


The Plan-as-you-go Business Plan

August 12, 2008
Academy of Management
Tim Berry

Palo Alto Software Bplans.com Mplans.com

For Today...



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Who is this guy?



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Business Plan Bashing

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

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Business Plan as Teaching Tool

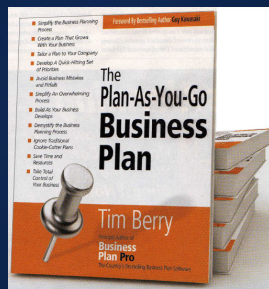
- Comprehensive
- Document
- Manageable



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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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Section 1
ABOUT THIS NEW APPROACH


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What's Different?

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Planning, not Just a Plan



seless,
essential



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Appropriately Sized Planning



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Separates Plan From Output



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Separates Supporting Information



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Why Is It Better?

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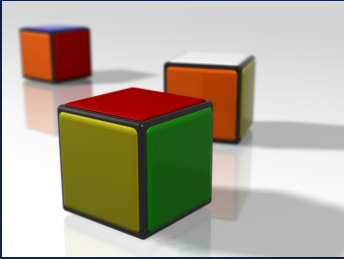
Gets Better Business Results



Month	Mar	Apr	May	Jun	Jul	Aug
Sales	\$294	\$301	\$318	\$310	\$392	\$412
Expenses						
Profit						

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Faster And Easier



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Assumes Change



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More Realistic

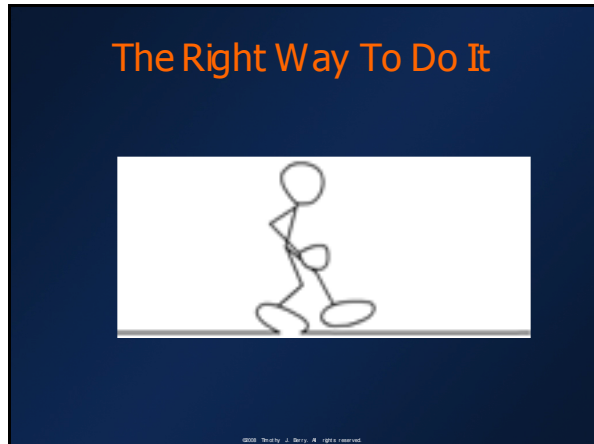


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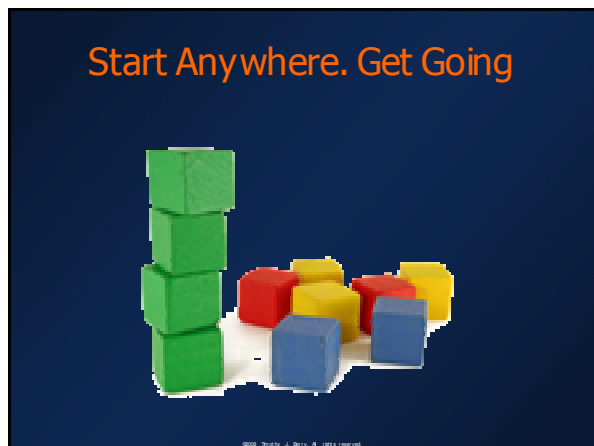
Within the Grasp: Attainable



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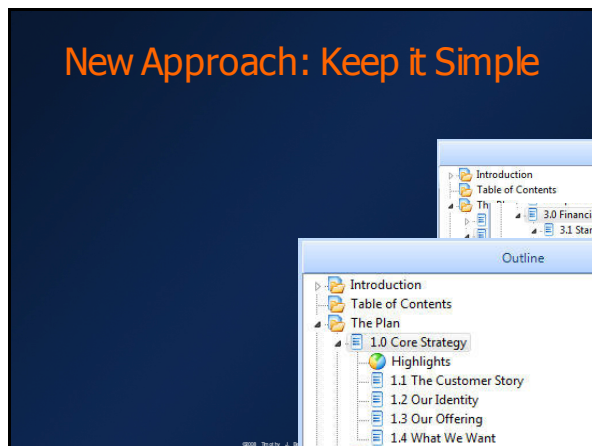






