



# **Sierra Strategy**

**2021 Review & 2022 Planning**



2021 Theme: Transformation

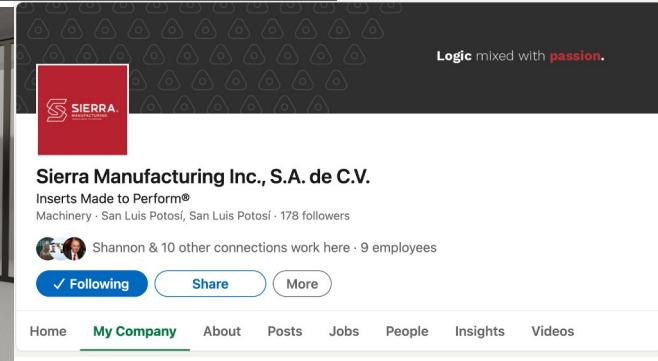
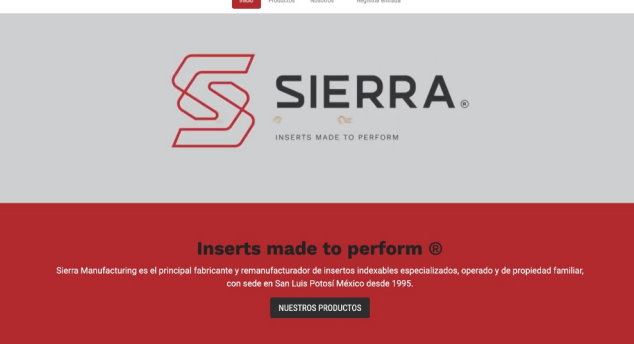
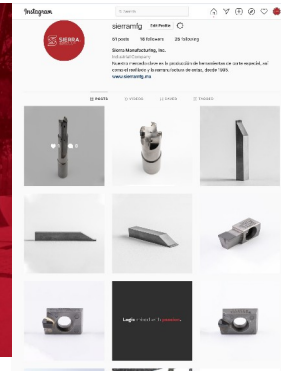
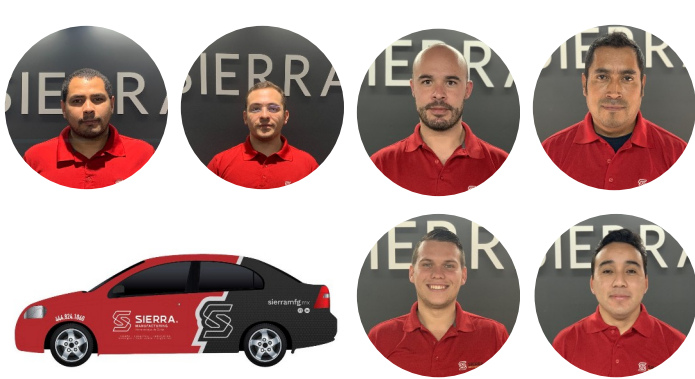
# 2021 Accomplishments

- Marketing
  - New Sierra Brand
  - New Website
  - New Sierra Mobile
  - New Employee Uniforms
  - New Sierra Collateral
  - Refreshed and Re-Engaged Social Media
  - Physical Plant Transformation
  - New Design Center
  - Centralized Channel of Communication
- Human Capital Investment
  - Hired Alberto
  - Hired Jorge
  - Hired Juan José
  - Hired Danny
  - Hired Rolando
  - Hired Crithian
- Dar de Alta with the Following New Clients
  - Borg Warner
  - Bosch
  - VCST
- Technology
  - Launched Odoo 14
  - Full Accounting Migration to Odoo

A photograph of two hands clapping, with the fingers spread and palms facing each other. The hands are positioned in the center of the slide, with the text overlaid on them.

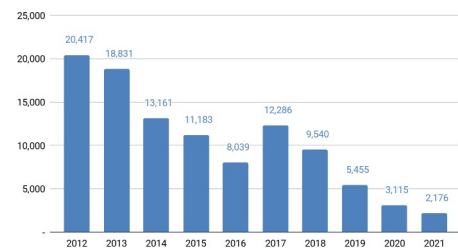
This was our biggest and best transformation in over a decade!

Let's take a moment to appreciate all the hard work we did as a team.

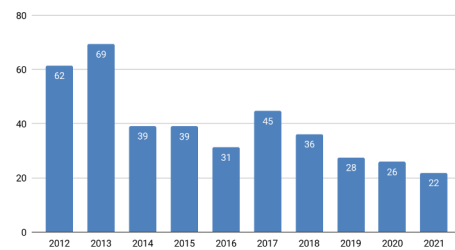


# 2021 Review in Numbers

Average # of Pieces Invoiced per Month



Pieces/Employee/Day



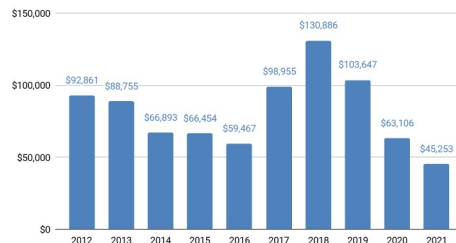
Avg. Rev/Production Employee/Mo



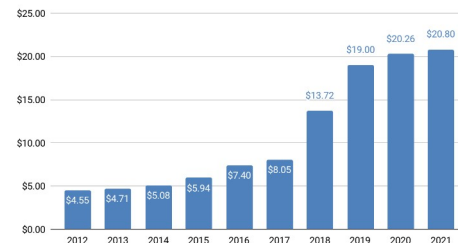
Total Sales (USD) and Average Monthly Sales (USD)



Average Sales by Month



Average Revenue per Piece



A photograph of three young iris plants growing in a garden bed. The plants have long, narrow, green leaves and are emerging from a dark, mulched soil. The ground is covered with dark brown mulch and scattered light-colored rocks. The text "2022 Theme: Return to Growth" is overlaid in white, sans-serif font across the middle of the image.

2022 Theme: Return to Growth

2022

# Strategic Planning

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# What is Strategic Planning?

**Strategic planning** is an [organization's](#) [process](#) of defining its [strategy](#), or direction, and making [decisions](#) on allocating its resources to pursue this strategy.

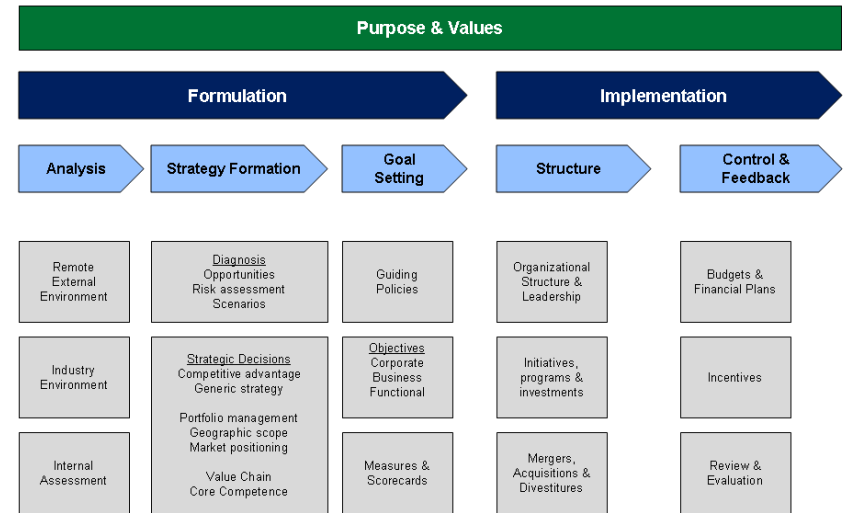
It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning became prominent in corporations during the 1960s and remains an important aspect of [strategic management](#). It is executed by strategic planners or [strategists](#), who involve many parties and research sources in their analysis of the organization and its relationship to the environment in which it competes.<sup>[1]</sup>

Strategy has many definitions, but generally involves setting **strategic goals**, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be planned (intended) or can be observed as a pattern of activity (emergent) as the organization adapts to its environment or competes.

