


Smartups Planning Workshop

January 22, 2009
Tim Berry & Sabrina Parsons

Tim

- Tim Berry





Tim's Blogs

Planning Startups Stories
Tim Berry on business planning, starting and growing your business, and having a life in the meantime
<http://blog.timberly.com>

Up and Running:
Elevate your business with growth in mind
By Tim Berry
<http://upandrunning.entrepreneur.com>

Sabrina Parsons

- CEO Palo Alto Software
- President Princeton Entrepreneurs' Network
- Founder PAS UK
- Co-author 3 weeks to Start-up
- Blogger: MommyCeo.wordpress.com

Where are you?

- Never written a plan
- In the process of writing one
- Have a plan – but it's static and old now
- Don't need a plan – need to manage my business better
- I am more focused on marketing planning right now

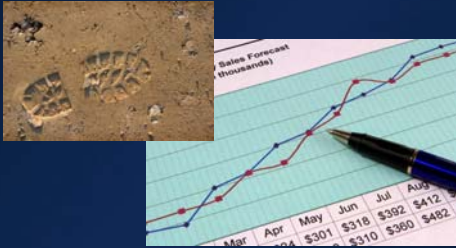
AGENDA



- 1. Fundamentals
- 2. The Heart of the Plan
- 3. Flesh and Bones
- 4. Dressing and Growing
- 5. Q & A

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1. It's About Results



2. Form Follows Function



Form Follows Function




Not the Old Standby

Necessarily

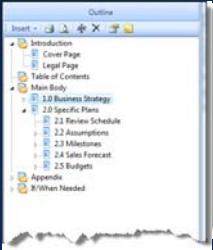
- Executive Summary
- Company
- Product or Service
- Market Analysis
- Strategy and Implementation
- Management Team
- Financial Projections



Blocks. Modules



Do Only What You Need



Separates Plan from Background



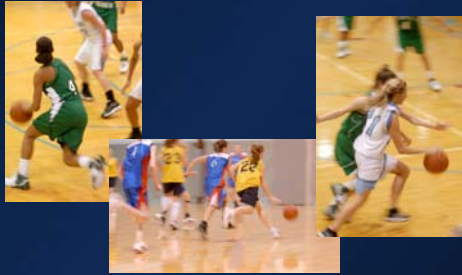
3. Planning is Management



Metrics & Tracking



4. Planning Manages Change



5. Planning not Accounting



Planning, not Just a Plan




seless,
ssential




5 Planning Fundamentals

1. It's About Results
2. Form Follows Function
3. Planning is Management
4. Planning Manages Change
5. Planning Is Not Accounting

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2. **The Heart of the Plan**
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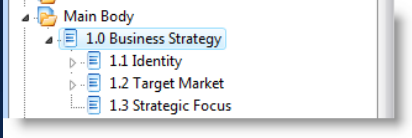
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Enmeshed: Chicken, Egg, and, er, Rooster?



```
graph TD; Market((Market)) --- Identity((Identity)); Identity --- Strategy((Strategy)); Strategy --- Market; Egg[Chicken Egg]
```

The Heart of the Plan




- Main Body
 - 1.0 Business Strategy
 - 1.1 Identity
 - 1.2 Target Market
 - 1.3 Strategic Focus

Your Business Identity



Study the Mirror



Core Competence



Your Specific Keys to Success



SWOT



Market Who and Why



Profile Your Ideal Customer

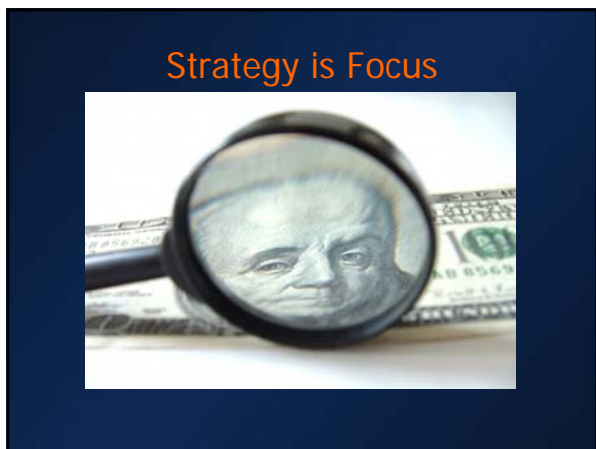


Tell the Story









Strategy is Focus

The more priorities or key points included...

