

Strategic Plan, 2014-2016

Berrett-Koehler Publishers and The Berrett-Koehler Group, Inc.

Executive Summary

Over the next three years, Berrett-Koehler Publishers is committed to sustaining profitability, benefiting all of our stakeholders, and advancing our efforts to create a world that works for all.

However, the publishing industry is undergoing disruptive change, and our current business model is likely to become unsustainable in the foreseeable future. This plan is designed to build resiliency into our operations, helping the organization anticipate and adjust to the changing environment without jeopardizing profitability. Executing this plan will require investing time, money, and other resources in a variety of initiatives intended to develop new revenue streams, strengthen the BK ecosystem, and increase our impact.

This plan outlines five core strategies: **Build Our Brand, Monetize Our Content, Connect with Customers, Collaborate with Authors**, and **Commit to Diversity and Inclusion**. The pages that follow outline the essence of each strategy and offer recommended tactics and possible timelines.

This plan represents the efforts of the Strategic Planning Team, informed by the views of hundreds of others, to set a course for Berrett-Koehler for the near term. The central goal of the 2013 planning process was to identify high-level strategies and suggest a range of possible tactics and related objectives that will help Berrett-Koehler Publishers, Inc. operationalize those strategies. The core strategies have been approved and endorsed by the staff, management team, and board. However, the tactics, timelines, and investments proposed here are recommendations—not a mandatory roadmap. This plan is not intended to replace BKP's annual business planning process. It is the management team's responsibility to decide each year, as part of its business planning practices, which tactics will be the principal focus for that coming year, and who will be responsible for executing those tactics. Chosen priorities could be any number of tactics and tasks broadly imagined by this plan. The management team might decide, for example, to focus on just one tactic supporting any given particular strategy in one year, or it might choose to focus on a particular tactic that is not included in the strategic plan because it emerges later—as long as that tactic advances one or more of the core strategies identified in the plan.

The Board of Directors of The Berrett-Koehler Group, Inc. (BKG), the parent company of Berrett-Koehler Publishers, may elect to undertake additional strategies to advance its broader vision. Recommended strategies for BKG are beyond the scope of this plan.

Financial Expectations

BK management believes that, in order for Berrett-Koehler Publishers to be sustainable over the long term, BK needs to generate sufficient profit and cash flow from its operations to not only support ongoing operation of the business but to also fund (1) reducing company debt, (2) building cash reserves, (3) providing incentive compensation to employees, (4) making substantial contributions to the Employee Stock Ownership Plan (ESOP), (5) offering stock repurchases and dividends that give shareholders a means of receiving a return on their investment, and (6) making charitable contributions that support BK's objectives. BK management estimates that the minimum annual profitability required to meet these needs is \$300,000 of pretax profit (defined as revenues minus cost of sales and minus operating expenses) after subtracting approximately \$200,000 per

year for expenses named above that are operating expenses: ESOP contributions (which are a principal vehicle for stock repurchases), incentive compensation, and charitable contributions. This is an annual average over a five-to-ten-year period; that is, BK could be sustainable if it falls below this level of profitability in some years as long as it makes up for that shortfall by a commensurate increase in profitability in other years. BK fell below this sustainable level of profitability during the recession of 2008 and 2009 but met or exceeded this sustainable level of profitability in 2010, 2011, and 2012. So this level of profitability is achievable but also a challenging target, especially when economic forces work against it.

This target level of profitability does not include any provision for investments in the new initiatives suggested in this strategic plan. As explained above, the annual business planning process will determine which of the recommended tactics under each strategy the company will actually pursue each year and how much investment to allocate to launch and develop each new initiative. These up-front investments will need to be funded either from new investment capital raised by the company or from BK profitability that exceeds the target level of profitability detailed above. In some cases the company may decide to undertake specific initiatives with the expectation that they will increase BK's profitability down the road (during the five-to-ten-year period) and thereby prove financially sustainable, even though current levels of profitability do not exceed the target levels.

Measuring Success

The impact and effectiveness of the strategic plan and BK's progress in carrying it out will be measured broadly by three criteria: (1) success in sustaining profitability (as specified above) from 2014 through 2016; (2) progress in benefiting all stakeholders; and (3) progress in advancing BK's efforts to create a world that works for all.

