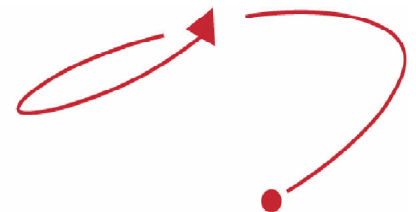


241 Central Street
Hingham, MA 02043
Voice 781.749.3292
800.806.8518
Fax 781.740.8134
www.ceoexchange.com

A CATLIN & COOKMAN GROUP CASE STUDY

The Profit Spiral™ Planning Process Quickly Adds to Circles' Top Line

CEO Janet Kraus discusses the highly positive impact the Catlin & Cookman Group's unique planning process has had on Circles, an innovative provider of loyalty programs. Along with helping Kraus redefine her role as the firm's CEO, the Profit Spiral resulted in immediate top-line growth.



CATLIN & COOKMAN GROUP

Mastering the Art of Corporate Growth

Circles' loyalty programs have revolutionized how corporations build life-long relationships with customers and employees. Founded in 1997, the Boston firm provides concierge services to a growing client list that includes such well-known companies as British Airways, JPMorgan Chase, Unilever Best Foods North America, Pepsi-Cola North America, BMW, and Nokia.

As Circles entered its fifth year, CEO and co-founder Janet Kraus saw a need to clarify the vision of what the firm should strive to achieve in the next few years. Having found great value from participating in one of The Catlin & Cookman Group's CEO Forums, Kraus turned to the Catlin & Cookman Group partner Bouzha Cookman for assistance in developing a new approach to planning and managing growth at Circles. Working with Cookman, the Circles management team put in place the Profit Spiral™, the Catlin & Cookman Group's foundation framework for growth. In this interview, Kraus talks about the top-line growth that immediately resulted from this planning process. She also talks about how working with the Catlin & Cookman Group helped her re-define her leadership role from what was right for Circles during its money-raising stage to what is needed as the now profitable company positions itself for further growth.

Why did Circles need a new way to plan and manage growth?

About a year and a half ago a small group of the management team recognized that we needed to reposition the company and develop a new vision of what we wanted to be. That small group did some conceptual work with a management consulting firm, which produced some good thinking and set a good direction.

What we really didn't have, however, was an internal process for translating the vision so that everyone else at Circles would understand it in a meaningful way and be able to set their priorities to work toward that vision. Also, I recognized that in this bad economy, nothing is more important for a CEO to focus on than top-line growth. So we spent the first 18 months of this poor economy on getting the company solid, stable, and profitable. Once everything was in good order, then our focus became top-line growth.

Please walk us through the planning process that you went through with the Catlin & Cookman Group.

Our planning began by using the Catlin & Cookman Group's Profit Spiral process methodology, which starts with three advances (the Catlin & Cookman Group's name for off-site planning meetings). The first two sessions involved the management group thinking about where we want to be 10 years out and then three years out. We established the mission statement and our key business planning assumptions.

From those sessions we produced what we call our foundation document, which contains our mission, our 10-year BHAG (big, hairy, audacious goal), a three-year vision, and key assumptions about the state of the market, our business, our clients, our opportunity,

our core competencies, our investors, and other essential factors. The foundation document also includes our values statement, which we had developed when we founded the company. Then in the third advance, we brought that information to the next level down and got them to start writing their departmental missions and visions. Out of this grew departmental goals that we formed into the Profit Spiral's Annual Operating System, which we are using to track our progress and update our plan throughout the year.

I think of the foundation document as the document that got everyone aimed at the right peak on the

THE PROFIT SPIRAL™

MARKET & CUSTOMER FOCUS

What are our highest potential markets and why?

MISSION

What is our purpose? What is our unique contribution?

VALUES

What do we stand for?

VISION

What do we want to achieve?

STRATEGIES & ACTION PLANS

How will we get there? Who is accountable?