The less likelihood of implementation...

Focus

Strategy Is Tailored

Tough Decisions

Understand Displacement



Knobs You Can Turn




Pop Quiz

I don't know the secret to success; I just know that if you want to please everyone, you're going to fail.



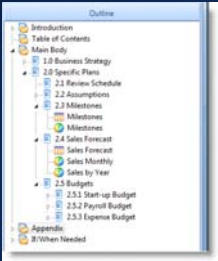
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Action Plan: What? When?



Outline

- Introduction
- Table of Contents
- Main Body
 - 1.0 Business Strategy
 - 2.0 Specific Plans
 - 2.1 Review Schedule
 - 2.2 Assumptions
 - 2.3 Milestones
 - 2.4 Sales Forecast
 - Sales Forecast
 - Sales Monthly
 - Sales by Year
 - 2.5 Budgets
 - 2.5.1 Start-up Budget
 - 2.5.2 Payroll Budget
 - 2.5.3 Expense Budget
 - Appendix
 - A/When Needed

Do the Review Schedule First



Identify Important Assumptions



Develop Metrics



Match Tasks to Owners



Forecast From Recent Past



Expense Budget

	Jan	Feb	Nov	Dec	Year 1
Payroll	\$12,000	\$12,000	\$27,250	\$27,250	\$194,750
Advertising	\$13,500	\$13,500	\$13,500	\$13,500	\$162,000
Leases	\$500	\$500	\$500	\$500	\$6,000
Utilities	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Insurance	\$300	\$300	\$300	\$300	\$3,600
Rent	\$1,500	\$1,500	\$1,500	\$1,500	\$18,000
Payroll Tax	\$1,680	\$1,680	\$3,815	\$3,815	\$27,285
Other	\$0	\$100	\$200	\$300	\$1,000
Total	\$30,480	\$30,580	\$48,065	\$48,165	\$424,615

Estimate Payroll

Personnel Plan	Jan	Nov	Dec	Year 1	Year 2
Partners	\$12,000	\$12,000	\$12,000	\$144,000	\$175,000
Consultants	\$0	\$0	\$0	\$0	\$50,000
Editorial/graphic	\$0	\$6,000	\$6,000	\$18,000	\$22,000
VP Marketing	\$0	\$5,000	\$5,000	\$20,000	\$50,000
Sales people	\$0	\$0	\$0	\$0	\$30,000
Office Manager	\$0	\$2,500	\$2,500	\$7,500	\$30,000
Secretarial	\$0	\$1,750	\$1,750	\$5,250	\$20,000
Other	\$0	\$0	\$0	\$0	\$0
Total People	3	7	7	7	14
Total Payroll	\$12,000	\$27,250	\$27,250	\$194,750	\$377,000

Startup Plan

Start-up Plan	
Requirements	
Start-up Expenses	
Legal	\$1,000
Stationery, etc.	\$3,000
Brochures	\$5,000
Consultants	\$5,000
Insurance	\$350
Expensed Computer Equipment	\$3,000
Other	\$1,000
Total Start-up Expenses	\$18,350
Start-up Assets	
Cash Required	\$25,000
Other Current Assets	\$7,000
Long-term Assets	\$0
Total Assets	\$32,000
Total Requirements	\$50,350

