

Libey Incorporated Strategic Planning Protocol

Strategic planning is once again a high priority for senior management of catalog companies and catalog service providers. The necessity for communicating a clear, collegial and strategically viable direction for the one to three-year horizon is on the minds of most forward-looking CEOs. It is the successful *process* for strategic planning that too often evades the catalog company and services company management. In this discussion, we describe a proven process specific to catalog companies and outsource providers for preparing and presenting useful and effective strategic plans.

If you are a senior manager without first-hand strategic planning process experience, the investment of time and energy to learn an effective catalog planning process is invaluable for the future. Rarely does a week go by without at least one CEO telephoning to inquire about the process. Too much rides on the outcome of strategic -- not tactical -- planning to undertake it with a "shot in the dark" approach.

COMMITMENT

All successful strategic planning begins with commitment. Owners, boards of directors, managing directors and CEOs must truly *desire* the benefits of practical planning. Private or political agendas have no place in the process, albeit a constant and ever-present reality in any strategic planning project. The commitment to prepare for, create, and carry-through strategic planning demands preliminary philosophic understanding and agreement among the senior management staff. The vice president of manufacturing or vice president of marketing cannot be outwardly supportive and inwardly against the process. The CEO has a primary responsibility of leadership; the collegiality among all senior managers is not only essential, but crucial to the success of the strategic planning process and, indeed, the catalog company. Without total parallelism of commitment to the process and the acceptance, the strategic plan will fail absolutely. Its greatest benefit may lie in the essential structuring and restructuring of management and management direction that inevitably occurs.

GUIDANCE

While senior management has responsibility for the strategic planning initiative, it is advisable to use outside professional guidance for the facilitation and accomplishment of the planning process. The logic for this has been proven over many successful strategic planning initiatives in both large and small catalog companies. Additionally, the services of an outside consultant whose expertise has been proven in the strategic planning process and in the facilitation of strategic plans offer significant advantages, including:

1. An outside guide has no pre-conceived position;
2. An outside guide has no political agenda;

3. An outside guide has no interpersonal conflicts;
4. An outside guide has "fresh eyes."

When the catalog company CEO guides and directs the strategic planning process, the senior managers often simply defer to the CEO's vision. Rather than present their true beliefs and concerns, they will often mirror the beliefs and concerns of the CEO, a position that is safe and unexposed.

If the ownership of the catalog company wishes an autonomous strategic plan, the collegial process is the wrong process. Those organizations should continue to rely on clear, concise, unilateral direction developed in consultation with an expert in catalog strategic planning. Organizations desiring a fully furnished, collegial and cooperative view and plan for the future will benefit from the guided planning process.

The outside guide, to be maximally effective, must have total and complete access to the internal workings of the catalog company. The guide must be included, for the time the planning process covers, in the inner circle of management and must have full operational, performance and financial information about the catalog company. The outside guide must also have senior level experience in operating a catalog company. The best guides are former catalog company CEOs with an interest in, talent for and experience managing catalog industry strategic planning.

Outside guides are not inexpensive. The full strategic planning process can take anywhere from three months to one year. The preparation and structuring of the process and the culminating planning meeting is both time consuming and work intensive. Fees for full strategic planning preparation and implementation can range from US\$12,000 depending on the size of the catalog company and the scope, depth and complexity of the planning process. Relative to cost, the sage observation of a CEO and owner who has derived significant financial benefit from strategic planning well-executed and well-implemented stands as the justification for the minimal investment: "*You'll get over the cost; you'll never get over losing the company.*" Good advice.

OUTCOMES

The best examples of successful strategic plans are remarkable for their simplicity. At their conclusions there exist only three to five defined strategic goals. But, as may be imagined, these are *the* seminal goals for that company over the next one to three years. The process is a *distillate* process; that is, it exists to refine and distill strategy into concentrated corporate energy.

A strategic plan that produces 200 goals with each goal having 10 to 20 specific objectives is, by definition, a failure. No company can implement such a plan, much less keep track of it, or even read the final report. Such planning only ensures that the massive

strategic planning document and binder will be placed ceremoniously on a shelf and never be looked at again.

The desired outcome is a slim volume at hand that is used daily to measure where you are and to frequently change where you are going. The outcome accountability is a daily responsibility. The strategic plan is fluid and malleable, not unyielding and stone-like. Every successful strategic plan begins to change on the day it is completed; it *causes* change. In this respect, the plan reflects the dynamic nature of the catalog company and the catalog industry. If the catalog company is static and not dynamic, likely the need for a strategic planning process has long passed. Catalog companies already moribund are difficult to resuscitate with strategic planning.

The completed plan will likely describe three to five goals for the first year, two to three directions for the second year, and one or two essential visions for the third year and beyond. An example might be:

In the first year we will develop and source products for a 48-page print and web-based catalog for the electrical parts manufacturing market, the refrigeration parts manufacturing market, and the high-pressure steam repair parts market. In the second year, we will pursue the broad wholesale parts and distribution markets, the broad automotive rebuilt parts market, and the broad fire equipment repair parts market for isolating niche catalog development opportunities. In the third year, we will isolate two potential acquisition candidate catalog companies in the repair parts manufacturing universe for evaluation.

