipeline have become more critical. Materials for pre-formed packaging have moved away from paperboard toward thermoplastics, particularly microwavable and recyclable forms. Advances in the automation of food processors and the technology of the package-making equipment have contributed heavily to this trend. Partially offsetting this shift is the increasing desire for environmentally friendly, biodegradable packaging. The future balancing of these factors remains highly uncertain.

In contrast to other parts of the manufacturing world, food processing has not seen major moves off-shore. However, sourcing of packaging by packers and processors is beginning to shift off-shore.

Company Background and History

(Inno-Pak has been chosen for our case because it is a combination of both a manufacturing and a service company.)

Inno-Pak is a closely held, family company established in 1952. Its headquarters and single manufacturing facility have always been located in Northern Indiana.

A. Products and Markets—

In the early years Inno-Pak produced only interior and exterior pre-formed, pre-cut paper packaging for the hard and soft candy markets. Over the years they have gravitated more and more to bakery packaging for processors, not stores. Within the past 15 years they have added thermoplastic packaging primarily made from OPS (oriented polystyrene), which is difficult to recycle and is non-microwavable but readily available as extruded sheet. Consolidation of food processors has resulted in the concentration of buying power in the hands of a fewer and fewer companies and the rise of big box retailers like Wal-Mart has cast a pervasive commodity buying mentality up and down the supply chain.

In addition to the manufacture of packaging, Inno-Pak offers two services for a fee:

- Package design and testing services for any customer irrespective of whether or not they buy their packaging from Inno-Pak
- Contract packaging using Inno-Pak machines, material and labor in customers’ plants.

Offering other services that capitalize on Inno-Pak’s history of designing and building most of their own manufacturing equipment is being considered in order to differentiate themselves and create new markets.



The Sales and Marketing functions are combined into a single department headed by the VP-Sales and Marketing. All products and services are sold by a mix of direct outside and inside salespeople and manufacturer's reps organized on a regional basis. All pricing is performed by Engineering, which is headed by the Director of Engineering, a direct report of the CEO.

B. Organization and Human Resources—

The organization has four levels from the President and CEO down through the hourly production people. The management culture reflects the handing down of the founder's hierarchical command and control style through the son and grandson, the current 40 year-old CEO. Other members of the family hold key positions in the organization.

C. Competition—

Although Inno-Pak is a significant player in its industry because of its history as an innovator, it is in the middle of the pack based on market share. The big players dominate the big volume markets largely through their concentration on low cost structure, standardized products and leveraging the breadth of their product lines. Although Inno-Pak has over its history acquired a couple of very small competitors, it has not expanded anywhere close to the rate of some the big players who have engaged in major consolidations. Over the past 15 years the number of competitors has shrunk by 50 per cent while the packaging industry has almost doubled through real growth.

D. Technology—

Inno-Pak has built a reputation as a leader in integrating all of the areas of technology related to their industry. They have historically been able to provide processors with innovative packaging systems, not just packaging. Over the past 5 years, they have found it more and more difficult to devote the resources necessary to stay on top of accelerating advances in food technology, material science and equipment design and control.

E. Financial Position—

Inno-Pak is in the enviable position of having a strong balance sheet that permits significant flexibility in their strategic choices. To-date operating margins that have not dropped, but the progressively commodity buying behavior in the overall market is expected to shrink the specialty portion of the market and lead to shrinking margins. They recognize that they are at a crossroads that encourages utilization of their current "war chest" for strategic investments.

F. Strategic Challenges—

Inno-Pak is looking ahead at the next 5 to 10 years and anticipating an environment that will require a very intentional, strategic transformation in many areas of the company even to the extent of considering non-food markets. As a result, they intend to depart from their history of being somewhat haphazard in their approach to strategic thinking and engage in a highly successful and rigorous strategic planning process known as Simplified Strategic Planning.