Strategy includes processes of formulation and implementation; strategic planning helps coordinate both. However, strategic planning is analytical in nature (i.e., it involves "finding the dots"); strategy formation itself involves synthesis (i.e., "connecting the dots") via [strategic thinking](#). As such, strategic planning occurs around the strategy formation activity.<sup>[1]</sup>

Source: [Wikipedia](#)

## Strategic Management Framework



# S.W.O.T. Analysis

## Strengths

- High quality products
- Strong brand and marketing
- Over 45 years experience in cutting tools
- Over 25 years in Mexico
- Debt free
- Core competency in special cutting tools

## Opportunities

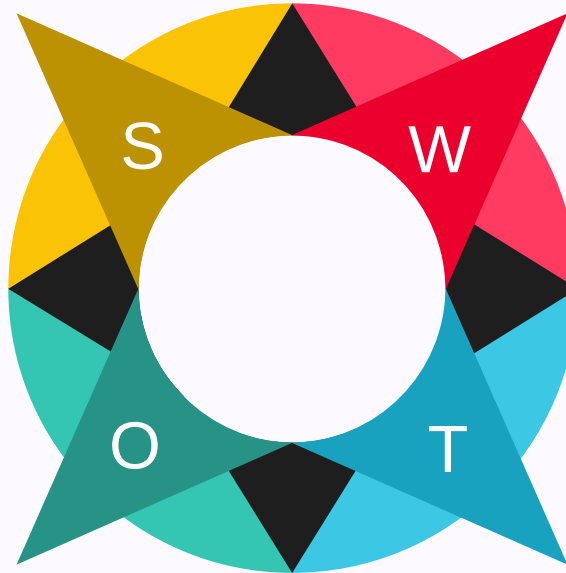
- Tapping into non-traditional markets (e.g., electrodes and green energy, etc.)
- Expansion into USA and other locations
- Diversification into services and IoT
- Resale
- Alternative Sales Channels

## Weaknesses

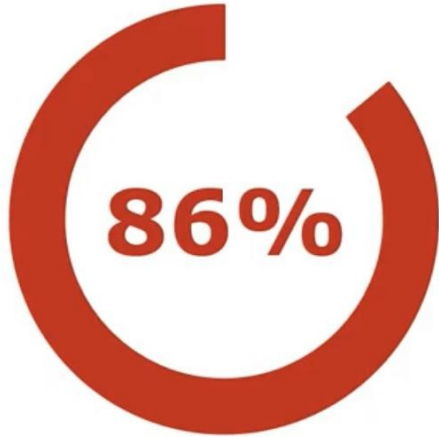
- Stagnant sales
- Trapped institutional knowledge
- Client diversification
- Aging machinery with no automation

## Threats

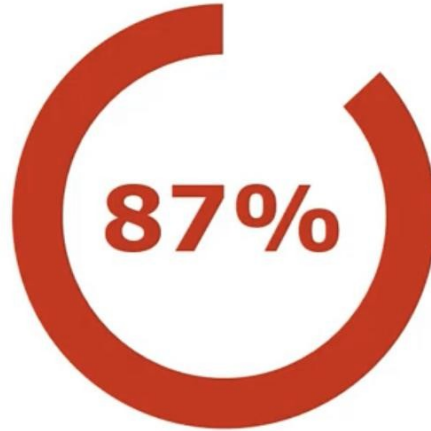
- Continued supply chain issues
- Customer churn
- Government regulations or audits
- Inflation



# 80% of strategies fail



Employees do not understand their company's strategy & direction

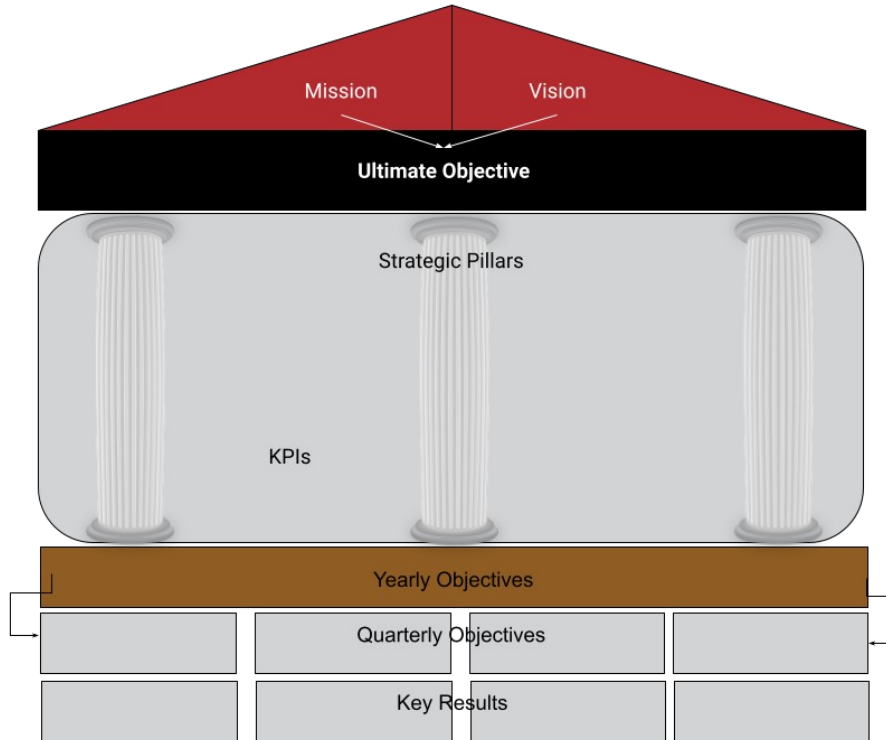


Of workers do not feel engaged in their jobs



Employees are not satisfied with their organization's system for managing their performance

# Foundations for an Unified Strategy

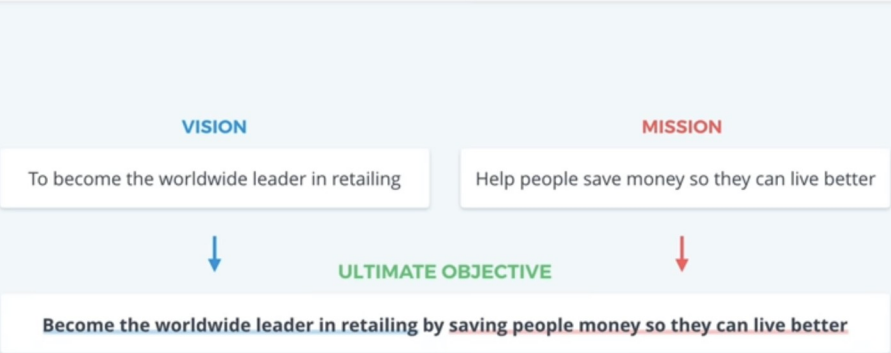


Good Strategic Plans Are:

- Aligned
- Transparent
- Understandable
- Flexible
- Motivating

# Determining our Ultimate Objective

## THE ULTIMATE OBJECTIVE



| Vision                                                                                                                                                                                                                                                                       | Mission                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>To be the preeminent, highest tech, most productive, specialty indexable cutting tool manufacturer and distributor in Mexico.</u>                                                                                                                                         | <u>To create shared prosperity, growth, and value to its employees and clients through manufacturing excellence, continual innovation, attention to detail</u> |
| ULTIMATE OBJECTIVE                                                                                                                                                                                                                                                           |                                                                                                                                                                |
| To be the preeminent, highest tech, most productive, specialty indexable cutting tool company in Mexico through shared prosperity, growth, manufacturing excellence, innovation, attention to detail and customer focus.                                                     |                                                                                                                                                                |
| Ser la empresa líder en herramientas de corte indexables de alta tecnología, más productiva y especializada en México a través de la prosperidad compartida, el crecimiento, la excelencia en la fabricación, la innovación, la atención al detalle y el enfoque al cliente. |                                                                                                                                                                |

# Strategic Pillars - What are they?



As Matt Laessig, COO and co-founder at data.world explains, “I’m a big fan of the Strategic pillars concept, which is really essential to a strategic planning framework. Strategic pillars truly represent the essential dimensions around the company’s long-term success. These are the most strategic battlefields that you need to win on.”