STRUCTURE & PROCESSES

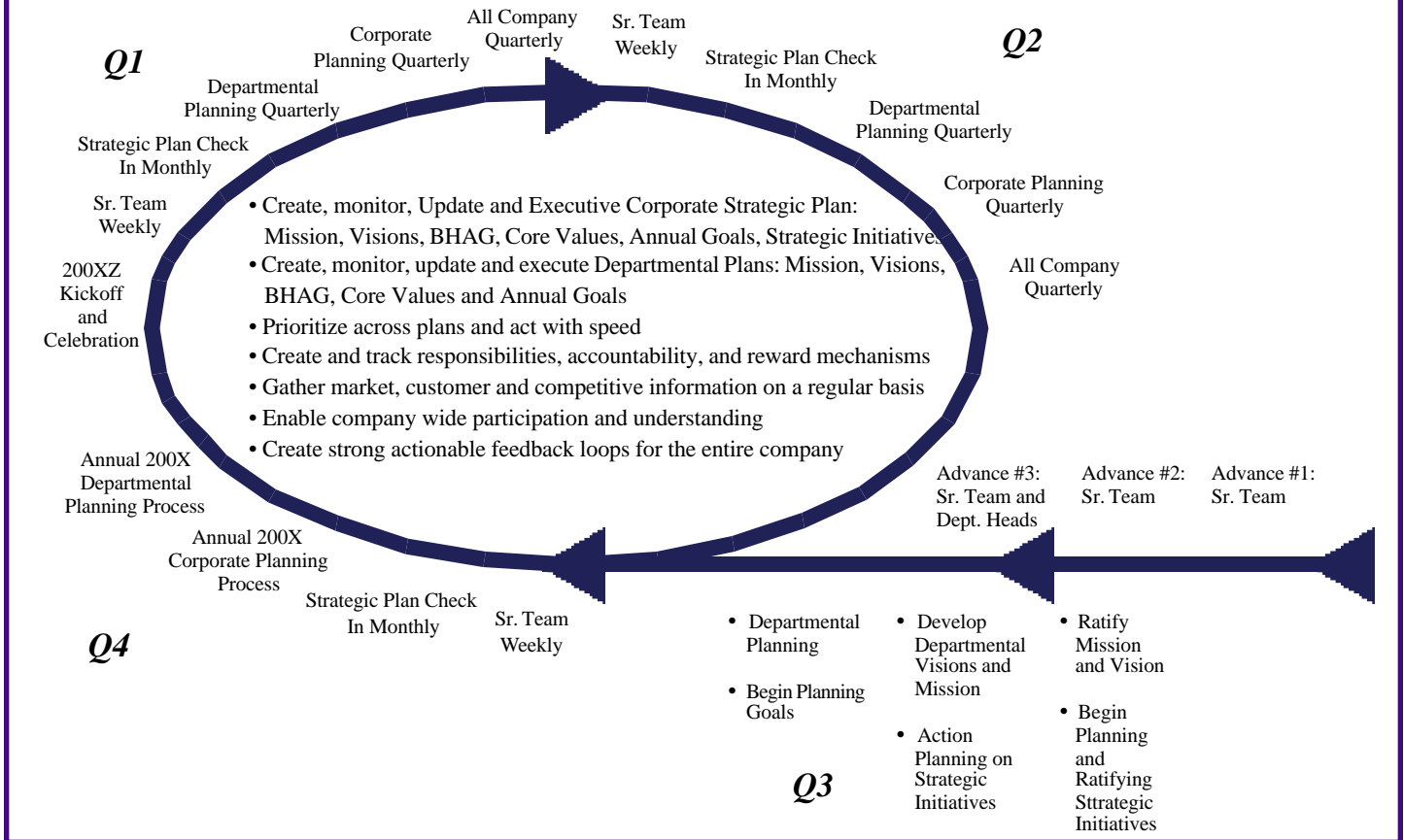
What is our Operating and Performance Management system?

CULTURE

How does our environment inspire high performance?