On a tactical level, the impact and effectiveness of the strategic plan and BK's progress in carrying it out will be measured by (1) the degree to which brand thinking and action are woven into the fabric of all parts of the enterprise; (2) the company's success in developing new revenue streams from new and existing content; (3) the company's success in reversing disintermediation from our customers by instituting new and more effective ways to share, engage, and partner with our customers; (4) the extent to which we are helping authors grow their businesses, their brands, and their impact; and (5) whether we have identified and implemented proactive diversity and inclusion practices in all areas of BK's business.

As part of its annual business planning practices, the BK management team will each year determine appropriate goals and objectives for each strategy and will review its progress toward achieving those goals and objectives quarterly. It is assumed that all strategies and any tactics will be pursued in full fidelity to BK's stated values.

Mission, Vision, Values

The following statements are working drafts that have been the subject of much discussion and debate. We expect the Brand Task Force recommended below will develop proposals for final adoption by the end of 2014.

Mission: Creating a world that works for all.

BK Group Vision/Business: We are a company and community dedicated to helping people learn, publish, connect, speak, consult, teach, convene, and organize to advance stewardship, partnership, quality, and sustainability in their lives, organizations, communities, and the world.

BK Publishers Vision/Business: We are a content provider that curates ideas and collaborates with their creators to produce, promote, and distribute content worldwide in a variety of formats. We challenge conventional thinking, introduce new ideas, and foster positive change within individuals, organizations, and society at large.

We succeed as a business through our commitments to these values:

Quality. Individually and collectively, we develop and use to our fullest ability the talents, capabilities, financial means, and other resources of all types that we now have and could develop. We are continually learning, growing, and progressing. We give our best efforts and performance. We take initiative to meet needs and make the most of opportunities. We create systems to do things well. We add value in all that we do.

Stewardship. The role of each employee is to act as a steward or trustee—serving the interests of others and the whole—rather than acting as a self-serving owner in administering the wealth, powers, and other resources entrusted to that person, group, organization, or community. The emphasis is on choosing service over self-interest, sharing responsibility for the whole, seeking the common good, supporting diversity and inclusion, and not consuming more than one needs.

Partnership. We accomplish our objectives and relate to others—including adversaries, subordinates, and the disadvantaged—through collaboration, invitation, dialogue, respect, openness, integrity, mutualism, and other dimensions of a partnership relationship rather than through compulsion, force, coercion, violence, or other manifestations of a hierarchical relationship. We seek to abolish class systems (wherein one group has an enduring structural advantage over another group) in all areas of organizations and society, including ownership, wealth, belonging, power, accountability, compensation, and access to information and resources.

Sustainability. We commit to establishing lifestyles, organizations, institutions, communities, economic systems, environmental systems, food systems, political systems, and other ways of living and interacting that are sustainable for generations going forward. Sustainability includes many dimensions, such as preserving the commons, using resources wisely, preserving biodiversity, respecting all forms of life, and avoiding war, speculation, enslaving debt, and other things that create destruction, dysfunction, and bondage.

Diversity. We value the many kinds of differences and similarities among people to foster inclusivity and diverse perspectives in how we operate our business, how we seek to create a world that works for all, and which communities are engaged in these efforts.

Five Strategies for 2014-2016

1. Build Our Brand

What? Define Berrett-Koehler's identity—its promise to stakeholders and reason for being—and weave brand thinking and action into the fabric of all parts of the enterprise.

Establish a unified view of the organization's intent and the means it pursues to achieve results. Use the brand promise to drive how the company operates every day, in every way. Identify and eliminate any discrepancies between the business and the brand. Ensure all verbal and visual communications from BK are coherent and consistent in their expression of the brand. Underscore BK's identity through brand-extending initiatives.

Why this strategy?

Berrett-Koehler is seen within the existing BK community as having a strong identity and owning its niche in the content it delivers. A broadly recognizable brand that clearly articulates our promise will attract notable authors and capture a larger market of consumers engaged in managing change. Stakeholders and advisors have widely stressed that building the brand represents a significant opportunity to reinforce what BK stands for, thereby deepening and broadening our impact. Creating an explicit and coherent brand strategy will strengthen BK's ties to all current stakeholders and will attract others to the community and to the products and services we deliver.