Businesses, like Amazon, use strategic pillars to replace complicated business plans. “We’re long past the time where you wrote a hundred-page business plan that was this magical guide to how you’re going to win in the competitive marketplace. Strategic Pillars are very durable over time,” Matt said.

# Sierra's Strategic Pillars

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| Strategic Pillars    |                                                                                                  | Pilares Estratégicos       |                                                                                                                 |
|----------------------|--------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------|
| Always Deliver Value | Deliver value to our customers, our employees and our community.                                 | Siempre Entregue Valor     | Entregar valor a nuestros clientes, nuestros empleados y nuestra comunidad.                                     |
| Use Leverage         | Get disproportionate results, focusing on fulcrums and the 80/20 Rule.                           | Utilizar el Apalancamiento | Obtenga / Obtener resultados desproporcionados, centrándose en los puntos de apoyo y la regla 80/20.            |
| Be Disruptive        | Continually innovate, bringing creative and unconventional solutions to our customer's problems. | Ser Disruptivo             | Innovar continuamente, aportando soluciones creativas y no convencionales a los problemas de nuestros clientes. |

## Always Deliver Value

*Deliver value to our customers, our employees and our community.*

## Be Disruptive

*Continually innovate, bringing creative and unconventional solutions to our customer's problems.*

## Use Leverage

*Get disproportionate results, focusing on fulcrums and the 80/20 Rule.*

KPIs

# Key Performance Indicators

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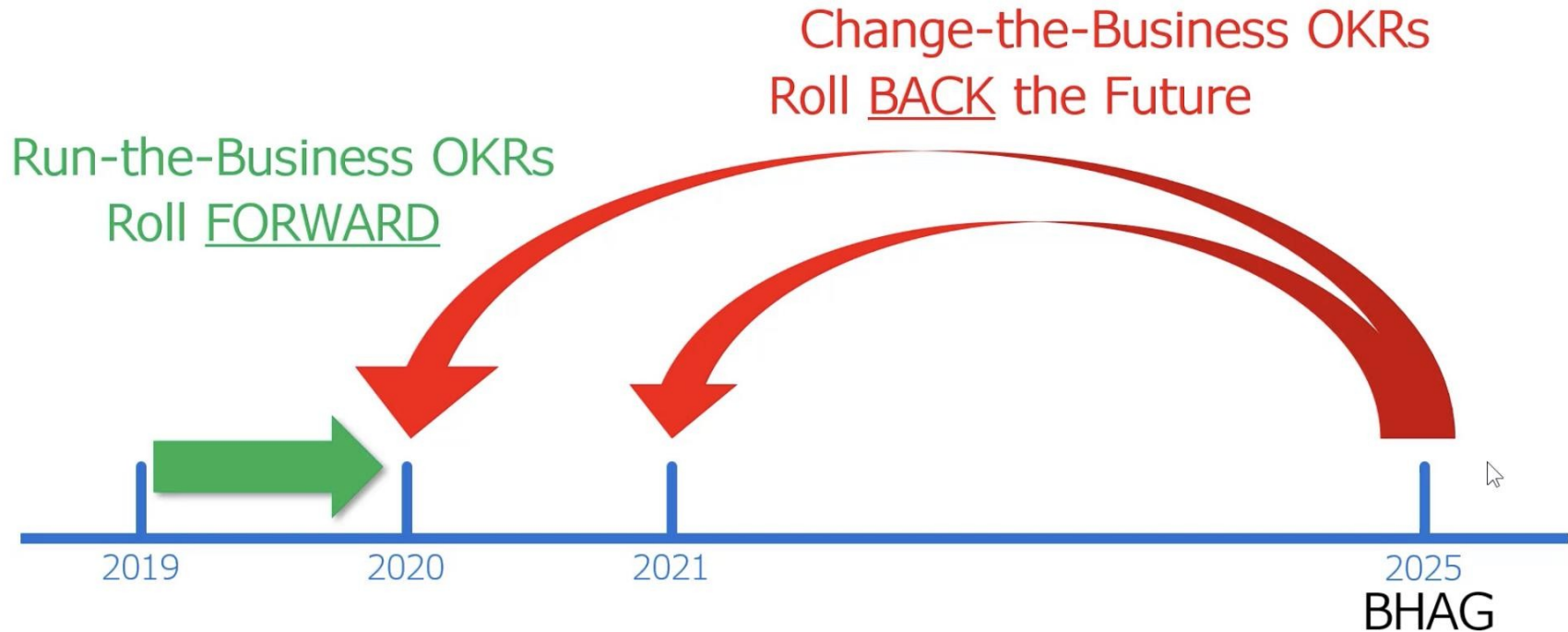


# OKRs and KPIs Support and Give Feedback to the Process of Achieving our Long Term Strategy



| 2022 KPIs           |                                      |   |                             |                    |             |             |                                      |
|---------------------|--------------------------------------|---|-----------------------------|--------------------|-------------|-------------|--------------------------------------|
|                     |                                      |   |                             |                    |             |             |                                      |
| Administrative Area | Strategic Pillar                     | # | KPI                         | Metric Directional | Metric      | Metric Type | Owner                                |
| Administration      | <a href="#">Always Deliver Value</a> | 1 | Employee Net Promoter Score | ≥                  | 9           | NPS         | <a href="#">Shannon Marie Martin</a> |
|                     | <a href="#">Always Deliver Value</a> | 2 | Average Debtor Days         | ≤                  | 72          | Days        | <a href="#">Shannon Marie Martin</a> |
|                     | <a href="#">Use Leverage</a>         | 3 | Baseline OPEX               | ≤                  | \$500,000   | MXN         | <a href="#">Shannon Marie Martin</a> |
|                     | <a href="#">Use Leverage</a>         | 4 | Company Profit              | ≥                  | 15.00%      | Percent     | <a href="#">Shannon Marie Martin</a> |
|                     | <a href="#">Use Leverage</a>         | 5 | Assets:Liabilities          | ≥                  | 2           | Ratio       | <a href="#">Shannon Marie Martin</a> |
|                     | <a href="#">Use Leverage</a>         | 6 | Free Cash Flow              | ≥                  | \$250,000   | MXN         | <a href="#">Shannon Marie Martin</a> |
| Operations          | <a href="#">Be Disruptive</a>        | 1 | Monthly Defects             | ≤                  | 5.00%       | Percent     | <a href="#">Isaac Angles Léon</a>    |
|                     | <a href="#">Be Disruptive</a>        | 2 | Inventory Turnover          | ≥                  | 1           | Ratio       | <a href="#">Isaac Angles Léon</a>    |
|                     | <a href="#">Be Disruptive</a>        | 3 | OLD Score                   | ≥                  | 95.00%      | Percent     | <a href="#">Isaac Angles Léon</a>    |
|                     | <a href="#">Be Disruptive</a>        | 4 | Machine Uptime              | ≥                  | 99.00%      | Percent     | <a href="#">Isaac Angles Léon</a>    |
|                     | <a href="#">Use Leverage</a>         | 5 | Productivity                | ≥                  | 28          | Pieces      | <a href="#">Isaac Angles Léon</a>    |
|                     | <a href="#">Use Leverage</a>         | 6 | Work Order Deviation        | ≤                  | 10.00%      | Percent     | <a href="#">Isaac Angles Léon</a>    |
| Revenue             | <a href="#">Always Deliver Value</a> | 1 | Average Tool Price          | ≥                  | \$25.00     | USD         | <a href="#">Jorge Mendez Léon</a>    |
|                     | <a href="#">Always Deliver Value</a> | 2 | Client Net Promotor Score   | ≥                  | 9           | NPS         | <a href="#">Jorge Mendez Léon</a>    |
|                     | <a href="#">Always Deliver Value</a> | 3 | Customer SLAAdherence       | ≥                  | 95.00%      | Percent     | <a href="#">Jorge Mendez Léon</a>    |
|                     | <a href="#">Be Disruptive</a>        | 4 | Monthly Revenue             | ≤                  | \$1,500,000 | MXN         | <a href="#">Jorge Mendez Léon</a>    |