THE PROFIT SPIRAL™ CIRCLES ANNUAL OPERATING SYSTEM



mountain. Then, we created a quarterly milestone chart, which consists of five pages in Excel organized by five major company themes. Eighty percent of the work that is happening here is rolled up cross functionally into one of those five themes. This milestone chart essentially highlights all the major work efforts at Circles. Having this one document is very powerful. It minimizes conversations about what are we working on; everybody knows what we're working on because it's right there in those five pages.

What other benefits have you seen from using the Catlin & Cookman Group's planning process? There is a great benefit in working with someone like Bouzha, who really understands the content of what

we're struggling with. Also, she is giving us the tools and the process we need to make the information in our foundation document a living thing for our company. It was like being given the roadmap that

"...in the first quarter of this year we have more prospects that are squarely the prospects we want...[that's] because of the process we went through to get very clear on what our target market and our value proposition are and to get the whole company aligned around that. That wouldn't have happened without the Catlin & Cookman Group."

says, "If you get this done by this date, then you'll be able to get this done by this date." That's not my strength. My strength is doing the creative thinking and getting out there and selling it and motivating people.

What I've come to learn, though, is that I like the tactical process stuff if I know what it is. I don't like to make it up, but if you hand me something, like the Catlin & Cookman Group has done, and I believe that it works, I'll get up in the morning and do my eight tactical things and I'll feel that I've really accomplished something.



THE PROFIT SPIRAL™ CORPORATE PLANNING PROCESS



How did this experience with the Catlin & Cookman Group compare with the one you had with the other management consulting firm you had worked with?

It wasn't even remotely similar. With the first firm, they went out and did some outside work and also listened to us and then packaged it up in a presentation.

Then I communicated to other people what that package was. It wasn't an interactive, collaborative process like our work with the Catlin & Cookman Group has been.

With the Catlin & Cookman Group, they're not setting your strategy, they're not doing your market research, they're not coming up with how big the market is and where some new thoughts might be. They're setting you on the process to do it yourself. And it's a learnable process that you can repeat again and again.

“Going through the planning process also led us to develop new products and change the way we sell.”

Have you seen top-line growth as a result of the planning process?

Yes, probably the most important thing to come out of the process is that in the first quarter of this year we have more prospects that are squarely the prospects we want. We've had prospects all along, but they weren't all qualified and they didn't all lead to sales.

Now, we have *exactly* the prospects we want. Their corporate imperative closely matches our focus. As a result, their level of understanding of what we're saying is so far

higher than it was with the prospects we had before. And all of this is because of the process we went through to get very clear on what our target market and our value proposition are and to get the whole company aligned around that. That wouldn't have happened without the Catlin & Cookman Group.



In this economy, we have to maximize minimal resources. We can't afford to have a lot of resources thrown against a problem. The Profit Spiral process facilitates this by virtue of the fact that it is a cascading process that starts with management team and moves down to next level. Each person is hearing the vision, the strategic initiatives, and the outcomes of the strategic initiatives multiple times so everyone is aligned. We don't waste time with everyone trying to get on the same page. As a result, when a prospect comes through the door, people know how to marshal their efforts against it quickly without spinning wheels.

Going through the planning process also led us to develop new products and change the way we sell. We have two markets with different value propositions, the employee loyalty market and the customer loyalty market. The way we've sold the employee loyalty business was actually good; it worked for that market. The way we were selling customer loyalty used some of the principles of employee loyalty but we've realized that it's a much more strategic sale. We need to start higher up the ladder and in multiple places; we should have two or three conversations going on at the same time. And we really hadn't done the work to map out who calls whom first, who says what thing. So we're changing that.

“...the [Profit Spiral] process helped us identify whether we had the right people in the right roles. That kind of thing ends up having a big impact on the bottom line.”

How did the planning process lead you to that?
When we were writing the vision and started explaining how we're going to get to the vision, we started talking about what sales is going to look like in our ideal picture of the future. In our foundation document, as an example, all we could get to in the visioning process was “The ownership and management of client between sales and client services is well defined.” That statement says it's well defined, but we knew that it currently was *not* well defined. So the “to do” list we came away with included that we needed to define how sales and client services own and manage clients.

