

Crossroads Diversified Services, Inc.

Strategic Planning Process

Crossroads Vision 2015

Strategic Planning Process

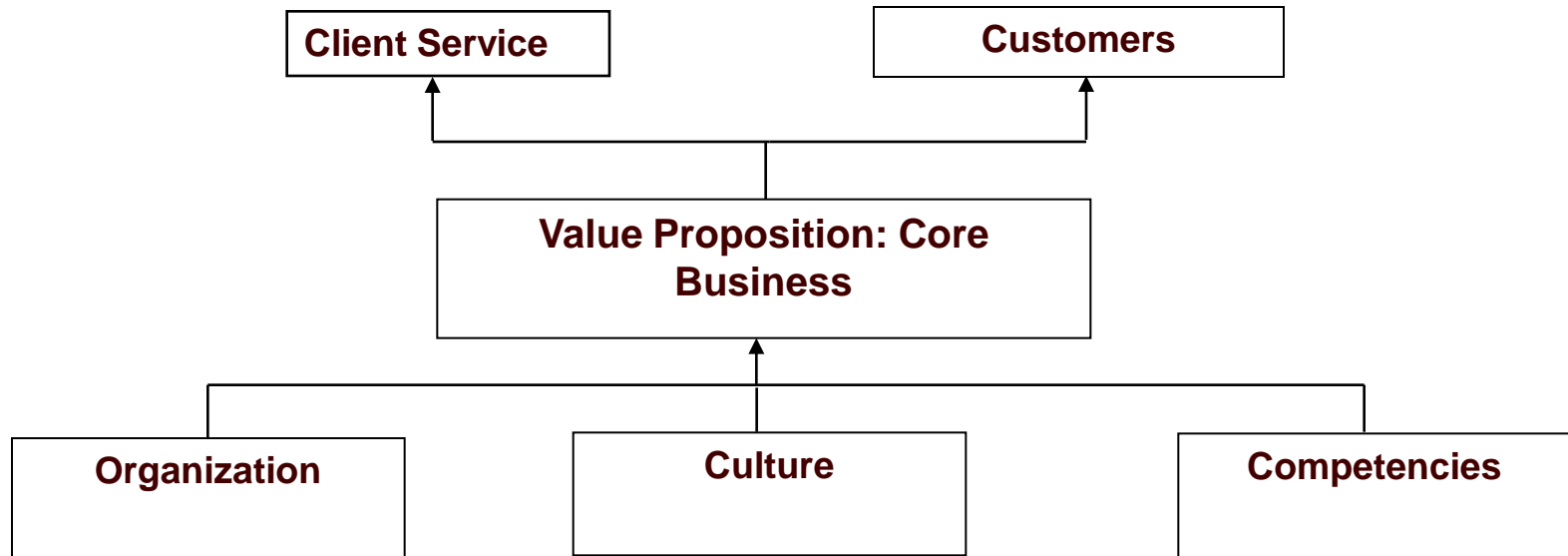
October 22, 2009



Overview of Strategic Planning Process

- **Framework for Crossroads *Vision 2015***
- **Kickoff Strategic Planning Retreat – June 14, 2008**
- **Development of Core Planning Assumptions**
- **Midcourse Change in Data Gathering**
- **SWOT Analyses**
 - Crossroads stakeholder groups
 - Crossroads SWOT
- **Additional Data Gathering and Analyses**
 - Crossroads service lines
 - Crossroads financial performance
 - Preliminary IT needs assessment
 - Review of strategic alliances
- **Revised Mission Statement**
- **Draft Vision Statement**
- **Strategic Challenges**
- **Strategic Goals**
- **Implementation Plan**