Recommended Tactics

Define the brand (2014)

- Form and empower a Brand Task Force (to include members of staff and board, plus authors and brand experts from our community) to establish and execute a process for exploring our mission and vision, seeking stakeholder input, and defining the brand promise.
- Articulate *how* the company does what it does—how it delivers on its promise through the products it offers and how it offers them.
- Establish agreement among the staff and board regarding the nature and articulation of the BK brand. Define the desired brand relationship among the components of BKG.
- Determine how the brand should discipline all business practices (not simply its communications vehicles). Develop clear language and a message for company-wide thinking, behavior, and communication.

Integrate the brand (2014-2015)

- Organize the brand architecture, so that all parts of the organization have a unified approach to brand. Coordinate brand messaging across all manifestations of BKG.
- Amplify our brand through the other four strategies.
- Make deep understanding of the brand part of the on-boarding process for new employees; discuss it in staff, management, and board meetings; use it as the framework for how BK engages stakeholders; use it to direct social media; use it to guide our offerings and the various forms they take.

Ensure the brand promise (2016)

- Continue to use the brand to drive all our tactics.
- Use the brand promise to guide what businesses to build or acquire, and what industries and markets to enter, and how to enter them.
- Launch initiatives specifically intended to further solidify and underscore the brand. Publish “The BK Way” in print, podcasts, webinars, blogs. Aggregate new and existing content within a Huffington Post-style branded newsletter.

2. Monetize Our Content

What? Develop new revenue streams from new and existing content.

Modestly expand title acquisition. Publish and distribute BK content in new and emerging formats. Investigate the need for a robust content management system that will enable agile tagging, extraction, and dissemination of all available BK content. Repurpose portions of BK's existing and forthcoming titles, creating potential new revenue streams. Build new channels for ensuring BK content is available—worldwide—in the formats and languages customers increasingly demand.

Why This Strategy?

Despite the significant and accelerating transformation with the publishing industry, increasing BK's title count remains a proven way for us to increase revenue in a profitable manner while simultaneously expanding our impact and reach in pursuit of our mission. Additionally, since BK was founded more than 20 years ago, a host of new technologies has emerged that offer new ways to disseminate the ideas in BK books. Moreover, publishing has become a necessarily global business that demands anticipation of and responsiveness to local market needs. Many readers now obtain ideas that previously resided only in books through a number of new vehicles such as blogs, videos, and games—vehicles that are increasingly delivered via mobile technology. Overall, the potential to increase BK's profit by making the most of every piece of BK content—while simultaneously expanding our readership—is promising. Fully mining the content in BK products will not only increase profits but also advance our mission by spreading our authors' world-changing ideas more widely—and contribute to the successful pursuit of other strategies.

Recommended Tactics

Increase Title Count

Increase the number of titles published per year to expand coverage in individual, organizational, and societal levels of change. Explore creation of a new nonfiction storytelling line that includes content from diverse voices not currently featured by BK.

- 2014: 35-40 new titles and new editions
- 2015: 40-45 new titles and new editions
- 2016: 45-50 new titles and new editions

Repurpose content for new formats

Liberate BK's content from its current book-length format. Repurpose content in new formats of various lengths using different media, and/or by combining content from multiple authors. Test market response to several new content vehicles, to generate additional revenue per title.

- 2014: Research targeted market demand for possible new formats, and develop guidelines, checklists, and templates for two new products. Revenue neutral.
- 2014-2015: Research the need for a robust content management system and other tools required to support the tagging, extraction, and dissemination of BK's overall portfolio.
- 2015: Launch and track success of two new products. BK revenues from program = 2X additional investment devoted to program.
- 2016: Continue selling any successful products and test two additional products. BK revenues from program = 4X additional investment devoted to program.

Develop mobile and multi-media capability

Ensure that all outgoing BK electronic content and communications is “responsive” (i.e., optimized for mobile devices). Develop skills required to produce professional-quality multi-media products.

- 2014: Optimize website and all email communications for mobile devices. Produce professional-quality video products, collaborating with authors in different fields to develop saleable videos. Excerpt short pieces for promotional purposes.

- 2015: Produce 4-6 videos, working with 3-4 authors. BK revenues from program = 2X additional investment devoted to program.
- 2016: Produce 12 videos, working with 5-7 authors. BK revenues from program = 4X additional investment devoted to program.