Another example of how the need to change how we sell started to manifest itself is in what I think is one of the major shifts for us; it's expressed in a line in the foundation document that says “Circles is a marketing driven, marketing services company.” We were operationally driven for the first five years, but now we're saying that what we do is provide marketing services, the fulfillment of which manifests itself in excellent quality of service. Just writing that sentence led us to hire this incredibly powerful VP of marketing, who has the ability to create products and get them out to market quickly. We might not have done that if we hadn't written that sentence that way.

CIRCLES EMPLOYEE FEEDBACK ON THE PROFIT SPIRAL™ PROCESS:

- “We have new confidence about the company from seeing the vision, structure, and alignment.
- “It has given everyone a sense of purpose.
- “All seemed to evolve and come together; the foundation documents and the vision helped focus department plans so all came together.
- “The mindset is shifting in my group to think more strategically and proactively.
- “People feel empowered as part of the process and vision and clear on roles and structure.
- “Since the entire company is educated on where we are going, a lot of white noise has been taken out of the decision-making process – decisions are made more effectively and more consistently.
- “We are all on the same page with the same priorities and can prioritize resource management
- “Helps me manage people proactively.
- “The clarity of goals makes me feel supported and able to support other departments.
- “I was really impressed with the structure of the process.
- “Fantastic learning experience – couldn't get from an MBA class. I'm already more effective and focused.



In other words, the process helped us identify whether we had the right people in the right roles. That kind of thing ends up having a big impact on the bottom line.

Were there other key learnings about your company that came out during the planning process?

One major learning was about the power of planning. Historically, our planning had been a spreadsheet with a list of to do's and an allocation of the resources needed to get those things done. But it had no vision or strategy attached to it. I just kept disconnecting from it because it wasn't strategic planning; it was tactical planning.

Now I actually know how to do a strategic operating plan. Previously, I knew how to do a business plan, but that's not the same as a strategic plan, which I didn't know how to do before we went through the Profit Spiral process.

What about the value of the planning work to the rest of the management team and the employees?

It's been really, really good. The whole team has learned how to plan for meetings better; we've learned how to write good agendas and stick to them. We've learned how to ask in advance if we don't know what the meeting is going to be about so we can prepare well. We've learned new techniques to generate and process innovative, creative ideas that we use all the time. All of these things are things that we learned from the process, which will be helpful in every single meeting we have throughout the year

As a first-time CEO, what has been the value of going through the planning process for you personally?

My job for four years was essentially raising money 80% of the time and the rest was about providing enough vision and enough excitement that people would follow. But you get to a certain point and that's not enough. That is what you do in the first certain number of years and then you get profitable and have money in the bank and you need to go to a new place as CEO, to a new level. And I had 200 people who seemed to be working fine so I didn't want to bother them with my concerns about what my role should be now.

“Historically, our planning had been a spreadsheet with a list of to do's and an allocation of the resources needed to get those things done. But it had no vision or strategy attached to it...Now I actually know how to do a strategic operating plan...which I didn't know how to do before we went through the Profit Spiral process.”

I was struggling with what my job is and how to do it. It wasn't really at the point yet that I was burned out or unmotivated or wondering if I could do the job because I had a belief that I could. But I just didn't know what it was; literally what should I get up in the morning and do? Now, thanks to the planning process, I say, “Okay; I have these six things to do. Great, let me do those.” The process totally defined my role.

As you went through that process where did you begin to get clarity about what your role as CEO should be?

I remember when I said in a meeting, “I think I can scale now!” I didn't feel so haphazard and so accidental. It was probably at the end of the third advance when we were sharing all of this with the next level down and suddenly I could see all of these 30-35 people getting it and knowing that they had marching orders about what to do to get our company to the next step.



Catlin & Cookman Group: Corporate Profile

Building a Community of CEOs Who Are Growing Great Companies

In today's fast-paced world, CEOs have the toughest job of all. While it's both exciting and rewarding, it can also be extraordinarily challenging. Where do CEOs turn for guidance? Since 1989, CEOs of emerging-growth companies have come to the Catlin & Cookman Group for our unique expertise and resources – proven methods and frameworks to plan for and manage growth and change. Our sole focus on the CEO experience sets us apart, and the highly targeted resources we offer – CEO forums, consulting processes and practical tools – are developed exclusively for CEOs who are committed to growing great companies.