# Roll-Back-the-Future OKRs



OKRs

# New Strategic Framework: Objectives and Key Results

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# Objectives and Key Results

# OKR

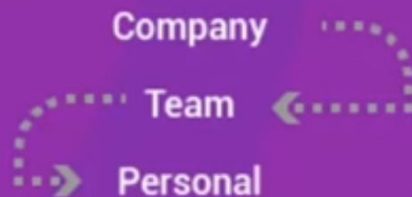
The best practice of setting and communicating company, team and employee objectives and measuring their progress based on achieved results.

## Objectives:

- ambitious
- qualitative
- time bound
- actionable by the team

## Key Results:

- measurable and quantifiable
- make the objective achievable
- lead to objective grading
- difficult, but not impossible



# The need

14%

employees understand  
their company's  
strategy and direction

58%

employees say their  
manager clearly  
communicates goals and  
objectives

13%

of workers feel  
engaged by their  
jobs

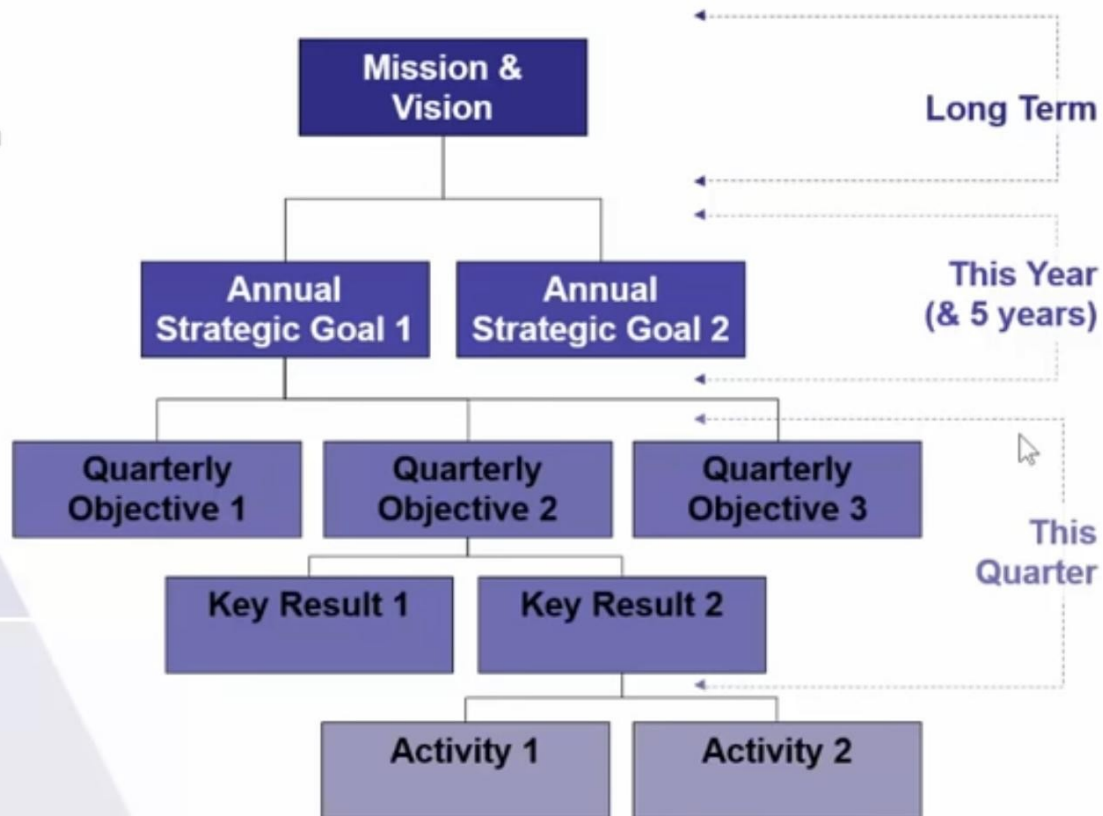
47%

are satisfied with their  
organization's system for  
managing their  
performance

## Benefits

- **Disciplines Thinking**
  - The major goals and logical cascade will surface
- **Communicates Accurately**
  - Gets everyone aligned around what is important
- **Established a measurement culture**
  - Shows everyone how far we have gone
- **Focuses effort**
  - Ensures that we are all pulling in the same direction
- **Enables employee engagement**

# What are Objectives and Key Results?



# THE ANATOMY OF AN OKR

## Objective



*„Where do I need to go?“*

Objective are statements that **inspire** and **set direction**.

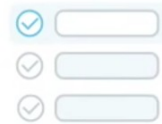
## Key Results



*„How do I know I'm getting there?“*

Key Results **measure progress** toward an Objective.

## Initiatives



*„What will I do to get there?“*

Initiatives describe the work required to **drive progress** on Key Results.

## Objective



*„Where do I need  
to go?“*

### EXAMPLES

**Objective:** Conquer the U.S. market

**Objective:** Become an awesome place to work

**Objective:** Make our customers love our support team

## **O: TRIPLE OUR VALUATION PRICE**

KR: Close tons of new accounts

KR: Capture 100% market share

⚠ Shouldn't be measurable

⚠ Needs to be measurable

⚠ Should be ambitious, not impossible

## GOOD OKR

**O: MAKE SO MUCH REVENUE THAT WE  
WILDLY INCREASE OUR VALUATION**

KR: Close 85 new accounts

KR: Capture 30% market share

✓ Not measurable, yet inspiring

✓ Contains a number to measure

✓ Ambitious, yet possible

## Key Results



*„How do I know I'm  
getting there?“*

### EXAMPLES

**Objective:** Make our customers love our support team

**Key Result:** Customer satisfaction score of 97%

**Key Result:** Average first response time of 1 hour

**Key Result:** Average solution time of 12 hours

## Key results should be:

- Specific
- Quantifiable
- Achievable
- Lead to objective grading
- Be difficult, but not impossible

## Initiatives

☒

☒

☒

*„What will I do to  
get there?“*

### EXAMPLES

**Objective:** Make our customers love our support team

**Key Result:** Customer satisfaction score of 97%

**Key Result:** Average first response time of 1 hour

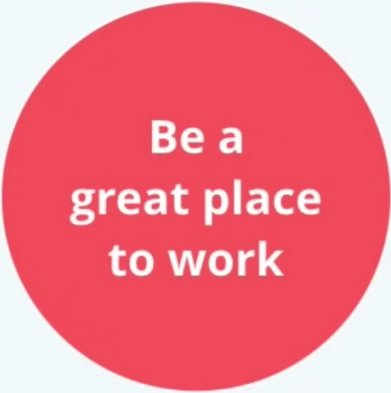
**Key Result:** Average solution time of 12 hours

