

The Plan-As-You-Go Business Plan

Tim Berry

The Plan-As-You-Go Business Plan

Presentation by Tim Berry
ASBDC Chicago
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PaloAltoSoftware Bplans Mplans

Business Plan Bashing

- Nobody reads it
- Locks you in
- Just the pitch
- Written in stone
- Poor results
- Not useful

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The Plan-As-You-Go Business Plan

1. New Approach
2. Attitude Adjustment
3. Heart of the plan
4. Flesh and Bones
5. Dressing and growing
6. Planning Process



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What's Different?

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Planning, not Just a Plan



seless,
ssential



Appropriately Sized Planning



Separates Plan From Output



Separates Supporting Information





Why Is It Better?

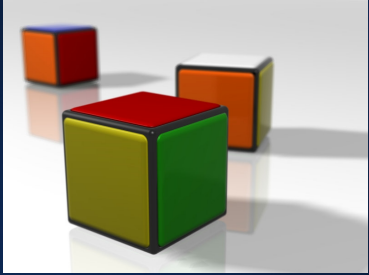
PaloAltoSoftware Bplans.com Mplans.com

Gets Better Business Results




Month	Mar	Apr	May	Jun	Jul	Aug
Sales	\$301	\$318	\$392	\$412	\$360	\$482

Faster And Easier



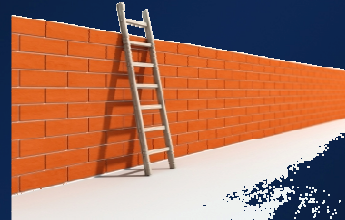
Assumes Change



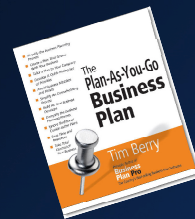
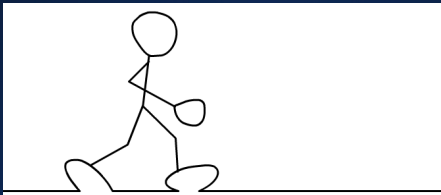
More Realistic



Within the Grasp: Attainable



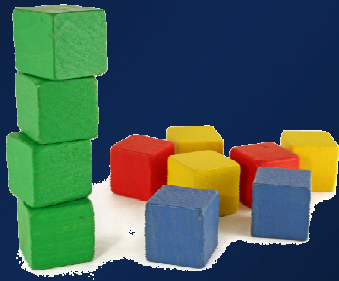
The Right Way To Do It



Section 2

ATTITUDE ADJUSTMENT

Start Anywhere. Get Going



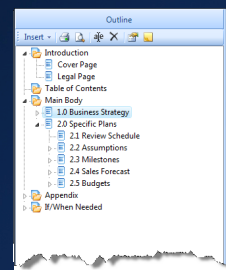
Builds Function, Not Form

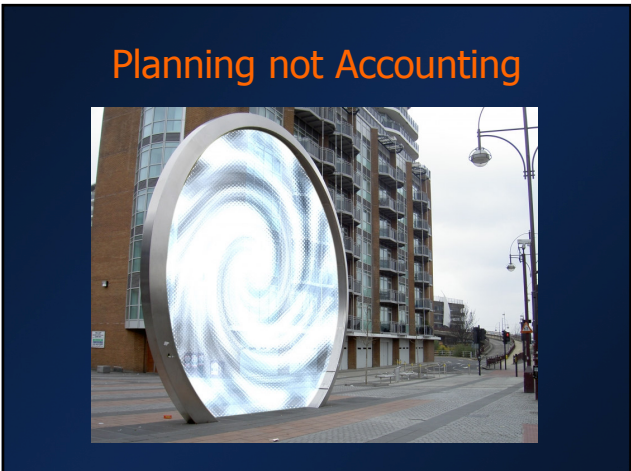
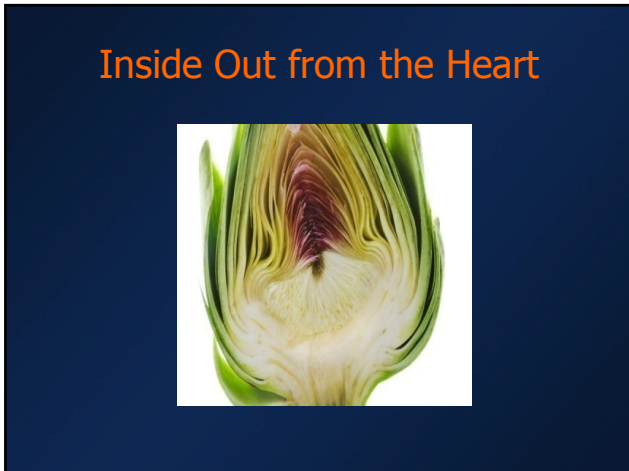


Do Only What You Need



New Approach: Keep it Simple





Don't Wait. Get Going.