Crossroads *Vision 2015* Framework

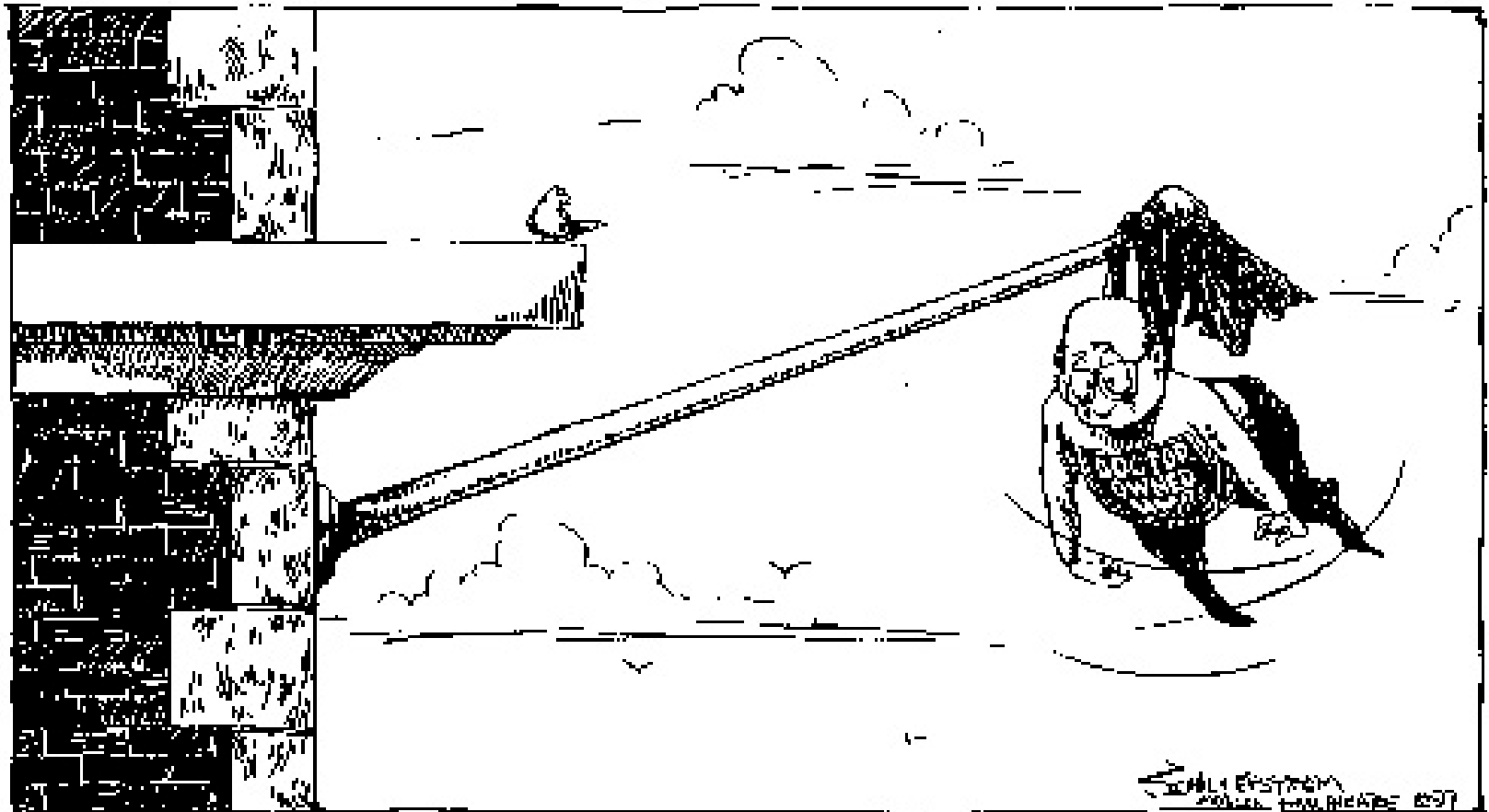


- (i) Board governance
- (ii) Management organization
- (iii) Departments and service lines
- (iv) Capital capacity

- (i) Mission
- (ii) Values
- (iii) Compatibility for Strategic Alliance

- (i) Core service lines
- (ii) IT needs assessment
- (iii) Financial performance
- (iv) Ability to pursue opportunities in face of economic downturn

Vision 2015



Core Planning Assumptions

- Crossroads will remain a Mission driven organization
- Crossroads is a business with a social Mission
- There are "sacred cows" in the planning process
 - serving persons with mental disabilities,
 - operating commercial service lines,
 - business with a "social mission", and
 - focus on employment programs.
- Revenue growth and profitability are required for Crossroads to achieve its Mission
- For the foreseeable future there will be significant limits on the availability of public funding to support the Mission
- Crossroads has a preference for operation as a "nonprofit" organization but is open the restructuring its business if it will assist to carry out the Mission

Core Planning Assumptions

- ❑ The executive management team will have retired by 2015 and succession planning will be essential.
- ❑ There will be economic stagnation for the next 2-5 years.
- ❑ The facility services business will continue to be competitive and price driven, and will require continuing investment in management, supervision and sales, and such attention may compete with Mission requirements.
- ❑ Non-value adding regulatory and compliance requirements will continue to demand excessive time and attention, and unless burden is diminished, there will be potential for compliance failures.
- ❑ Need to orient our program services to "Workforce of 21st Century"
- ❑ Mission Statement needs to change to reflect current practice and priorities

Crossroads SWOT Analyses

□ SWOT Synthesis*

■ Strengths

- Board and Staff are Mission Driven
- Unique niche in employment development by serving clients with emotional/mental disabilities.
- Financial Fundamentals are sound; improvements have reduced revenue loss.
- Organizational culture upholds high ethical standards and integrity in contract performance.