**Initiative:** Interview 10 support rep candidates

**Initiative:** Publish an FAQ

**Initiative:** Launch in-app live chat

# WHAT CAN I EXPECT FROM USING OKR?



Be a  
great place  
to work

- Autonomy
- Voice
- **Engage**



Have a  
clear path to  
success

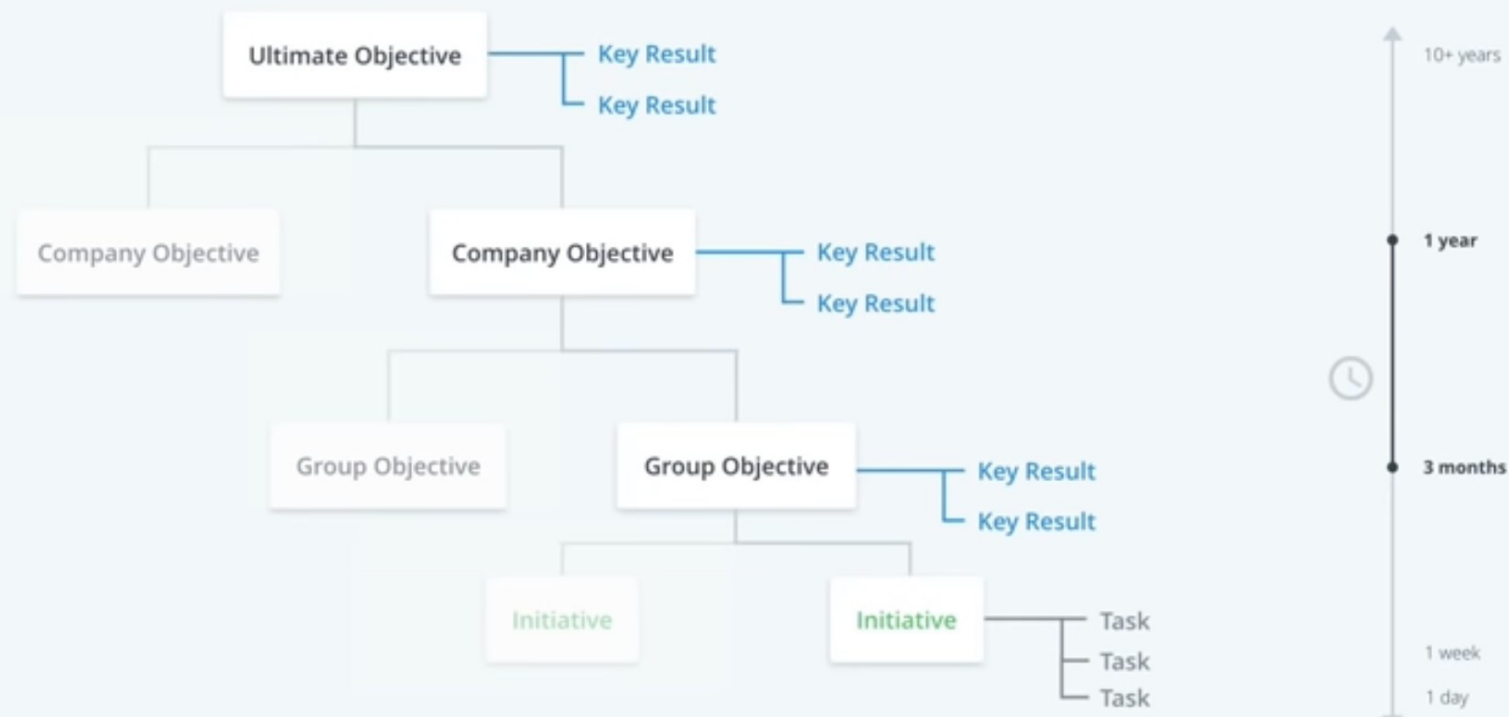
- Clarity
- **Transparency**
- **Focus**



Consistently  
hit your  
goals

- **Align**
- Structure
- Data-informed

# THE HIERARCHY OF OKRS



# 2022 Corporate Objectives

Dominate the high-end alternate cutting tool sales channel space in Mexico

REVENUE

Deliver operational and customer service excellence through people, process and technology

OPERATIONS &  
REVENUE

Become a scalable clockwork organization that is the envy to work at

ADMINISTRATION

Each Corporate Objective is mapped to a Strategic Pillar and Organizational Area or Areas.

| 2022 Corporate Objectives and Key Results |                                                                                            |                      |             |                      |  |
|-------------------------------------------|--------------------------------------------------------------------------------------------|----------------------|-------------|----------------------|--|
| Objectives                                |                                                                                            | Strategic Pillar     | Key Results |                      |  |
| #                                         |                                                                                            |                      | #           | Organizational Areas |  |
| 1                                         | Dominate the high-end alternate cutting tool sales channel space in Mexico                 | Always Deliver Value | 1           | Revenue              |  |
|                                           |                                                                                            |                      | 2           |                      |  |
|                                           |                                                                                            |                      | 3           |                      |  |
|                                           |                                                                                            |                      | 4           |                      |  |
|                                           |                                                                                            |                      | 5           |                      |  |
| 2                                         | Deliver operational and customer service excellence through people, process and technology | Use Leverage         | 1           | Operations & Revenue |  |
|                                           |                                                                                            |                      | 2           |                      |  |
|                                           |                                                                                            |                      | 3           |                      |  |
|                                           |                                                                                            |                      | 4           |                      |  |
|                                           |                                                                                            |                      | 5           |                      |  |
| 3                                         | Become a scalable, clockwork organization that is the envy to work at                      | Be Disruptive        | 1           | Administration       |  |
|                                           |                                                                                            |                      | 2           |                      |  |
|                                           |                                                                                            |                      | 3           |                      |  |
|                                           |                                                                                            |                      | 4           |                      |  |

CFR

# Conversations, Feedback and Recognition

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# Annual Performance Management vs Continuous Performance Management

- |                        |                               |
|------------------------|-------------------------------|
| - Annual Feedback      | - Continuous feedback         |
| - Tied to compensation | - Decoupled from compensation |
| - Directing/autocratic | - Coaching/democratic         |
| - Outcome focused      | - Process focused             |
| - Weakness based       | - Strength bases              |
| - Prone to bias        | - Fact driven                 |

# Continuous Performance Management

- Monthly one-on-one conversations
- Quarterly review of progress against our OKRs, What we can change?
- Semiannual professional development conversation.
- On-going, self-driven insight. "Thank You. What one thing did you like about it?"

# Forward-looking and Backward-looking assessment

- Backward-looking assessment held at year's end.
- Forward-looking assessment dialogue between leaders and contributors.
  - What are you working on?
  - Is there anything impeding your work?
  - What do you need from me to be (more) successful?
  - How do you need to grow to achieve your career goals?

# Conversations

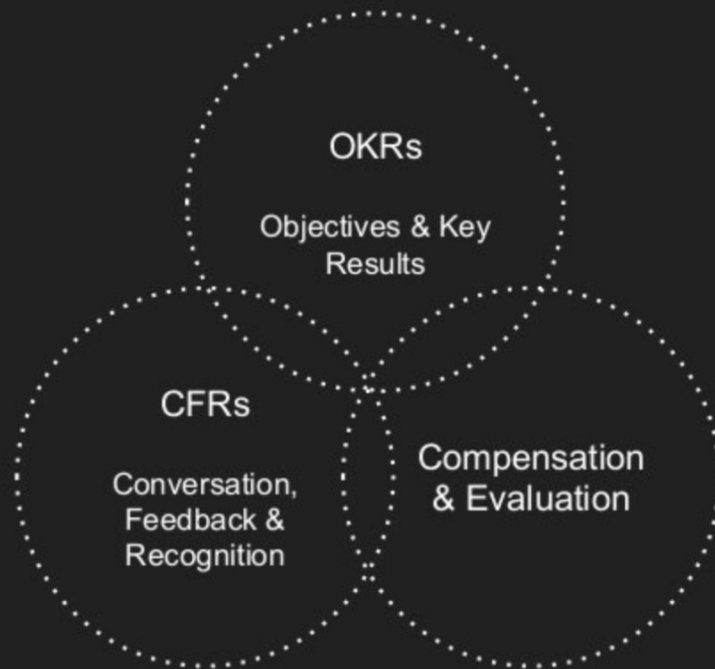
- Ninety minutes of a manager's time "can enhance the quality of your subordinate's work for two weeks."
- The supervisor is there to learn and coach.
- Five critical area of conversation between manager and contributor:
  - Goal Setting and Reflection
  - Ongoing Process Updates
  - Two-way Coaching
  - Career Growth
  - Lightweight Performance Review

# Feedback

- Today's people "want to be 'empowered' and 'inspired' not told what to do."
- They want to provide feedback to their managers, not wait for a year to receive feedback from their managers.
- "What do you need from me to be successful? And now let me tell you what I need from you."
- Peep-to-peer (or 360 degree) feedback is an added lens for continuous performance management.