Meet customer demand for availability

Ensure BK print and digital content is available in the markets, formats, and languages most primed for growth.

- 2014: Research and begin to implement a global print-on-demand program for our English-language publications; set up all available BK publications in the program. Research potential partnerships and titles most likely to succeed in individual markets in Asia and beyond, and launch in new regions as circumstances permit. Research models for producing digital audio products in-house. Research models for Spanish-language sales in the US and beyond. BK revenues from audio and international sales programs = 1X additional investment devoted to programs.
- 2015: Continue launching new sales partnerships in Asia. Produce and distribute 4 digital audio products. Test Spanish-language offerings of 5-10 selected titles. BK revenues from digital audio and international sales programs = 2X additional investment devoted to program. Spanish-language revenues negligible.
- 2016: Continue launching new sales partnerships in Asia. Produce and distribute 8 digital audio products. If testing indicates potential, expand to 20-30 Spanish-language titles. BK revenues from digital audio and international sales programs = 3X additional investment devoted to programs. Spanish-language revenues = 2X additional investment devoted to program.

Test online education options

Develop a line of learning paths and online courses featuring BK content and authors.

- 2014: Research potential partnerships with existing purveyors of learning paths and online courses, likely pricing guidelines, rights implications, and other aspects of this new business. Engage BK staff and leadership in determining whether and how to proceed. Revenue implications uncertain.
- 2015-2016: Action to be determined based on findings from 2014 research.

3. Connect with Customers

What? Find new ways to share, engage, and partner directly with our customers.

Connect more closely with our customers in order to mitigate the effects of disintermediation and drive direct sales and community engagement. Develop more efficient systems to share our repurposed content and foster engagement through our website and social media. Incentivize customers to connect with us, buy from us, and stay connected. Create partnership programs to support community members who connect our content with new customers.

Why This Strategy?

BK's dependence on print and digital distribution partners who mediate between the company and its customers—coupled with increasing consolidation and uncertainty within the retail environment—is potentially unsustainable. Fortunately, there is a large and growing opportunity to connect directly with customers through social media and drive discoverability of our content through content marketing. There are also major opportunities to partner with community members to increase our connections with customers. Connecting more closely with customers will

also provide significant data to enable BK to respond and adapt more quickly to changing customer preferences and needs. This strategy will also mitigate the threats to profitability posed by disintermediation. When we better serve our customers and connect with them directly, we increase revenue, strengthen our ties to a critical stakeholder group, and secure wider adoption of our authors' mission-driven ideas.

Recommended Tactics

Increase content marketing and social media outreach

Create systems to aggressively increase our social media outreach and content marketing by broadly distributing selected content, increasing the amount of free content on our website, and creating monthly webinars and other events to engage customers.

- 2014: Set up systems to enable effective sharing of (free) curated content. Increase social media promotion, content marketing on our website to improve customer engagement, and SEO. Offer monthly webinars to engage customers and collect email addresses.
- 2015: Create quarterly online summit events across multiple authors and books. Create BK-branded TEDx-like talks. Increase engagement on our website through "gamification" and enabling customers to comment on proposals for new titles. Use content marketing to support BK learning paths and to improve discoverability and build our brand in the education market.
- 2016: Develop an in-person conference once a year to support customer engagement. Create a system on our website through which customers may comment on and pre-order books as they are being written.

Master email marketing

- 2014: Research best practices for growing email lists and driving sales through email. Test email marketing with whitepapers, magazine-style content, webinars, exclusive offers, coupons, gift cards, and other devices. Identify and sign partnerships with digital distributors who share customer contact information. Develop and execute quarterly calendar for email marketing and results analysis. Research and hire an alternative to Constant Contact.
- 2015-2016: Refine email marketing practices based on ongoing research and past successes. Segment list based on specific interests (e.g., leadership, change methods, political economy). Approach partners and friendly publishers to propose reciprocal email promotion.