As an outcome, a distilled statement such as this may seem overly simplistic, but behind these strategic goals are enormous numbers of actionable objective steps leading to a successful strategic implementation. The day-by-day tactical steps are never expressed in the outcome statement; they are developed in the subsequent "fleshing out" of the strategic planning process that makes up the all-important follow-up phase. The strategic plan only begins with the completion of the planning initiative. The process must be revisited frequently and with great discipline for the essential plan to become accomplished fact.

STRUCTURE

The strategic planning process has two main elements: the preparation and the planning session. The preparation is homework and can take a week or six months to complete, depending on how much of the information necessary is organized and available. The last thing any catalog company should allow is a consulting firm to come into the company and assemble the data and information necessary for the planning process. If the company itself can't do the homework, nothing will be learned or gained. The process *is* the preparation; the preparation *is* the process.

The planning session is the culmination of the preparation. It often takes anywhere from two to five days to accomplish, rarely longer. Half the battle is to distill the strategic positions into thoughtful crystal clarity prior to the planning session so that the collegial understanding and management buy-in is near universal. Ideally, the planning session is held off-site, preferably somewhere having attractive amenities. Sessions held in Bermuda, for instance, are usually fabulously productive.

Both the preparation phase and the planning session require form and function. The formats for the individual homework contributions are prescribed; the formats for the discussion sessions are prescribed; nothing is left to whim, chance or choice. The only way to arrive at a disciplined process is to describe and manage the process. Spontaneity and individual innovation are absolutely encouraged, but the process must adhere to a known and expected agenda. Free-form brainstorming sessions are accomplished well in advance of the planning session. The brainstorm atmosphere is found in the preparatory phase; the final planning session is carefully structured to gain understanding, agreement and universal buy-in among senior managers to the strategic directions and goals.

PLANNING PROTOCOL

The protocol for strategic planning is both a structural format and a written guideline for assembling the historical performance information, the future positions, and the action elements of the one, two and three year perspectives.

The proprietary and copyrighted protocol used by Libey Incorporated is one that has been developed experientially; that is, out of over twenty-five revisions from actual strategic planning projects. It is exhaustive and detailed; it is lengthy and requires considerable work; it is also unique in that it develops fully in the final "coming together" of the planning session. The horizontal and vertical nature of the positions and conclusions mesh almost automatically if the preparation has been well done. The strategic goals unfold and "develop" and become evident through the working of the process.

The three general sections of the protocol are:

1. Identity: What the company is now;
2. Analytic: What is known about the company
3. Redefinition: What the company will become.

Within each major section of the protocol are specific questions, positions to be expanded upon, and views of changes taking place in the company, the industry, the catalog channel, the markets, and the product concentrations. These positions range from specific performance issues to broad economic, industry, E-commerce, social and political influences, to market-driven, product-driven, production-driven, technology-driven and customer-driven influences.

As the planning protocol proceeds, the issues and positions influencing the company are sorted, ordered, valued and prioritized on a collegial basis by the participants. Increasingly, participants focus on the most important issues influencing the present and the future of the company from both the tactical and profitability perspectives. Finally, the protocol distills the critical strategic issues to the top strategic goals as agreed upon by the planning participants. In this distillation manner, the protocol prioritizes product initiatives, market initiatives, investment initiatives, acquisition initiatives, and all other strategically important decisions the catalog company faces over the defined planning horizon.

CONCLUSIONS

Strategic planning is not needed by every catalog or services company; it is, however, essential for catalog companies and outsource services companies experiencing slowdown or growth, market shrinkage or expansion, international expansion, product expansion, and those companies answering the question, "Where should we be going?"

Generally, strategic planning is essential at each of several growth "knotholes" catalog companies go through. These knotholes tend to be at \$10 million, \$20 million, \$40 million, \$60 million, \$100 million, and every \$50 million in sales thereafter. Each of these annual sales levels usually demands a major reorganization of the corporation; strategic planning serves as the road map for those periodic and normal reorganizations.

Strategic planning is the domain of the CEO. It is "steering rudder" work versus "oar" work. As such, preliminary, in-depth discussions of the CEO's vision of the future, plans for the company's growth, and a complete frank and open discussion and understanding of the "end game" with the strategic planning consultant are essential before beginning the preparatory phase. Only then can the strategic consultant and the CEO together achieve a strategic plan that appropriately addresses the foundations and future directions of the catalog company.

Donald R. Libey will be pleased to assist CEOs with their consideration and exploration of strategic planning benefits, the process, and the facilitation of the planning project. Our expertise is derived from a long history of catalog development and management, senior executive, CEO and board level experience, and the facilitation of numerous strategic plans for well-known business-to-business and consumer catalog companies. We encourage CEOs to call (207) 594 6600 (direct dial) and to talk with Mr. Libey for a no obligation analysis of planning benefits for your catalog company.

The full 55 page Strategic Planning Protocol will be provided to CEOs for their use in preparing for a full strategic plan after they have discussed their preliminary plans with Mr. Libey and entered upon an agreement for planning services.

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