High-Growth CEO Forums™

More than ever, CEOs need a group of peer advisors to help grapple with issues they can't discuss with their teams or Boards. Our unique Forums are tightly-knit groups of CEOs from similar stage companies who meet quarterly to discuss their business challenges, advise each other about critical decisions, and develop best practices for managing growth. Our focus on customizing agendas to address members' real-time, bottom-line issues keeps the group accountable and the payback measurable. And, through our licensed partners, we are growing the number of High-Growth CEO Forums worldwide, creating a powerful, wide-reaching community of over 70 venture-backed CEOs.

High-Growth Consulting

To succeed, CEOs must create a shared vision and strategy with the executive team – and then execute ... flawlessly. We work closely with CEOs to define their strategic vision and annual plans, build and align executive teams, and create the organizational design, operating system and culture for impeccable execution. Our systematic, proven frameworks for growth deliver measurable results.

***Building the Profit Spiral®** Our foundation framework. Uncovers impediments to growth and helps CEOs and their executive teams create and implement strategic plans that include market focus, mission, values, vision, strategies, structure and culture — and an operating system to make sure the plan works. The result is the path to extraordinary growth.*

***Building the Executive Team as Leaders of Growth®** Defines the key responsibilities of the executives beyond their functional roles and develops a highly-focused and exceptionally strong team capable of leading the company to successful growth, breakthrough innovation and maximized profits.*

***Building the Awesome Organization.** Drives the strategic plan down into the organization – ensures that the critical metrics, operating processes, culture and activity alignment exist to execute the plan.*

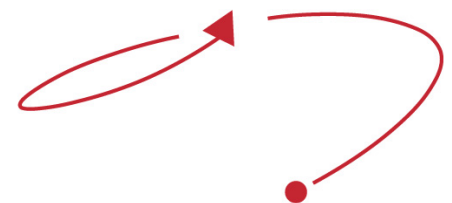
Thought Leadership

Our deep understanding of the high-growth CEO experience is reflected in our books, articles and seminars – and on our website, www.ceoexchange.com.

***Books:** **Leading at the Speed of Growth: Journey from Entrepreneur to CEO** (Wiley, 2001) and **Building the Awesome Organization** (Wiley, 2002) by Founder Katherine Catlin and Jana Matthews.*

***Seminars and Speaking Engagements:** “Growing Your Company: The CEO's Challenge,” a two-year, 7-part series for the Massachusetts Software Council, “The New Breed of Leader” at the Future Forward Conference, “Planning Bootcamp,” and many other engagements.*

Clients Include: Anaqua, Antenna Software, aPriori, Authentica, Authoria, Avotus, Bluespec, Circles, Concord Communications, Constant Contact, e-Dialog, Empirix, eRoom Technology, Experience, I-Logix, Inmagic, iRobot, LiveVault, PeopleCube, Monster.com, mValent, OneSource Information Services, PanGo Networks, Pantero, Soundbite, Steelpoint Technologies, The MathWorks, VFA, Sevin Rosen Funds, Polaris Venture Partners, and North Bridge Venture Partners



The Bottom-Line Impact Experienced by our Clients

High-Growth CEO Forums™

“The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being.”

Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million. He was also E&Y Entrepreneur of the Year winner in 2003.

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member.

“The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board, not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships.”

Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003

“The Catlin & Cookman Group’s High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award.”

Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001.

“Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement.”

Gene Robinson, CEO of I-Logix, Inc

High-Growth Consulting

“I’ve always been an entrepreneur, and one of the things I learned early on was that I couldn’t get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world.”

Jeff Taylor, Founder and Chief Monster, Monster.com

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

Tod Loofbourrow, CEO of Authoria Inc.

“When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team.”

John Rizzi, CEO of e-Dialog