Cash Traps



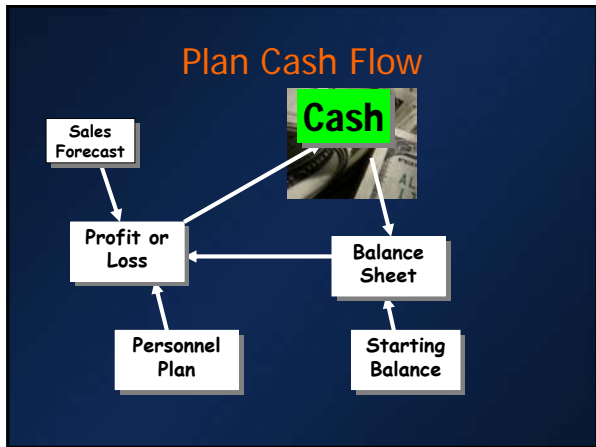
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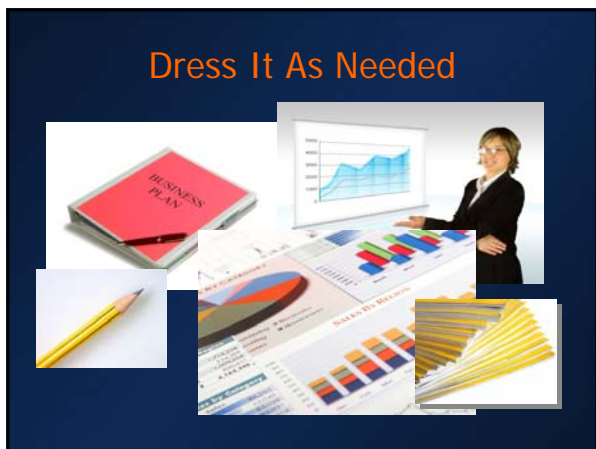


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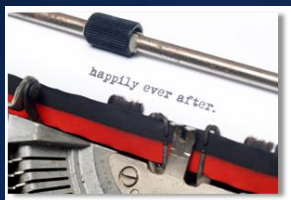
The Formal Plan



The Formal Plan Document

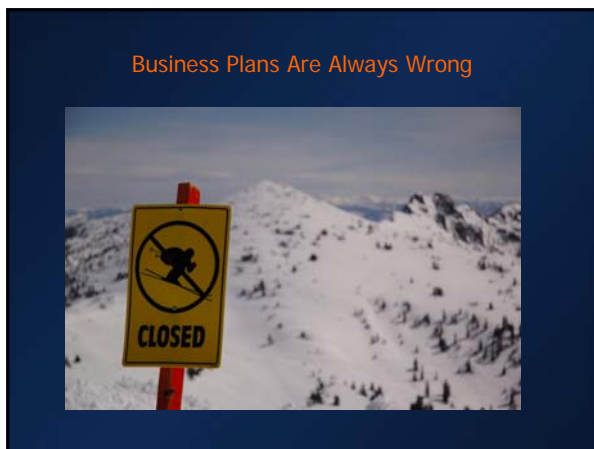


The Summary Memo













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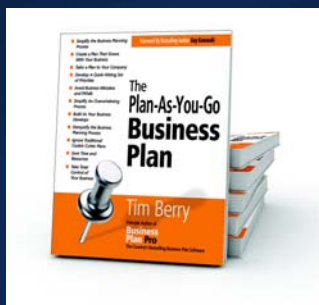
Contact Information

- tberry@paloalto.com
- sabrina@paloalto.com

<http://planasyougo.com>



The Book









Plan vs. Actual

		Jan	Feb	Mar
Unit Sales				
Meals	1,053	33	(140)	(55)
Drinks	527	(111)	(112)	138
Other	70	47	36	101
Total Unit	1,650	(31)	(216)	184
Unit Price				
Meals	\$18.96	\$3.96	\$2.85	\$4.84
Drinks	\$2.45	\$0.45	\$0.63	\$0.51
Other	\$7.49	(\$2.51)	(\$1.59)	(\$0.89)
Total Unit	1,158			
Sales				
Meals	\$15,396	\$3,711	\$502	\$6,193
Drinks	\$684	(\$96)	\$37	\$730
Other	\$502	\$302	\$271	\$902
Total Sales	\$16,581	\$3,916	\$810	\$7,826



blog.guykawasaki.com/2007/07/how-to-write-a-.html

- ### Related Websites
- timberry.com
 - Planasyougo.com
 - www.bplans.com
 - www.paloalto.com

The Plan-As-You-Go Business Plan

JUST IN CASE...