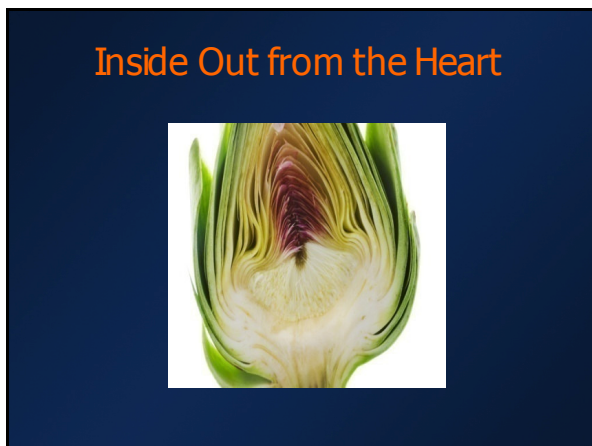


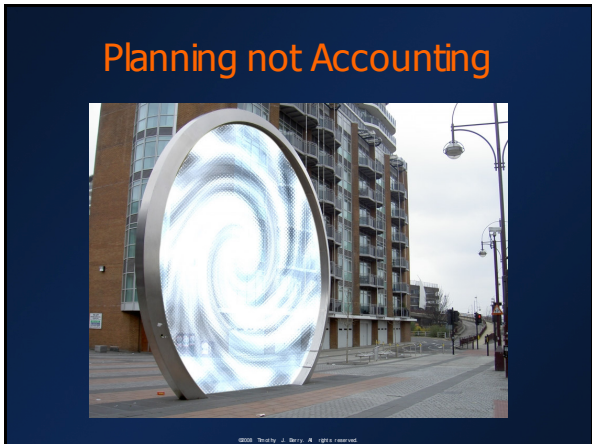


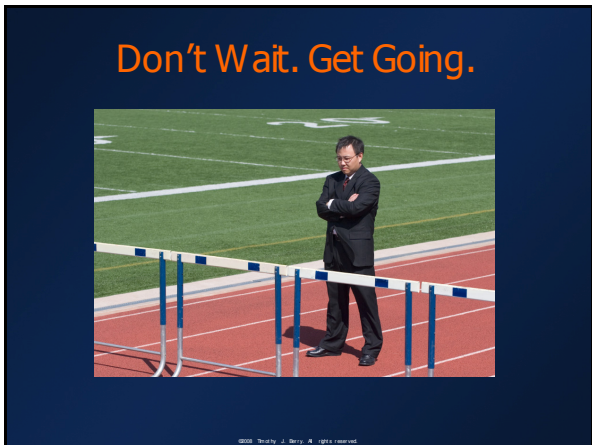


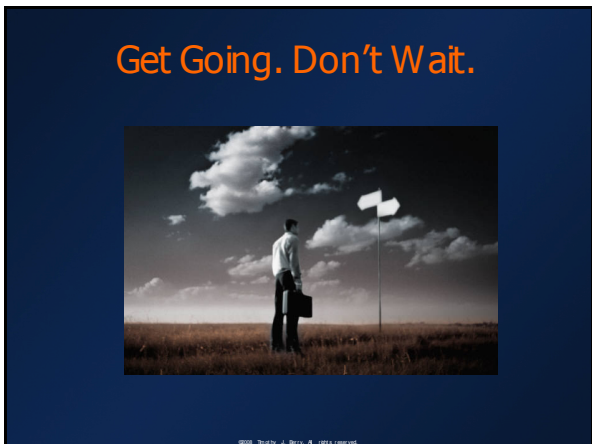


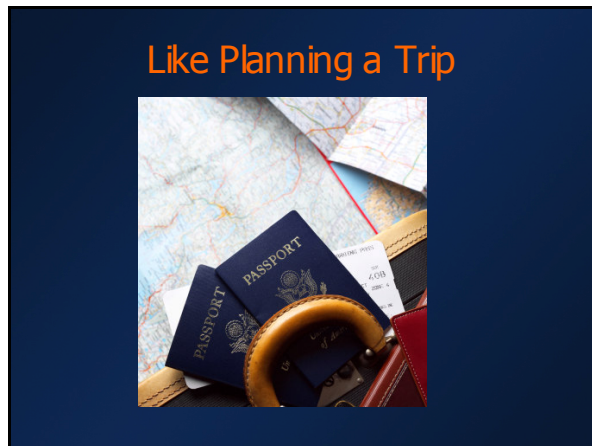




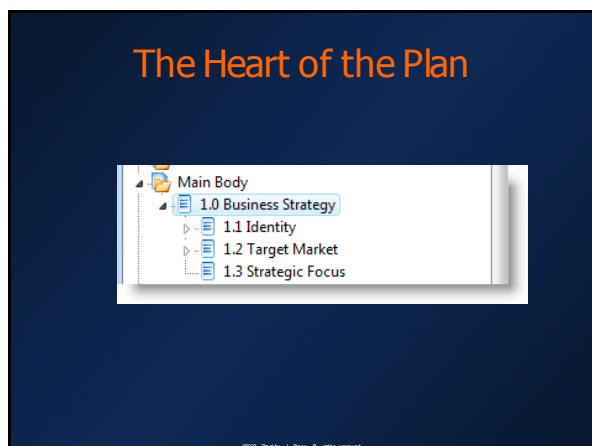


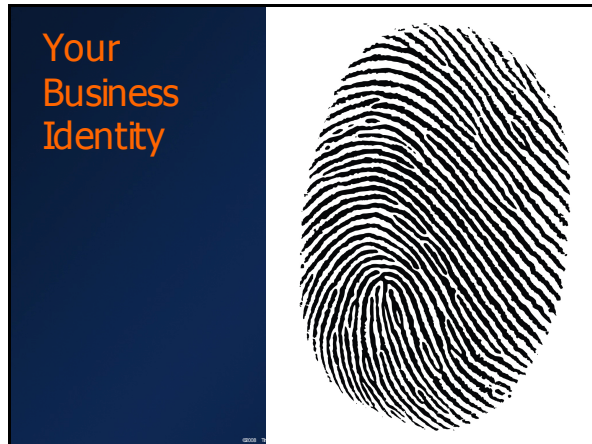


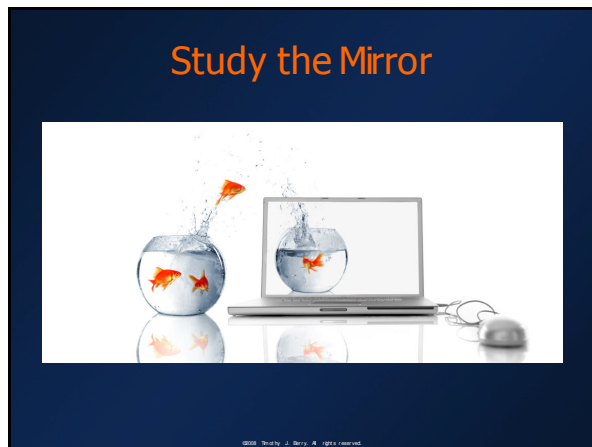














Your Specific Keys to Success



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SWOT



Market Who and Why