■ Weaknesses

- Brand, Marketing, Sales, public Relations, and Government Relations must be made stronger
- Information systems within the organization are not uniform and integrated causing inefficiencies and increased costs.
- Competitive bidding approaches need retooling.

■ Opportunities

- New members on Governing Board; More Board involvement
- Acquisition of small companies or purchasing equipment thus reducing subcontracting needs.
- Aggressively going after contracts currently held by large and medium sized competitors.
- New NISH Service Lines

■ Threats

- Lack of high energy, highly focused direction from the President/CEO
- Insufficient competitive drive/focus creating vulnerability to being squeezed out of the market by “gorilla” sized companies
- Loss of institutional memory, community recognition, and knowledge capital in President/CEO leaves organization entirely
- Lack of clear succession plans for key leaders.

Crossroads SWOT Analyses

□ Board of Directors

■ Strengths

- Dedicated, intelligent and committed with 6 new members
- Excellent oversight functions
- Good support for compliance activities

■ Weaknesses

- No succession plan for leadership
- No clear understanding of its role in strategic direction for Crossroads
- Does not have complete understanding of Crossroads operations
- Invisible to inside stakeholders, employees and community
- Does not yet fully act independently of the President, but is making progress

■ Opportunities

- New members energy and interest in learning
- Strong succession plan for board and senior management team
- Adopt Crossroads Vision 2015
- Set strategy/direction for next 5 years
- Become "visible" to employees, stakeholders and community

■ Threats

- Failure to build a successful leadership team
- Failure to build and sustain a value-adding governance structure
- Continue "business as usual"

Crossroads SWOT Analyses

- **Management Team***
 - **Strengths**
 - Focused on Mission: People and Jobs
 - Able to execute on opportunity
 - Experienced in collaborating
 - The Corporations are well governed and managed
 - **Weaknesses**
 - Succession on Managers
 - Brand, Marketing, Sales are weak
 - Don't invest enough in people
 - Weak MIS
 - **Opportunities**
 - Find a new CEO better suited for the strategic challenges facing us
 - Upgrade the credentials and skill sets of the Executive Managers
 - Develop a management development program to add “bench strength” to the organization
 - **Threats**
 - Management Turnover by 2015
 - Continued economic problems
 - FSS business Climate

**This section was added subsequent to 10.22.09 Board review/approval*

Crossroads SWOT Analyses

□ Employment Services Division

■ Strengths

- Deals with most difficult client needs with effective system of client support
- Mission is attractive to communities it serves (i) as a recruitment incentive for potential new employees who share mission, and (ii) is attractive to potential funders because it is about jobs
- Operates with accreditations/certifications and staff is a cohesive unit

■ Weaknesses

- Not fully integrated into CDS
- Heavily dependent on government funding
- Staff capacity limitations prohibit significant expansion

■ Opportunities

- Expanding programs to new locations and new projects such as services to youth, new geographies and special projects
- Expand its "one-stop" program

■ Threats

- Loss of public sector funding
- Increased competition for bigger players
- Impending leadership changes

Crossroads SWOT Analyses

□ Facility Services Division Including CDS and CFS

■ Strengths

- Provides a "living wage" benefit package
- Effective customer relations with recognized leadership
- Good reputation and advanced technology and green products
- Always need to serve food, flowers and filth

■ Weaknesses

- Lacks strong and effective marketing program
- Competition on price results in low operating margins
- Operations highly dependent on one person
- Invisible to inside stakeholders, employees and community

■ Opportunities

- Vertical integration of new services
- Outsource providers for governments
- Growth by expansion through "build or buy" strategy

■ Threats

- Impending leadership changes
- Failure to create jobs in areas that serve clients



Internal Investigations and Analyses

- **Service Line Analyses**
 - CES Employment Services
 - Janitorial Services
 - Landscaping Services

- **IT Needs Assessment**

- **Financial Performance**

- **Strategic Alliance Potentials**

Internal Investigations and Analyses

□ Service Line Analyses

■ CES Employment Services

□ Critical Success Factors

- Adaptability to address employment needs of new populations
- Ability to differentiate services and success rates
- Operating with "cost-based" contract models
- Ability to place clients in good paying jobs including Crossroads commercial activities

□ Vulnerabilities

- Bad economy has limited ability of governmental programs to support
- New competition in the market
- Loss of staff to better career opportunities
- Reliance on existing leadership

