Strategic Planning and Performance Optimization

Sample Engagement Scope and Timeline
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Purpose of This Document

The purpose of this document is to provide an overview of the attributes of a successful strategic business planning initiative.

This should not be confused with a scope of work or engagement letter. In an actual scope or engagement letter:

- Elements herein would be emphasized to a greater or lesser degree,
- The focus and the order of these elements may change, depending on the budget and goals of the engagement.

For example, an engagement to critique and validate, or design and build, incentive compensation structures, while certainly strategic to the company’s overall goals, will typically not entail the full depth of activities shown here.

Critical Success Factors for Initiative

Service Leadership’s approach to these engagements can be characterized as short duration, high intensity.

Strategic planning is critical to increasing the likelihood of the profitable growth and stock value of any company, but in our opinion, it must be succinct and actionable to be effective.

To be successful, the plan must take into account not only the shareholders’ goals, but also the current strengths, weaknesses, assets and resources of the company and its people. A plan which requires changes which are beyond the capability of the company or its people will fail to produce the desired results.

- Generally speaking, previously unrecognized strengths and obstacles are uncovered by the initiative.
  - These are often critical to validating/changing the goals, and improving the likelihood of reaching them.
- The shareholders’ goal for the initiative may change during the process:
  - Not possible to reach because gap is too big or the initial goals were too understated and more opportunity is available:
    - Due to reasons known but underestimated or overestimated,
    - Due to reasons uncovered by initiative,
Due to changes in shareholder goals during or as a result of initiative.

- Effective analysis during the “as-is” stage makes the later phases of the project easier and faster, and they produce better, more effective results.

**Outline of Initiative Contents and Steps**

1. Collect Information
2. Determine Shareholder Goals
   a. Financial, Professional and Personal
   b. Determine Liquidity Strategy, If Desired
3. Perform As-Is Analysis (Full Scope, Not All of This May Be Recommended)
   a. Strategy and Offerings
      i. Definition of Business Strategy
      ii. Definition of Offerings Strategy
   b. Financial Analysis
      i. Income Statement
         1. Trended Revenue by LOB
         2. Validation of Gross Margin and trends
         3. Validation of sales & marketing cost and trends
         4. Validation of G&A cost and trends
         5. Validation of owner/executives' compensation and trends
         6. Normalization of owner/executives' compensation
         7. Calculation of adjusted, normalized EBITDA and trends
         8. Revenue by Geography (if applicable)
         9. Revenue by Vertical (if applicable)
      ii. Balance Sheet
         1. Current ratio
         2. D/E
3. DSO

   iii. Validation of Cash Flow Statement

c. Clients

   i. Client Size, Vertical and Geography: Target and Actual
   ii. Revenue Concentration
   iii. Validation of Profitability for Top 10 Accounts
   iv. Cross-Selling Effectiveness
   v. DSO by Account

d. Organization and Compensation

   i. Validation of Org Chart
      1. Attrition Analysis If Applicable
   ii. Validation of Sales, Service, Administration and Management Compensation and Incentives
   iii. Key Individuals
   iv. Current Performance by Individual and by Team

e. Sales and Marketing

   i. Value Proposition and Portfolio of Offerings
   ii. Sales Approach, Marketing, Collateral and Lead Generation
   iii. Activity Management
   iv. Scoping, Pricing and Value Proposition
   v. Forecasting: Method Accuracy

f. Service Operations

   i. Scoping, Pricing and Value Proposition
   ii. Work Flow by LOB
   iii. Client Retention: Overall, LOB, Vertical, Geography

g. Systems and Reporting

   i. Service Management Usage and Key Reports
ii. CRM/SFA Usage and Key Reports

iii. Systems Management Usage and Key Reports

iv. Accounting Usage and Key Reports

h. Benchmark within Predominant Business Model™ (PBM™)
   i. Operational Maturity Level™ (OML™)
   ii. Gross Margin by LOB, Vertical, Geography
   iii. Multiple of Wages: Overall, LOB, Geography, Vertical
   iv. Sales & Marketing as % of Gross Margin: Overall, LOB, Vertical, Geography
   v. Balance Sheet Ratios
   vi. Adjusted, Normalized EBITDA

4. Perform Gap Analysis
   a. Current Financial Performance vs. Goal
   b. Revenue and Cost Ramp Needed to Attain Goal
      i. Target Client Profile (vs. 3.c.i.)
      ii. Target Offering Profile (vs. 3.e.i.)
      iii. Client Acquisition Rate
      iv. Employee Growth Rate
      v. Other Budget Factors
      vi. Cash Flow and Capital Requirements
   c. Resources Required to Attain Goal
      i. Financial
      ii. Key Human Capital
      iii. Relationships