Pop Quiz

What do you do first?

Keep Assumptions on Top

Month	Net Cash Flow	Cash Balance
Jan	(\$2,000)	\$18,000
Feb	(\$3,000)	\$15,000
Mar	(\$1,000)	\$14,000
Apr	(\$1,000)	\$13,000
May	(\$1,000)	\$12,000
Jun	(\$1,000)	\$11,000
Jul	(\$1,000)	\$10,000
Aug	(\$1,000)	\$9,000
Sep	(\$1,000)	\$8,000
Oct	(\$1,000)	\$7,000
Nov	(\$1,000)	\$6,000
Dec	(\$1,000)	\$5,000

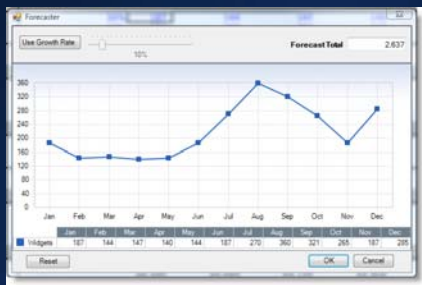
Leave Tracks



Your Business Offering



Forecaster



Estimate Burn Rate

Monthly burn rate	Oct	Nov	Dec
Payroll	\$8,000	\$8,000	\$8,000
Rent	\$2,500	\$2,500	\$2,500
Utilities	\$275	\$275	\$275
Insurance	\$200	\$200	\$200
Other	\$500	\$500	\$500
	\$12,675	\$12,675	\$12,675

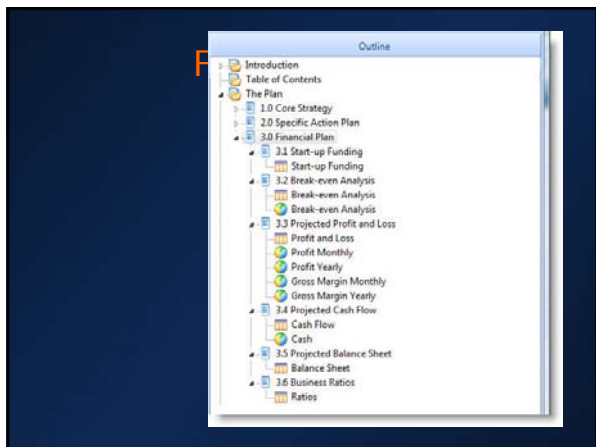
Hanging on Sales



Hanging on Sales









Pick Your Plan: Lots of Different Contexts

- Classic Business
- Strategic
- Investors
- Lenders
- Academic
- Operations
- Partners
- Growth



The Classic



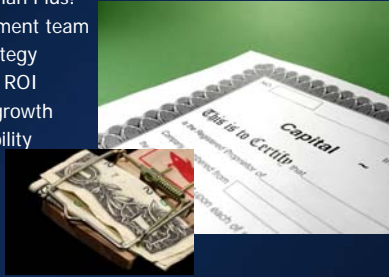
The Plan for Management & Growth

- Milestones
- Assumptions
- Tasks
- Ownership
- Follow-up
- Measurability



The Plan For Investment

- Classic Plan Plus!
- Management team
- Exit Strategy
- Investor ROI
- Market growth
- Defensibility



The Plan For a Bank Loan

- Financial history
- Collateral
- Interest Coverage
- Personal Financials
- Commitment





Don't Wait. Get Going.