Internal Investigations and Analyses

□ Service Line Analyses

■ Janitorial Services

□ Critical Success Factors

- Quality of services provides competitive edge
- Technology improvements important but may limit job growth
- Access to capital not a barrier
- Quality of employees biggest success factor
- Successful business model for 100,000 square foot buildings

□ Vulnerabilities

- Tight operating margins suggest that growth of large buildings requiring maintenance may be limited
- Need to expand services to large building outside current geography
- Cannot match competition with "living wage" benefits for commercial contracts
- Mission clients cannot always meet customer expectations

Internal Investigations and Analyses

□ Service Line Analyses

■ Landscaping Services

□ Critical Success Factors

- Ability to support customer needs
- Availability of technology to provide efficient services
- Ability to leverage cost based contract models to provide competitive pricing
- Service selection

□ Vulnerabilities

- Staff limitations prevent expansion
- Competition is keen
- More difficult to use Mission clients in services

Internal Investigations and Analyses

■ IT Needs Assessment

- Crossroads limited to a preliminary assessment with no CIO
- Needs are being met for next 12 months with modest investment in existing technology
- Role of technology requires a more complete consideration during the Implementation Plan

■ Financial Performance

- Crossroads has enjoyed strong financial performance despite downturn in the economy
- Must sustain growth in each of its service lines to sustain this success given interdependence of the service lines to each other
- CES provides core Mission services and absorbs overhead enabling other service lines to be competitive despite paying market competitive living wage benefit package
- Janitorial services provide most direct employment to Mission clients and represents the most significant component of revenue for Crossroads enterprise
- Landscaping provides significant opportunity to grow jobs for Mission clients with vertical integration strategy

Internal Investigations and Analyses

■ Strategic Alliance Potentials

- Management transition appropriate time to review options
- Purpose to determine if structural changes will impact search process for new President and Chief Executive Officer

■ Peer Group Determination

- Crossroads examined 11 organizations with similar missions and business activities to determine if any were potential candidates for a consolidation or a strategic alliance
- 6 organizations were identified for future examination

■ Compatibility Analysis

- Selection criteria for comparison included: (i) Mission compatibility, (ii) financial strength, (iii) quality governance and management, (iv) strong brand and reputation, and (v) opportunity for synergy.
- Of 5 organizations examined only PRIDE Industries and Portland Habilitation Services ranked high enough as potential candidates
- No compelling reason for Crossroads to consolidate or merge with these organizations at the present time

Crossroads Strategic Planning



Revised Mission Statement

- **Strategic Planning Task Force recommendation:**
 - Through specialized education, training and ongoing support, we empower persons with disabilities and other barriers to achieve sustainable employment.

Vision Statement

□ Strategic Planning Task Force recommendation

- **By 2015, Crossroads will be recognized as a premier regional and national provider of employment opportunities to persons with disabilities and other barriers through:**
 - Effective services centered on the needs of the individual client
 - Strong, ethical and transparent Board governance
 - Skilled and dynamic executive leadership under a new CEO
 - Enterprise IT capability that integrates and promotes operating efficiencies
 - Robust and expanded capacity to financially support mission services through vertically integrated, profitable and high quality commercial business operations
 - Strategic partnerships with organizations that are Mission compatible and strategically complimentary
 - Superior quality assurance and customer relations management that achieves the right balance among needs of clients, customers and stakeholders
 - Strong policy and regulatory advocacy

Key Strategic Challenges

- ❑ Successfully executing against a management leadership succession plan
- ❑ Building and sustaining a strong governing board structure
- ❑ Defining and implementing the Mission into Crossroads service lines
- ❑ Preparing Mission clients for challenges of the 21st Century workforce
- ❑ Deciding to "go it alone" or affiliating in some fashion with an mission compatible organization
- ❑ Achieving growth and sustainability
- ❑ Aligning and equipping Crossroads to execute against its strategic goals

Vision 2015 Strategic Goals

- **Management Succession Plan.** Appoint a board committee to develop a management succession plan and timetable so that a new CEO and management team are in place by 2015.
- **Board Performance and Development Plan.** Develop a plan (i) to develop the board to include needed skills (ii) to build a strong sense of team, and (iii) to provide for continuous review of board performance.
- **Growth Initiatives.** Pursue growth initiatives in the areas of (i) new revenue sources for CES, (ii) geographic expansion of facilities support services to other appropriate facilities, (iii) the expansion of facility services to include vertical integration in each of Crossroads' service lines to increase employment opportunities for Mission clients, and (iv) Sales and Development Strategy
- **Tactical and Integrated Development Plan.*** Develop a plan for (i) Internal; and external marketing and communications and (ii) IT infrastructure and support.

**This section (formally IT Needs Assessment) was amended per 10.22.09 Board review/approval*