# Recognition

- Modern recognition is performance-based and horizontal. It crowdsources meritocracy.
- Here are some ways to implement it:
  - Every Friday all-hands “roundup” meeting concludes with series of unsolicited, unedited shout-outs from anyone in the organization to anyone else who’s done something remarkable.
  - Replace “Employee of the Month” with “Achievement of the Month”
  - Newsletter or Company blogs can supply narrative behind accomplishment.
  - Hail smaller accomplishments.



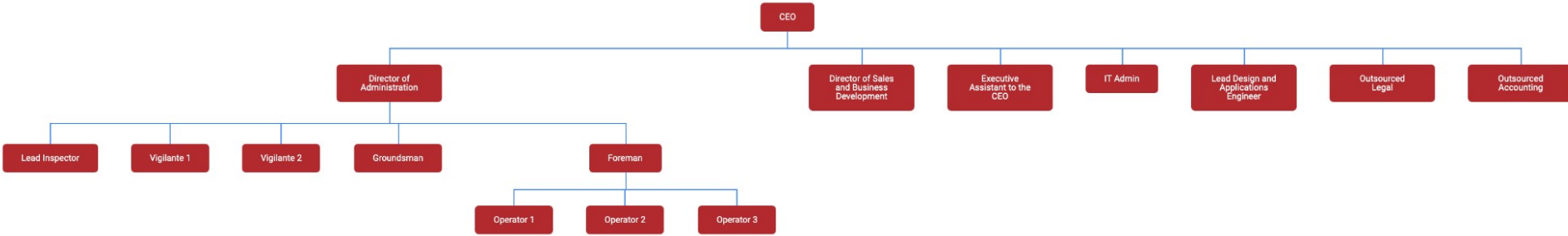
Functional Reorganization

Current,  
Medium, Long-  
Term

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# Current Organization

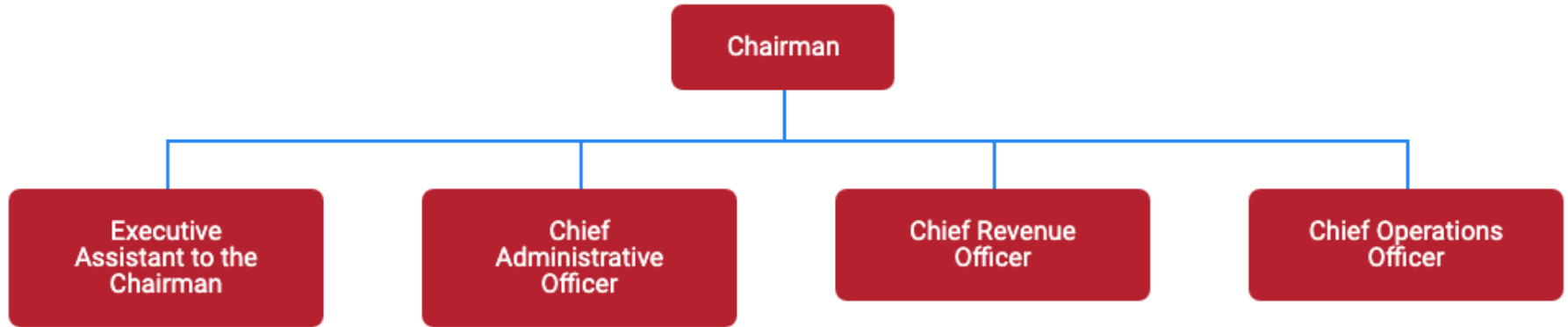


# Administrative Divisions, Organizational Areas

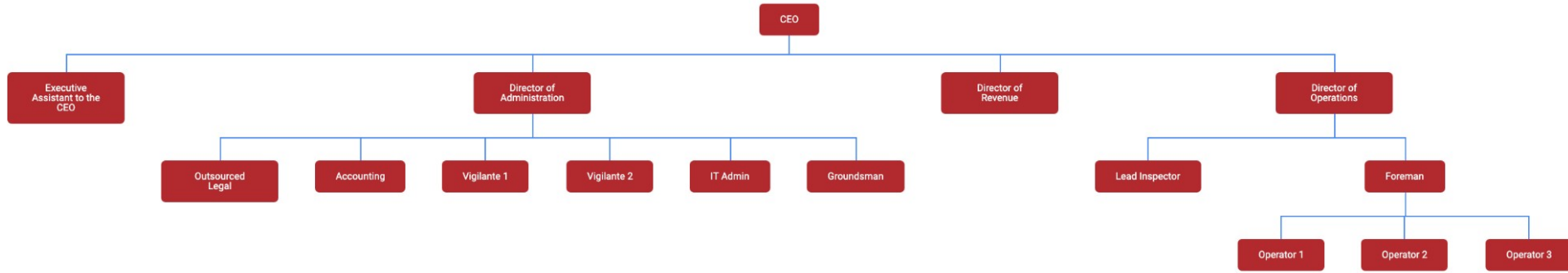
| Administrative Divisions |
|--------------------------|
| Executive                |
| Administration           |
| Revenue                  |
| Operations               |

| #  | Administrative Divisions | Organizational Areas                         | <u>Division Chief</u>       |
|----|--------------------------|----------------------------------------------|-----------------------------|
| 0  | Executive                | <a href="#">Strategy and Planning</a>        | Andrew Michael Martin       |
| 1  | Administration           | <a href="#">Finance and Accounting</a>       | Shannon Marie Martin        |
| 2  |                          | <a href="#">Human Resources</a>              |                             |
| 3  |                          | <a href="#">Information Technology</a>       |                             |
| 4  |                          | <a href="#">Legal and Compliance</a>         |                             |
| 7  |                          | <a href="#">Plant Property and Equipment</a> |                             |
| 6  | Operations               | <a href="#">Engineering and Design</a>       | Isaac Angles Léon (interim) |
| 8  |                          | <a href="#">Inventory Management</a>         |                             |
| 9  |                          | <a href="#">Manufacturing</a>                |                             |
| 10 |                          | <a href="#">Purchasing</a>                   |                             |
| 5  |                          | <a href="#">Quality Control</a>              |                             |

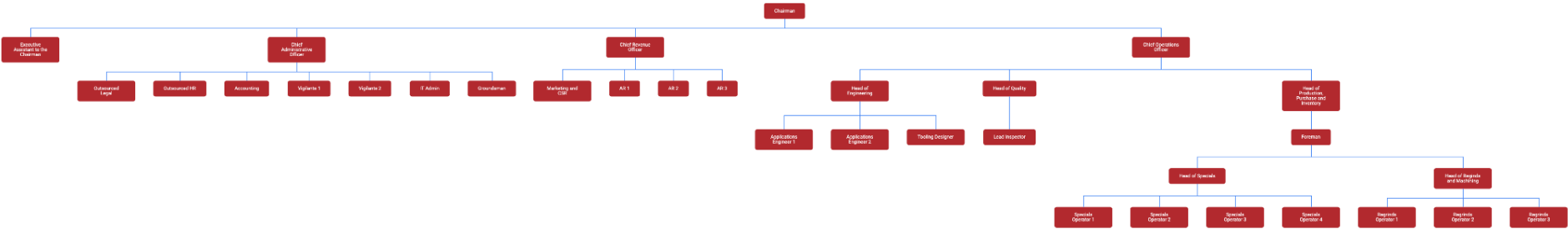
# Future Organization - Chief Revenue Officer