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Tell the Story



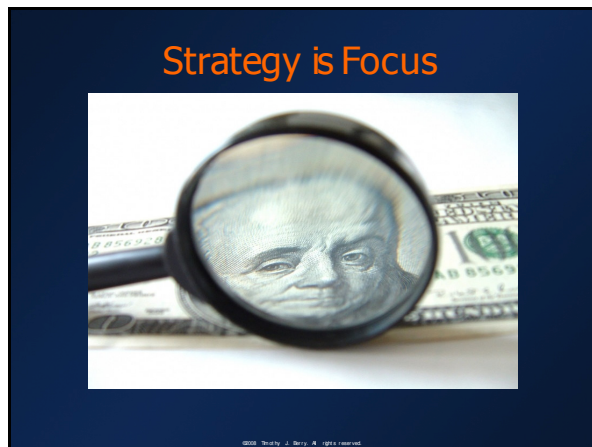
Understand Needs & Wants

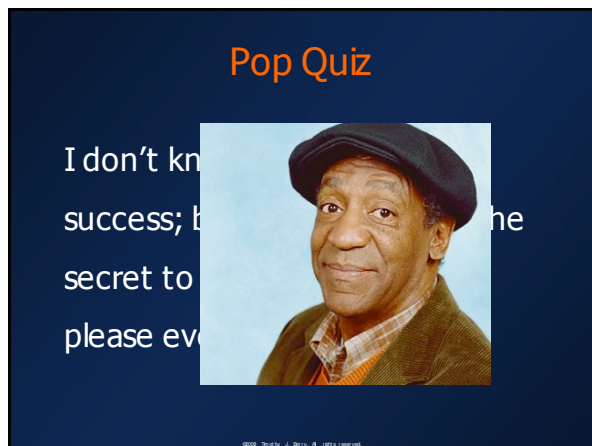


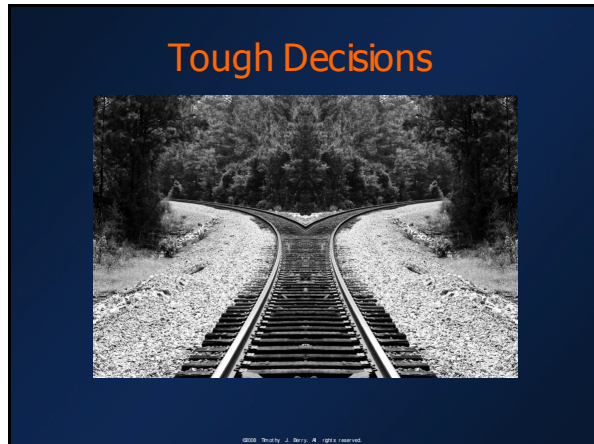
Profile Your Ideal Customer

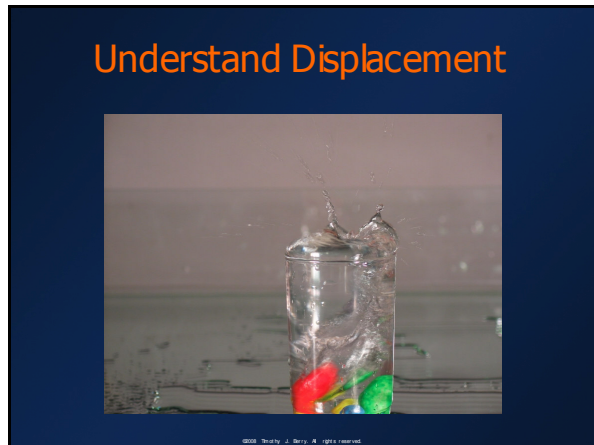


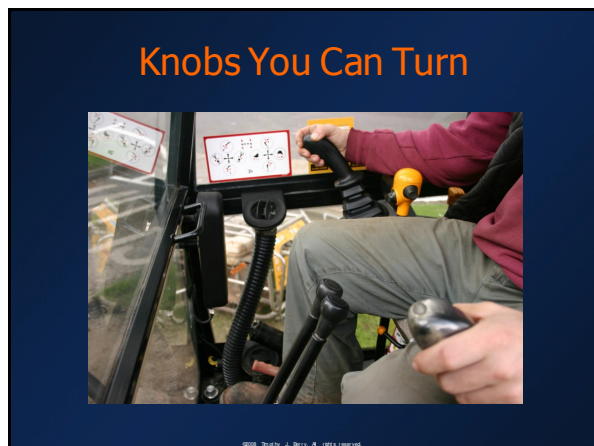




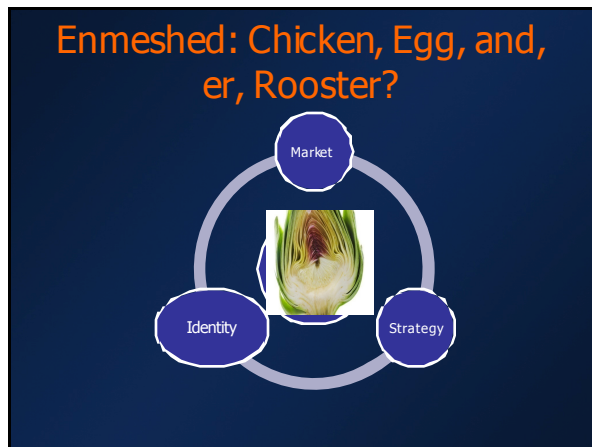


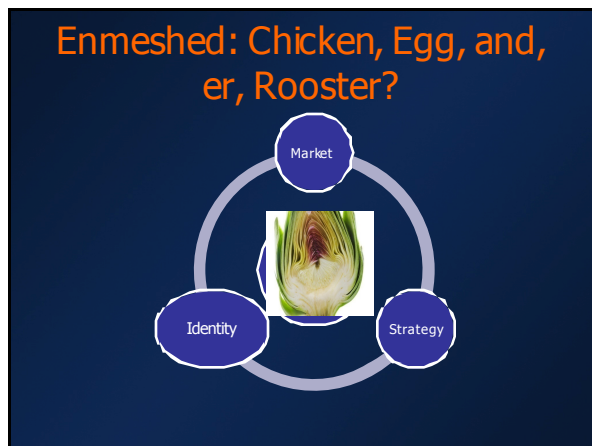




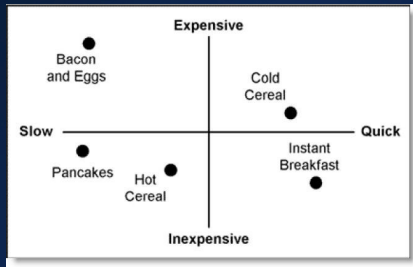








Strategic Positioning