Incentivize customers to buy and connect with us

- 2014: Improve the sales tracking capabilities and customer service experience on our website. Create a BK Bestsellers list. Survey customers via links in our content to gather information (demographics, units of change data), and create incentives for customers to buy directly from us. Promote customization and site licensing on our website and through our authors.
- 2015: Promote the BK Bestsellers List. Implement more comprehensive offers to retain customers (coupons in packages going out, email marketing with special offers, etc.). Set up subscription services to subject areas or serialized book content.
- 2016: Further develop direct marketing capabilities and systems.

Create a partner network of sales ambassadors

Create a partnering program to provide special discounts, resources, and products tailored to support community members, consultants, facilitators, and coaches—stakeholders who would actively market and sell our content to their clients and contacts.

- 2014: Investigate setting up a partner program and create a proposal.
- 2015: Create infrastructure and products to support plan.
- 2016: BK revenues from program = 2X additional investment devoted to program.

4. Collaborate with Authors

What? *Help authors grow their businesses, their brands, and their impact.*

Invest in building new and deeper relationships with authors. Create businesses and systems that equip authors to build their brands, reach new audiences, and earn additional revenue through new income streams and increased print and digital sales. Help ensure BK's long-term sustainability by signing and cultivating new bestselling and international authors. Leverage and monetize BK's extensive skillsets educating and collaborating with authors.

Why This Strategy?

BK's collaborative relationship with authors is a major competitive advantage that is currently under-developed. BK authors report a desire for assistance in building their brands, their revenue streams, and their global reach; they are eager to collaborate with BK staff and each other to grow our collective impact. BK's current business model is heavily dependent on revenue from bestselling US authors. Signing more high-profile authors will help ensure BK's long-term sustainability, and developing and supporting an international author base will both advance our mission and prepare us for future growth in emerging markets. Well-informed, well-educated authors are happy, successful authors. This strategy will strengthen BK's financial position by providing additional sources of revenue from new and traditional business models. Additional profits will benefit most stakeholder groups, and authors will benefit in particular through increased revenue and stronger personal brands. These tactics will help create a world that works for all by spreading BK ideas more widely, both in the US and across the globe.

Recommended Tactics

Build a speakers business

Create a revenue-generating function within BK that proactively secures paid and unpaid speaking events for authors, coupled with an efficient system to sell books, e-books, and other digital content.

- 2014: Research to determine potential profitability. If research supports viability, design and launch the business. Revenue neutral.
- 2015: BK revenues from program = 2X additional investment devoted to program.
- 2016: BK revenues from program = 4X additional investment devoted to program.

Build a global authors community

Create relationships and systems that will support US authors in their efforts to expand their impact internationally and help recruit and support viable international authors. Provide financial and technical support for author efforts to pilot networking in person and at-a-distance. Facilitate author speaking beyond the US. Aim to sign two new international authors each year.

- 2014: BK-branded author webinars and mini-retreats in Asia-Pacific region. \$10K in new revenue.
- 2015: Network expanded to include 50 BK and new-to-BK authors. \$50K in new revenue.
- 2016: Program expanded to Central and South America. \$100K in new revenue.

Recruit high-profile authors

Launch and sustain a campaign to recruit more high-profile authors. Publicize BK's new advance practice; circulate stories of BK's unique practices and endorsements from authors. Enlist BK's franchise authors in recruitment efforts, and target agents and industry media to help raise BK's profile. Aim to deliver semi-annual royalty reports and payments.

- **2014:** Design, launch, and execute publicity and recruitment campaign. Build infrastructure to support semi-annual royalty reporting and payment.
- **2015-2016:** Two new authors signed each year each whose books sell 50K units in first year. Implement semi-annual royalty reporting and payment.

Educate authors

Develop systems for providing more robust sales reporting to authors. Develop systems for providing on-going training to BK and non-BK authors regarding social media, how the bookselling and speaking marketplaces work, and how to build one's brand and platform.

- **2014:** Launch enhanced reporting platform. Quarterly tip-sheets and webinars.
- **2015:** Monthly tip-sheets and webinars. Design ways to monetize program for non-BK authors.
- **2016:** Launch quarterly paid author training engagements open to all authors.

5. Commit to Diversity and Inclusion

What? Identify and implement proactive diversity and inclusion (D&I) practices at all levels of BK's business.

Educate staff on the expanded definition of D&I, including worldwide class and economic diversity, disabilities, work styles, cultural competence, and geographic origin—beyond, but including, race, gender, age, and sexual orientation. Make a business case for D&I. Take action to bring D&I mindfulness and practice into each stage of BK product development. Promote diversity within each stakeholder group.