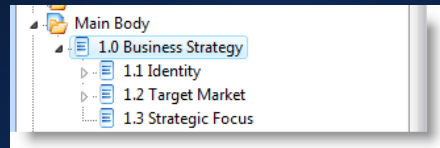
Like Planning a Trip



Section 3

THE HEART OF THE PLAN

The Heart of the Plan



Enmeshed: Chicken, Egg, and, er, Rooster?



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



Target Needs and Wants

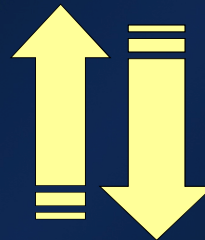


Strategy is Focus



Strategy is Focus

The more priorities or key points included...



The less likelihood of implementation...

Focus

Strategy Is Tailored



Divide & Conquer

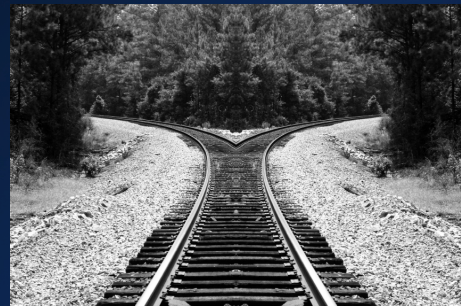


Pop Quiz

I don't know the secret to success; I just know that the secret to success is to please everyone.



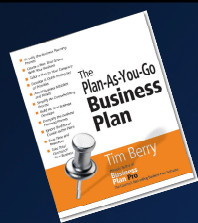
Tough Decisions



Understand Displacement



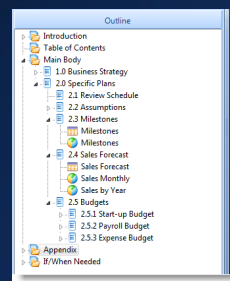
Knobs You Can Turn



Section 4

FLESH AND BONES

Action Plan: What? When?



Do the Review Schedule First



Identify Important Assumptions



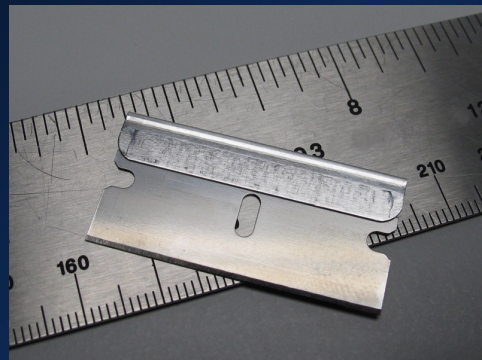
Spell Out Assumptions

Some important assumptions:

1. We'll be open as of early January, with signs out and marketing done.
2. We'll be serving lunch Monday through Saturday and dinner Tuesday through Sunday.
3. Successful pull-out of web links through Google, Yahoo, etc. by the end of March.
4. Allsource with (name omitted) through Google, Yahoo, etc. by the end of March.
5. Web reservations and ordering by the end of March.

General Assumptions				
	Jan	Feb	Mar	Apr
1. Cash Receipts	1	2	3	4
2. Current Interest Rate	6.50%	6.50%	6.50%	6.50%
3. Long-term Interest Rate	7.00%	7.00%	7.00%	7.00%
4. Tax Rate	25.00%	25.00%	25.00%	25.00%
5. Occupancy rate	94%	95%	93%	95%
6. Meals per guest per day	0.70	0.80	0.80	0.80
7. Drinks per meal	1.1	1.2	1.3	1.4