5. Action Plan to Close Gaps and Drive to Goal
   a. Identify and prioritize actions to progress OML to next level in a controlled and risk-managed way
i. Fix any material issues with:
   1. Profitability (except compensation, which see below)
      a. Scoping, costing, pricing, compliance, etc.
      b. Marketing, general and administrative costs
   2. Revenue retention (and after returning to profitability, growth)
   3. Measurement and reporting

ii. Build detailed business plan
   1. Develop one, two or three-year quarterly Revenue, GM and profit plan, in iteration with client acquisition ramp needed to meet objectives
   2. Develop the marketing and lead generation plan needed to drive the client acquisition ramp
   3. Define the organization, management and staffing plan needed to drive the desired client acquisition ramp
   4. Compensation for Sales, Service, Admin and Management
      a. Goals and Design
      b. Construction, Implementation and Management

6. Follow Up on Action Plan and Course Correct
   a. Monthly coaching by phone for 3-12 months
   b. Re-benchmark to determine financial and OML progress

Sample Engagement Timeline

The timeframes below are approximate and contingent on the Client’s ability to respond in the appropriate time cycles. Timing may be adjusted based on mutual agreement, of course.

The strategic planning engagement is typically comprised of seven steps, which accomplish the planning efficiently and require short but focused periods of attention from the owners/executives. The activities and their timing are as follows:
<table>
<thead>
<tr>
<th>Step</th>
<th>Approx. Week</th>
<th>Activity</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Week 1</td>
<td>Company receives initial information request list, including Company Profile and background information, compiles and sends info to Service Leadership.</td>
<td>Owner, CEO, CFO</td>
</tr>
<tr>
<td>2</td>
<td>Week 2</td>
<td>Company receives follow-on questions and requests for information from Service Leadership.</td>
<td>Owner, CEO, CFO</td>
</tr>
<tr>
<td>3</td>
<td>Week 3</td>
<td>Company provides information requested in Step 2 to Service Leadership.</td>
<td>Owner, CEO, CFO</td>
</tr>
<tr>
<td>4</td>
<td>Week 4</td>
<td>Day of on-site workshop</td>
<td>Owner, CEO, COO, CFO, Service Leadership</td>
</tr>
<tr>
<td>5</td>
<td>Week 5 or 6</td>
<td>Interim web meeting to review workshop outcomes and subsequent modifications, articulate additional actions required by both Company and Service Leadership.</td>
<td>CEO, VP/CFO, Service Leadership</td>
</tr>
<tr>
<td>6</td>
<td>Week 7 or 8</td>
<td>Web or on-site meeting to discuss the final Recommended Action Plan, and finalize responsibilities and dates.</td>
<td>Owner, CEO, COO, CFO, Service Leadership</td>
</tr>
<tr>
<td>7</td>
<td>Week 12</td>
<td>Phone coaching sequence begins.</td>
<td>CEO, VP/CFO</td>
</tr>
</tbody>
</table>

**Step 1 - Company Profile/ Strategic Plan**

The company profile is a checklist of information that is completed by the executive team and provided to Service Leadership three weeks prior to the day of the on-site meeting. The requested information can be sent incrementally to Service Leadership if needed. As Service Leadership reviews the information, there may be some clarification questions which will be addressed to the Owner and/or VP.
Steps 2 and 3 – Request for Further Information

Service Leadership may request additional information in preparation of its analysis for the meeting.

Step 4 - Strategic Planning Meeting, On-Site Day

The strategic planning meeting is comprised of one-day, highly focused, executives-only sessions whose desired outcome is an actionable vision and accompanying roadmap of Client’s market offerings, operational readiness and financial objectives, an analysis of current state versus desired state, and agreement on specific steps and actions needed to drive towards the stated objectives for the next three to five years.

Client executives will leave the meeting with an initial outline of the near- and mid-term objectives which are needed to attain the long-term vision and implement the short-term tactics, with resources identified to carry them out. Agreement will be reached not only on the actions needed to support the goals, but also the roles and responsibilities needed to execute those actions by management. Final details for these plans will be mapped out and reviewed in a subsequent webinar.

A typical agenda for the on-site day is:

1. Introduction and agenda review
2. Management presentation of info provided in Company Profile
   
   Break
3. Service Leadership analysis, discussion – strategic and financial
   
   Lunch
4. Service Leadership analysis and discussion – go-to-market, operations, finance and organization
   
   Break
5. Service Leadership – facilitate development of action plan and assignments
   
   Close
The meeting is typically held off-site in a comfortable location with minimal outside interruptions. Flip charts and tape, an LCD projector and a suitable projection surface should be available. Food and refreshments should be brought in.

**Step 5 – Recommended Action Plan Meeting**

A meeting will be held, in which the owner/executive and/or VP and Service Leadership principal will review the progress made on action items. The intervening weeks enable participants to formulate the tactical steps needed to accomplish the action items, resulting in an aggressive and attainable plan.

Note: Depending on scope and objectives, this meeting may take place via web or on-site. If on-site, there is generally an interim web meeting between the first on-site meeting and this one, to drive progress and refinement of the action plan.

**Step 6 – Final Assignments and Review Process**

A final web meeting will be held to make any final modifications and assignment of the action items. At this time, the CEO and VP should also establish the internal process for reviewing progress on the action items on a weekly basis.

**Step 7 – Coaching**

Monthly coaching by phone takes place for three to 12 months, to remove obstacles and reduce risk.
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