Why this strategy?

Although BK acknowledges that D&I is critical to its mission, the company lacks diversity in many obvious ways. In an increasingly globalized world, creating a platform that is inclusive of all viewpoints will be a necessity to remain competitive in the publishing marketplace. As widely documented in BK books, a comprehensive commitment to D&I leads to a more loyal customer base, more productive and committed employees, enhanced reputation, increased sales, and improved service. Creating an environment in which diverse voices are represented and respected will open up each stakeholder group for members to share their talents, perspective, knowledge, and experience, creating broader and more meaningful positive change in the world. This strategy will help ensure that no existing member of the BK community is voiceless, and every possible new member is welcome. Keeping D&I at the forefront of BK business decisions will steer us toward building a world that truly works for all.

Recommended Tactics

BK has formed a staff D&I Committee, which is now conducting an initial assessment process. The tactics, revenue projections, and benchmarks indicated below will evolve in the context of the committee's work in 2014.

Assess BK's current D&I practices and elevate effectiveness

- **2014:** Conduct staff education on D&I. Create and educate staff on the business case for D&I. Complete internal assessments of each category and take immediate action where possible to address critical areas. Develop plan and project investment required for scope of work in 2015 and 2016.
- **2015:** Categories identified as most critical to have moved up at least one level of the *Global Diversity and Inclusion Benchmarks*.

- **2016:** Selected categories of the *Global Diversity and Inclusion Benchmarks*' 13 categories attain 75% benchmark, or better.

Widen range of outreach, including events

- **2014-16:** Reach out to 10 BK community members to represent us at an event, conference, or through other networking vehicle (such as blogs or social media) to locate new voices and thought leaders to introduce to BK.
- **2014-16:** Identify three events or conferences each year attended by an underrepresented group of potential authors and customers. Determine if it would benefit BK, either financially or in terms of community outreach, to exhibit at these conferences in 2016. Estimated sales revenue from new events or conferences = additional investment during the 3-year period.

Expand the number of communities in which BK has a new a presence

- **2014:** Identify influential members from three communities with which BK has an affinity but to which it does not currently have a strong connection. Invite them to BK offices to learn how best BK can respond to their communities' needs. Hold quarterly BK stakeholder gatherings to get to know other, new organizations. Set up a system for BK community members to act as ambassadors who can reach out to other communities, attend community events, participate in blogs, social media, and other information-sharing methods. Provide ambassadors with a toolkit of resources to share with new communities.
- **2015-16:** Annually increase by three the number of additional communities reached, and double the number of meetings and events attended in new communities. Hold events co-sponsored by community organizations. Estimated sales revenue from new community members = additional investment during the target 3-year period with additional projected future growth.

Supporting Strategic Execution

The following steps are recommended to ensure the implementation of this strategic plan.

1. Develop methodology for measuring impact (Units of Change)

The development of one or multiple methodologies for measuring impact is underway. A Working Group prepared several proposals for discussion at the 2013 Whole Systems Event; an Open Space group at the event developed further proposals for action. The next step is a session at the Authors' Retreat in October. The formation of a formal task force to sustain this momentum and develop a comprehensive proposal for measuring impact is recommended.

2. Implement a system for ongoing strategic thinking

BK will need support, in an ongoing and systematic way, to collectively anticipate and adapt to ongoing change and related organizational needs. The formation of a cross-departmental team, to include board representation and external stakeholders, is recommended. The group should meet at least quarterly and create recommendations for review and action by staff and board. The group's dynamic agenda should include topics *to watch*, topics *to investigate*, and topics on which *to initiate action*. Regular dialogue and mutual support among this group and the Management Team and staff, as well as the board when appropriate, will be essential.

3. Develop a systematic process to identify activities and practices to eliminate

Create an intentional, routine internal review of BK work processes to see where we might achieve efficiencies. (The process does not need to be elaborate, as BK staff already informally shifts priorities and occasionally deemphasizes or even eliminates activities.) Begin with a staff survey to identify possible areas to investigate. Contact current vendors to determine if their services can incorporate some functions now performed in-house. The process should include accountability to the full staff and periodic reports to the board.