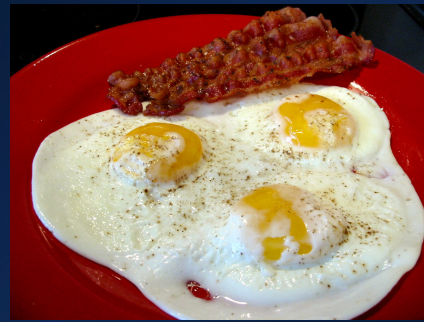
Develop Metrics



Milestones Make a Plan Real

Milestone	Start Date	End Date	Budget	Manager	Department
Corporate Identity	12/1/2006	12/17/2006	\$10,000	TJ	Marketing
Seminar implementation	1/1/2007	1/10/2007	\$1,000	IR	Sales
Business Plan Review	1/2/2007	1/11/2007	\$0	RJ	GM
Upgrade mailer	1/2/2007	1/17/2007	\$5,000	IR	Sales
New corporate brochure	1/2/2007	1/17/2007	\$5,000	TJ	Marketing
Delivery vans	1/1/2007	1/25/2007	\$12,500	SD	Service
Direct mail	2/2/2007	2/17/2007	\$3,500	IR	Marketing
Advertising	2/2/2007	2/17/2007	\$115,000	RJ	GM
X4 Prototype	2/1/2007	2/25/2007	\$2,500	SD	Product
Service revamp	2/1/2007	2/25/2007	\$2,500	SD	Product
6 Presentations	2/2/2007	2/26/2007	\$0	IR	Sales
X4 Testing	3/1/2007	3/6/2007	\$1,000	SD	Product
3 Accounts	3/1/2007	3/17/2007	\$0	SD	Sales
LS9 Prototype	3/1/2007	3/26/2007	\$2,500	SD	Product
Tech95 Expo	4/1/2007	4/12/2007	\$15,000	TB	Marketing
VP S&M hired	6/1/2007	6/11/2007	\$1,000	JK	Sales
Mailing System	7/1/2007	7/25/2007	\$5,000	SD	Service
Totals			\$181,500		

Match Tasks to Owners



Forecast Your Sales



Sample Sales Forecast

	Oct	Nov	Dec	2009	2010	2011
Sales Forecast						
Unit Sales						
Widgets	265	187	285	2,637	3,428	4,456
Whatsits	\$30	374	570	5,274	7,284	10,337
Other	0	0	0	473	\$20	\$72
Total Unit Sales	795	561	855	6,384	11,332	15,365
Unit Prices						
Widgets	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00
Whatsits	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Other	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Sales						
Widgets	\$5,035	\$3,553	\$5,415	\$50,292	\$65,698	\$84,656
Whatsits	\$15,000	\$18,700	\$28,500	\$263,700	\$369,180	\$516,852
Other	\$0	\$0	\$0	\$4,730	\$200	\$720
Total Sales	\$20,035	\$22,253	\$33,915	\$278,722	\$435,078	\$602,228
Direct Unit Costs						
Widgets	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25
Whatsits	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
Other	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Direct Cost of Sales						
Widgets	\$1,656	\$1,169	\$1,781	\$16,462	\$21,425	\$27,852
Whatsits	\$9,275	\$6,545	\$9,975	\$92,295	\$129,213	\$180,898
Other	\$0	\$0	\$0	\$1,857	\$800	\$288
Subtotal Direct Cost of Sales	\$10,931	\$7,714	\$11,756	\$110,614	\$151,438	\$209,038

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	\$27,265
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



Cash Flow Calculator

Cash Flow is Critical, but not Intuitive. Profits are not Cash.

This is critical to your business!

Amazing fact: many business failures are profitable when they go under. This cash calculator shows you how business-to-business sales, carrying inventory, and rapid growth can absorb a business' money. Change the variables below and watch their impact on real business cash-flow.

note: Double-click to type your entries into the boxes below. Use your mouse to adjust the sliders.

Starting Cash:

First Month's Sales:

Cost of Goods Sold (% of Sales):

Annual Sales Growth:

Sales on Credit:

Collection Days:

Profitability (% of Sales):

Initial Inventory Balance:

Weeks of Inventory Kept on Hand:

Starting Receivables:

Starting Payables:

Payment Days:

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Section 5

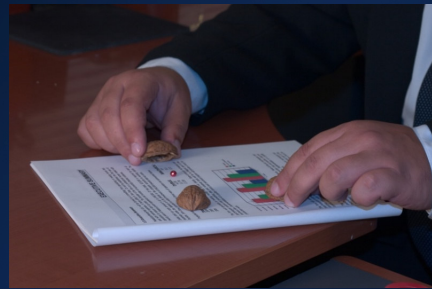
DRESSING AND GROWING

Dress It As Needed

Documents, Presentations, Live



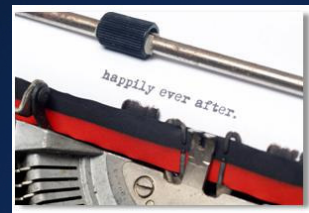
The Formal Plan

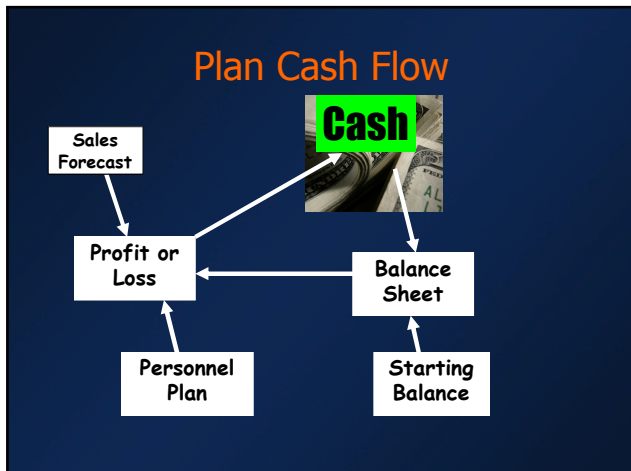
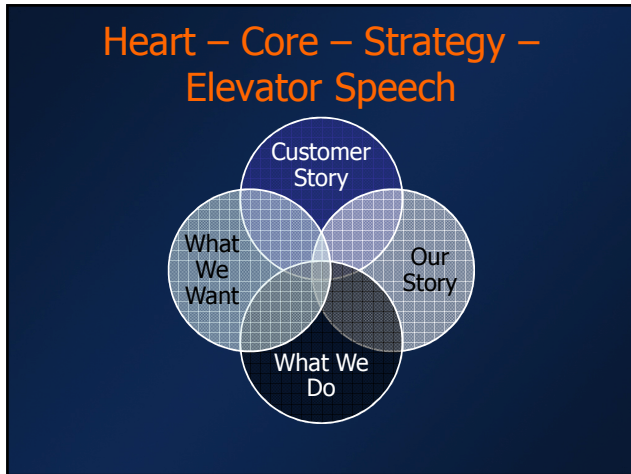


The Formal Plan Document



The Summary Memo





Standard Income Statement

	Jan	Feb	Mar
Sales	\$70,000	\$71,300	\$72,600
Direct Cost of Sales	\$15,000	\$15,000	\$15,000
Other	\$1,000	\$1,000	\$1,000
Total Cost of Sales	\$16,000	\$16,000	\$16,000
Gross Margin	\$54,000	\$55,300	\$56,600
Gross Margin %	77.14%	77.56%	77.96%
Expenses			
Payroll	\$29,750	\$29,750	\$29,750
Advertising	\$14,000	\$14,000	\$14,000
Depreciation	\$0	\$0	\$0
Leases	\$500	\$500	\$500
Utilities	\$1,100	\$1,100	\$1,100
Insurance	\$300	\$300	\$300
Rent	\$1,600	\$1,600	\$1,600
Payroll Tax	\$4,500	\$4,500	\$4,500
Other	\$0	\$0	\$0
Total Operating Expenses	\$51,750	\$51,750	\$51,750
Interest Expenses	\$617	\$617	\$617
Taxes Incurred	\$408	\$733	\$1,058
Net Profit	\$1,225	\$2,200	\$3,175

Balance Sheet

Pro Forma Balance Sheet				
	Jan	Feb	Mar	
Assets				
Starting Balances				
Current Assets				
Cash	\$55	\$1	\$197	\$376
Accounts Receivable	\$395	\$426	\$511	\$634
Inventory	\$805	\$621	\$378	\$332
Other Current Assets	\$25	\$25	\$25	\$25
Total Current Assets	\$1,280	\$1,073	\$1,111	\$1,367
Long-term Assets				
Long-term Assets	\$350	\$375	\$375	\$390
Accumulated Depreciation	\$50	\$51	\$52	\$53
Total Long-term Assets	\$300	\$324	\$323	\$337
Total Assets	\$1,580	\$1,397	\$1,434	\$1,704
Liabilities and Capital				
Starting Balances				
Current Liabilities				
Accounts Payable	\$224	\$34	\$49	\$290
Current Borrowing	\$90	\$90	\$90	\$0
Other Current Liabilities	\$15	\$22	\$22	\$22
Subtotal Current Liabilities	\$329	\$146	\$161	\$312
Long-term Liabilities	\$285	\$282	\$279	\$376
Total Liabilities	\$614	\$428	\$440	\$688
Capital				
Paid-in Capital	\$500	\$500	\$525	\$525
Retained Earnings	\$418	\$467	\$467	\$467
Earnings	\$49	\$1	\$2	\$25
Total Capital	\$967	\$968	\$994	\$1,017
Total Liabilities and Capital	\$1,581	\$1,396	\$1,434	\$1,705
Net Worth	\$966	\$969	\$994	\$1,016