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Divide & Conquer



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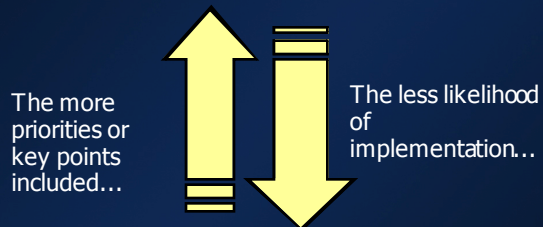
Enmeshed: Chicken, Egg, and, er, Rooster?



Build Competitive Advantage



Strategy is Focus



Focus



Section 4

FLESH AND BONES

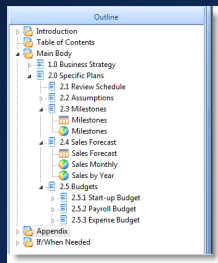
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Flesh & Bones of the Plan

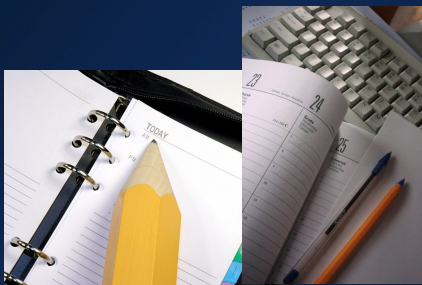
- Assumptions
- Review schedule
- Metrics
- Who does what
- When
- How much



Action Plan: What? When?



Do the Review Schedule First



Identify Important Assumptions



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Spell Out Assumptions

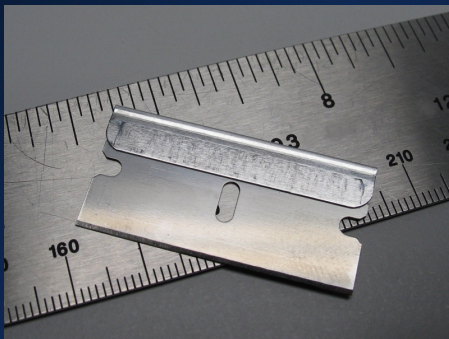
Some important assumptions:

- We'll be open as of early January, with signs out and marketing done.
- Successful roll-out of web links through Saturday and dinner Tuesday through Sunday.
- Alliance with Yamaa initiated...
- Web reservations and catering by the end of March.