Like Planning a Trip



Separates Plan From Output



Separates Supporting Information



Faster And Easier



More Realistic



Within the Grasp: Attainable



Appropriately Sized Planning



Plans Must be Managed



Collections at 60

Receivables Detail			
	Mar	Apr	May
Estimated Collection Period in Days	60	60	60
Sales on Credit %	85.00%	85.00%	85.00%
Receivables			
Beginning Receivables Balance	\$511	\$636	\$942
Plus Sales on Credit	\$353	\$596	\$547
Less Cash from Receivables	\$228	\$291	\$353
Ending Receivables Balance	\$636	\$942	\$1,136

Collections at 90

Receivables Detail			
	Mar	Apr	May
Estimated Collection Period in Days	90	90	90
Sales on Credit %	85.00%	85.00%	85.00%
Receivables			
Beginning Receivables Balance	\$651	\$865	\$1,233
Plus Sales on Credit	\$353	\$596	\$547
Less Cash from Receivables	\$139	\$228	\$291
Ending Receivables Balance	\$865	\$1,233	\$1,489

Cash Spent

Cash Flow			
Expenditures	Jan	Feb	Mar
Expenditures from Operations			
Cash Spending	\$47	\$47	\$47
Bill Payment	\$225	\$36	\$59
Subtotal Spent on Operations	\$272	\$83	\$106
Additional Cash Spent			
Non-Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$90
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$3	\$3	\$3
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$25	\$0	\$15
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$300	\$86	\$213

Payment Detail

Payment Detail			
	Jan	Feb	Mar
Payment Delay in Days	30	30	30
Payables			
Beginning Payables Balance	\$224	\$34	\$49
Plus New Payment Obligations	\$82	\$97	\$346
Less Cash Spending	\$47	\$47	\$47
Less Bill Payments	\$225	\$36	\$59
Ending Payables Balance	\$34	\$49	\$290

Cash Received

Cash Flow			
Cash Received			
	Jan	Feb	Mar
Cash from Operations			
Cash Sales	\$40	\$51	\$62
Cash from Receivables	\$198	\$205	\$230
Subtotal Cash from Operations	\$238	\$256	\$292
Additional Cash Received			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$100
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$25	\$0
Subtotal Cash Received	\$238	\$281	\$392

Estimating Inventory

Inventory Detail			
	Jan	Feb	Mar
Months of Inventory On-hand	1.1	1.1	1.1
Minimum Inventory Purchase	\$1,000		
Inventory Balance			
Beginning Inventory Balance	\$805	\$621	\$378
Less Inventory Used as COGS	\$185	\$243	\$302
Plus Inventory Purchase	\$0	\$0	\$256
Ending Inventory Balance	\$621	\$378	\$332

Cash Flow

Cash Flow			
Cash Received	Jan	Feb	Mar
Cash from Operations			
Cash Sales	\$40	\$51	\$62
Cash from Receivables	\$198	\$205	\$230
Subtotal Cash from Operations	\$238	\$256	\$293
Additional Cash Received			
New Other Liabilities	\$7	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$100
New Investment Received	\$0	\$25	\$0
Subtotal Cash Received	\$245	\$281	\$393
Expenditures	Jan	Feb	Mar
Expenditures from Operations			
Cash Spending	\$47	\$47	\$47
Bill Payment	\$225	\$36	\$59
Subtotal Spent on Operations	\$272	\$83	\$106
Additional Cash Spent			
Principal Repayment of Current Borrowing	\$0	\$0	\$90
Long-term Liabilities Principal Repayment	\$3	\$3	\$3
Purchase Long-term Assets	\$25	\$0	\$15
Subtotal Cash Spent	\$300	\$86	\$213
Net Cash Flow	(\$55)	\$195	\$180
Cash Balance	\$1	\$196	\$376