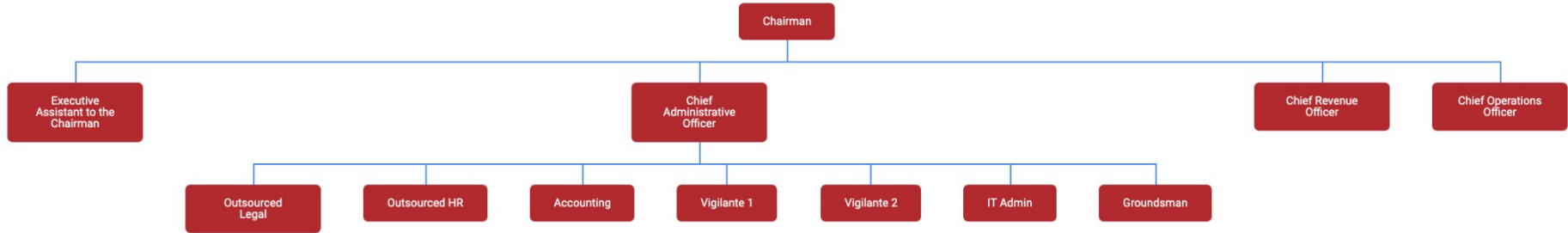
# Interim Organization



# Future Organization



# Future Organization - Chief Administrative Officer

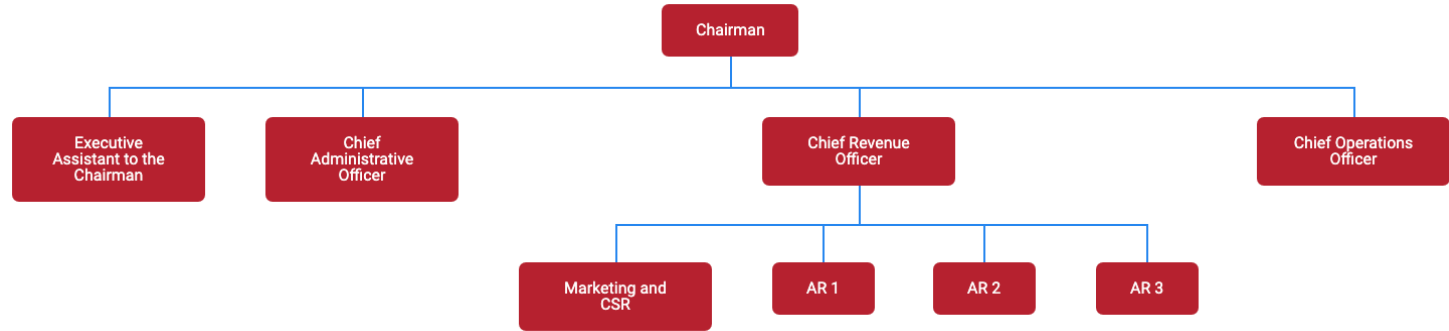


A CAO, or chief administrative officer, is an executive who oversees an organization's day-to-day operations. They typically act as the head of departments like finance, human resources and sales, or any department that takes part in daily tasks or customer-facing interactions. A Chief administrative officer reports to a company's chief executive officer and board of directors and can also help companies improve their performance by reviewing processes, developing new policies for an organization's departments, managing projects and preparing reports that inform board members about a company's performance.

Here are a few more common job duties for a chief administrative officer:

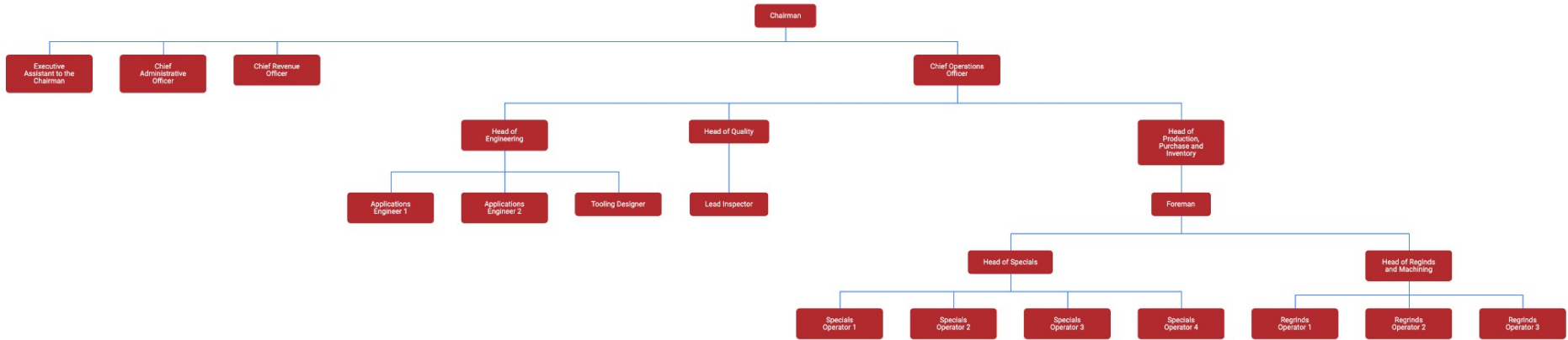
- Set KPIs for a company's departments and management
- Monitor KPI results and adjust expectations
- Train new managers
- Perform manager evaluations
- Attend regular meetings with the C-suite and board of directors

# Future Organization - Chief Revenue Officer



A chief revenue officer (CRO) is a corporate executive responsible for all revenue generation processes in an organization. CROs are accountable for driving better integration and alignment between all revenue-related functions, including marketing, sales, customer support, pricing and revenue management. They are also responsible for overseeing the strategy for profitable revenue generation over the organization's long term.

# Future Organization - Chief Operations Officer



A COO, or chief operating officer, is an executive who manages manufacturing, production sales and personnel within a company or organization. Chief operating officers operate at the executive level and can also work with other top-level executives to make strategic plans for maximizing the efficiency of a company's operations. A COO can help create budgets, prepare financial reports, conduct performance reviews for staff and work on marketing campaigns that can contribute to a company's growth. Chief operating officers can also delegate tasks to the teams they lead and implement new programs that promote health and safety standards in the workplace.

Week 49

[2022 OKR Planning](#)



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MANUFACTURING



# Guiding questions to write Team OKRs and track progress

## Objectives

- *What can we improve (change) in order to be more successful?*
- *Why is this important right now?*

## Key Results

- *How will we know that we are improving?*
- *What can we measure on an ongoing basis?*

## Initiatives

- *What are we going to DO to drive progress on Key Results?*
- *What should we start doing first?*

## Weekly Check-ins

- *What did we accomplish and learn?*
- *What is every team member doing next?*

## # Best Practices

3

objectives at  
any time

3

key results  
per objective



Set quarterly



Reviewed  
monthly or weekly



Public and online  
in front of all  
employees

70%

Sweet spot to  
achieve % of  
the results

## 4 Guide Lines

- **Set them annually and quarterly**

- A quarter and year are timeframes in which you can really achieve something. These are also the timeframes used to evaluate companies.

- **Do not have too many**

- 5 Objectives with less than 4 key results each is your maximum per quarter.

- **Make the Objectives challenging**

- Research and experience prove that people who set challenging targets achieve more.