Cash Flow Plan

Cash Flow				
	Start	Month 1	Month 2	Month 3
Money Received				
Cash Sales	\$0	\$0	\$0	\$0
Payments Received	\$0	\$0	\$75	\$188
New Loans	\$200	\$0	\$0	\$0
New Investment	\$300	\$0	\$0	\$0
Total Received	\$500	\$0	\$75	\$188
Money Spent				
Cash Spending	\$0	\$0	\$25	\$50
Bill Payment	\$0	\$0	\$300	\$250
Repay Loans	\$0	\$0	\$0	\$0
Purchase Assets	\$0	\$0	\$0	\$0
Total Spent	\$0	\$0	\$325	\$300
Cash Flow	\$500	\$0	(\$250)	(\$113)
Cash Balance	\$500	\$500	\$250	\$138

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

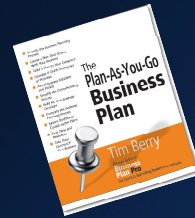
Cash Flow			
Cash Received	Jan	Feb	Mar
Cash from Operations			
Cash Sales	\$40	\$51	\$62
Cash from Receivables	\$198	\$205	\$230
Subtotal Cash from Operations	\$238	\$256	\$292
Additional Cash Received			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current 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



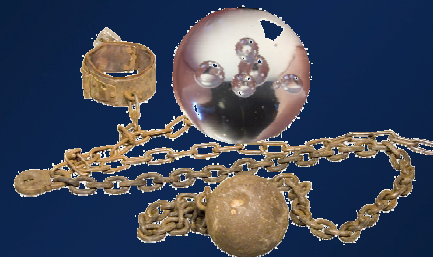
Section 6

PLANNING PROCESS

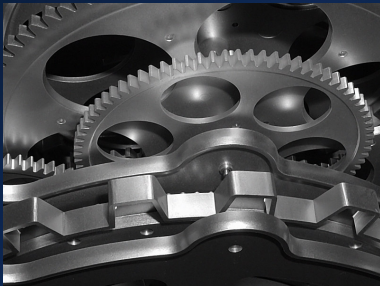
Management and Accountability



Avoid 'Crystal Ball and Chain'



Set Expectations and Follow Up



Plan vs. Actual

Unit Sales		Jan	Feb	Mar
Meals	779	33	(140)	(55)
Drinks	390	(111)	(112)	138
Other	20	47	36	101
Total Unit Sales		(31)	(216)	184

Unit Price		Jan	Feb	Mar
Meals	812	\$3.96	\$2.85	\$4.84
Drinks	279	\$0.45	\$0.63	\$0.51
Other	57	(\$2.51)	(\$1.59)	(\$0.89)
Total Unit Sales	1,158			

Sales		Jan	Feb	Mar
Meals	\$18.96	\$3,711	\$502	\$6,193
Drinks	\$2.45	(\$96)	\$37	\$730
Other	\$7.49	\$302	\$271	\$902
Total Sales		\$3,916	\$810	\$7,826

	Jan	Feb	Mar
Meals	\$15,396	\$16,297	\$28,768
Drinks	\$684	\$1,091	\$2,236
Other	\$502	\$471	\$1,102
Total Sales	\$16,581	\$17,859	\$32,107

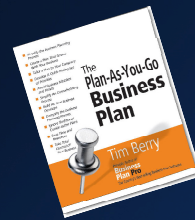
Business Plans Are Always Wrong



... but Vital



A Good Business Plan is Never Done

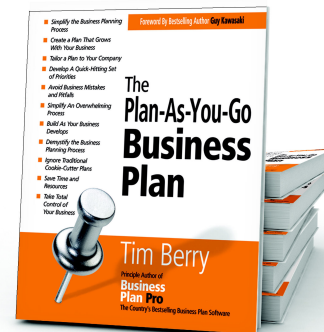


The Plan-As-You-Go Business Plan

RESOURCES, Q&A, DISCUSSION

<http://planasyougo.com>

A screenshot of the website planasyougo.com. The header features the title 'Plan-As-You-Go Business Planning' by Tim Berry. Below the header is a navigation menu with links for Home, My Blogs, The Book, Videos, Resources, Teaching, About This Site, and About Me. The main content area is titled 'Attitude Adjustment (Presentation)' and includes a video player with a play button. To the right of the video, there is a section labeled 'AVAILABLE NOW!' with text about the book's availability and a 'WEBSITE NOTE' section. At the bottom, there is a search bar and a 'SEARCH THIS SITE' button.



The Software



Interview



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

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Related Websites

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