- **A Key Result must be defined**

- You need to create a learning process.

## OKR RULES



Set them frequently



Don't have too many



Make them transparent



Align them

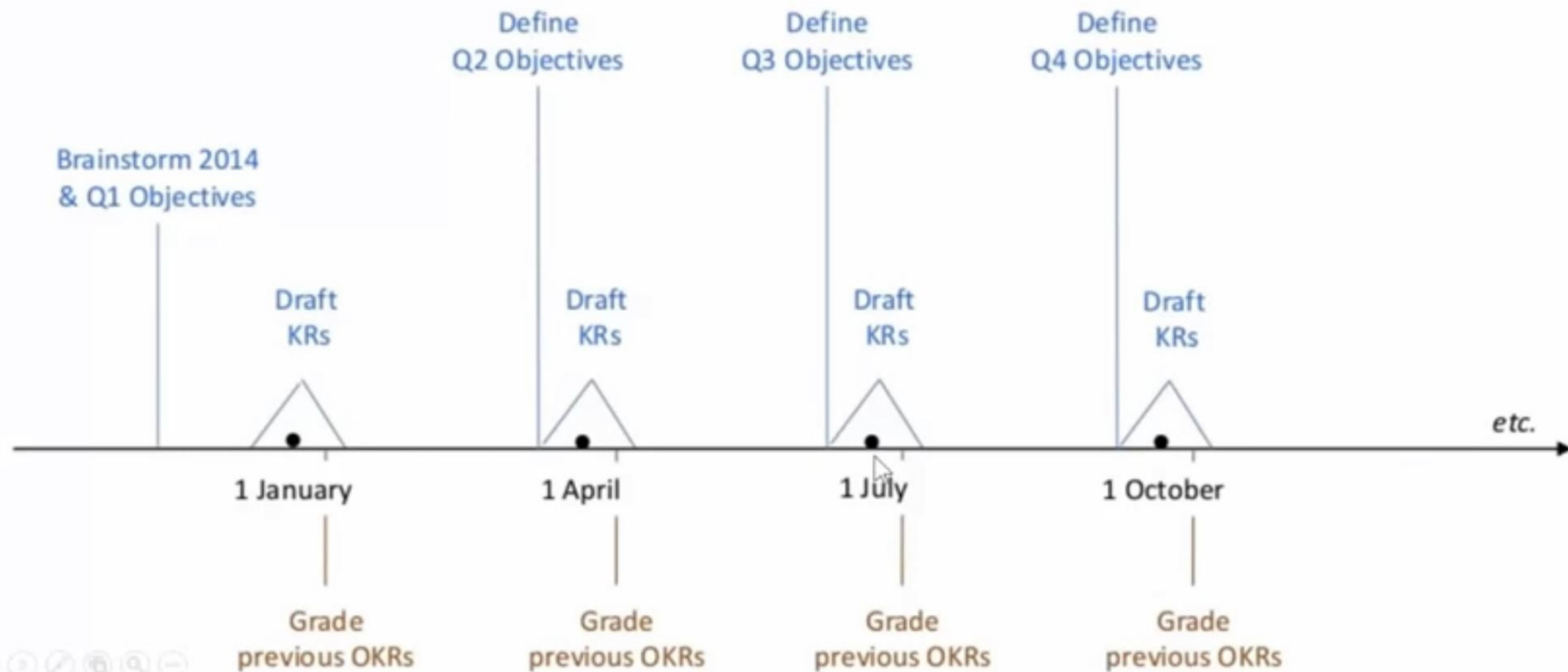


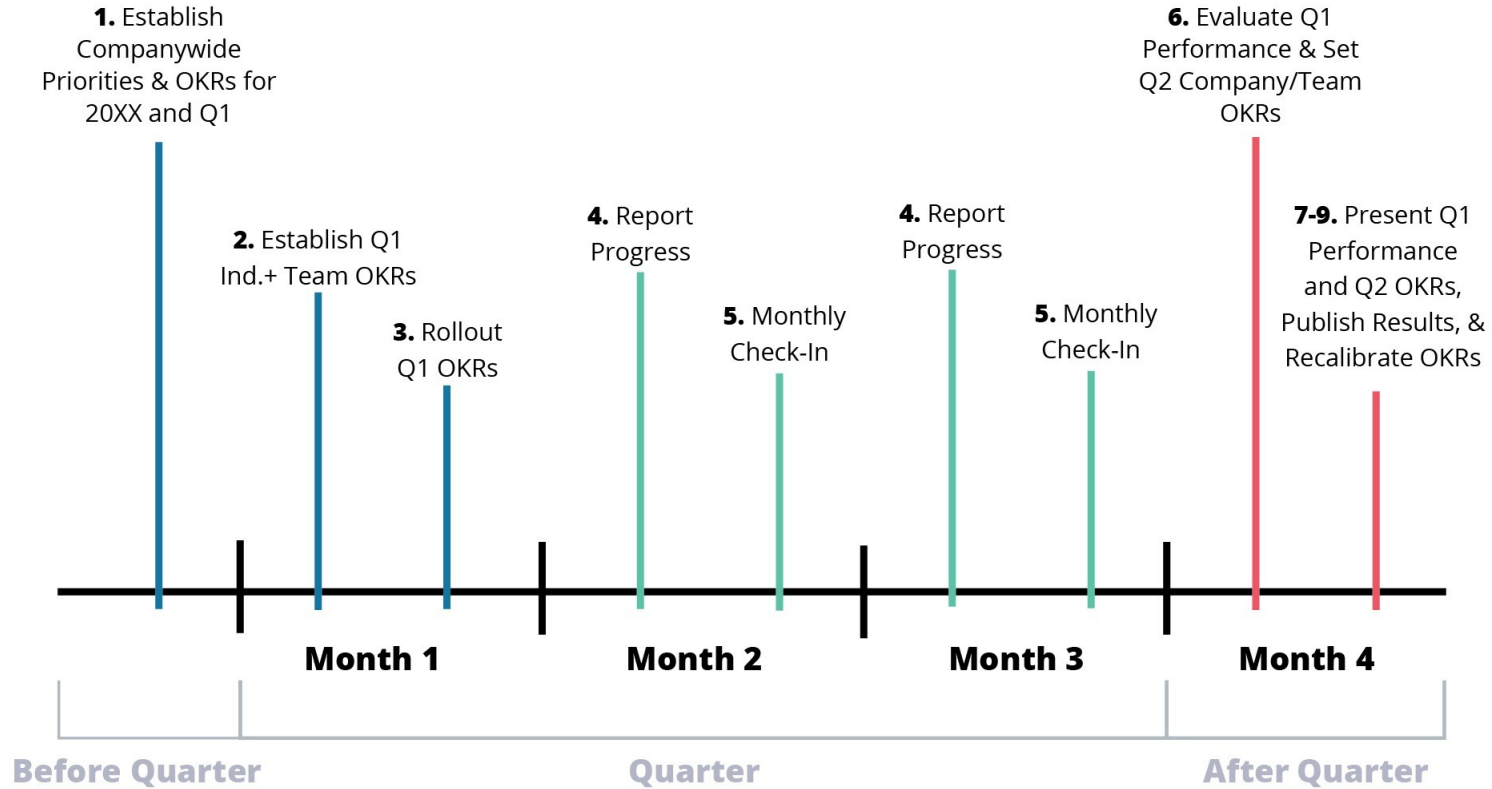
Update progress regularly



Appoint an OKR Ambassador

# Annual time line







## WEEKLY & MONTHLY



- Close-off sprints
- On-going OKR progress updates
- Refine tactics

## QUARTERLY



- Close off past quarter
- Refresh strategic priorities
- Set-up new O's and KR's

## ANNUALLY



- Refresh strategy & priorities
- Strategic OKRs



2022 Strategy

# Return to Growth

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