General Assumptions	Jan	Feb	Mar	Apr
Open Month	1	2	3	4
Current Interest Rate	6.50%	6.50%	6.50%	6.50%
Long-term Interest Rate	7.50%	7.50%	7.50%	7.50%
Tax Rate	20.00%	20.00%	20.00%	20.00%
Discount rate	8%	8%	8%	8%
Hours per week per day	6.70	6.80	6.90	6.90
Overhead cost	1.1	1.2	1.3	1.4

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Develop Metrics

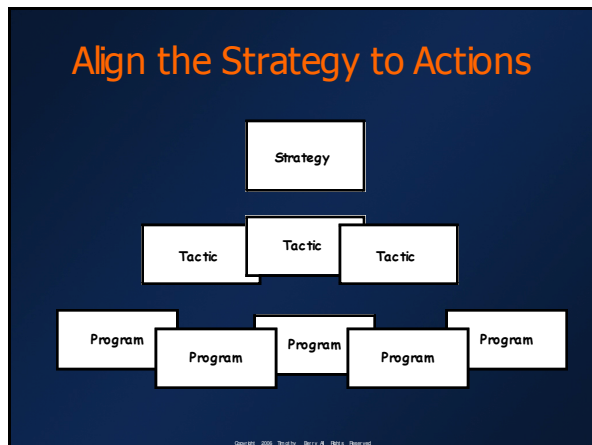


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Milestones Make a Plan Real

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	PG	GM
Upgrade mailer	1/2/2007	1/11/2007	\$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	PG	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	SG	Product
3 Accounts	3/1/2007	3/17/2007	\$0	SD	Sales
L30 Prototype	3/1/2007	3/26/2007	\$2,500	PR	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		

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Forecast Your Sales

The collage includes a satellite image of the United States with cloud temperature data, a hand holding a globe, and a hand writing on a spreadsheet with various numerical data points.

Sample Sales Forecast

-USAACCDNSB						
	Oct	Nov	Dec	2009	2010	2011
Sales Forecast						
Unit Sales						
Widgets	255	187	285	2,437	3,428	4,455
Whatsits	930	374	978	5,274	7,284	10,327
Other	0	0	0	273	0	872
Total Unit Sales	795	561	855	8,384	11,212	15,266
Unit Prices						
Widgets	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
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	\$6,625	\$4,675	\$7,125	\$65,922	\$85,698	\$111,408
Whatsits	\$46,500	\$18,700	\$48,300	\$263,700	\$369,180	\$516,852
Other	\$0	\$0	\$0	\$4,200	\$0	\$8,724
Total Sales	\$53,125	\$23,375	\$55,625	\$334,352	\$460,081	\$633,983
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	\$1,761	\$16,480	\$21,425	\$27,852
Whatsits	\$9,275	\$6,545	\$9,975	\$92,295	\$129,213	\$180,898
Other	\$0	\$0	\$0	\$1,092	\$0	\$3,572
Subtotal Direct Cost of Sales	\$10,931	\$7,714	\$11,736	\$110,867	\$152,719	\$211,030



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

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Estimate Payroll

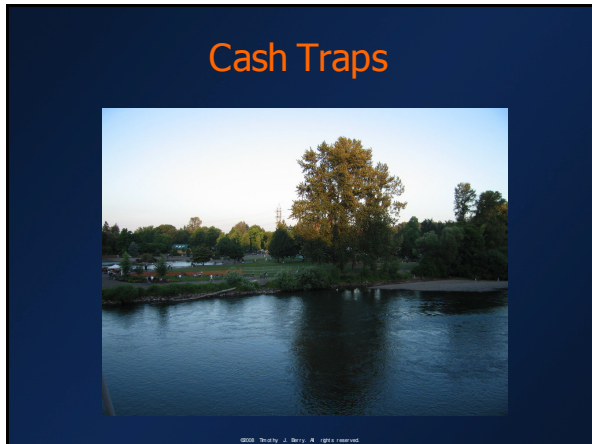
Personnel Plan	Jan	Nov	Dec	Year 1	Year 2
Partners	\$12,000	\$12,000	\$12,000	\$144,000	\$175,000
Consultants	\$0	\$0	\$0	\$0	\$50,000
Editorial/graphic	\$0	\$6,000	\$6,000	\$18,000	\$22,000
VP Marketing	\$0	\$5,000	\$5,000	\$20,000	\$50,000
Sales people	\$0	\$0	\$0	\$0	\$30,000
Office Manager	\$0	\$2,500	\$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

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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

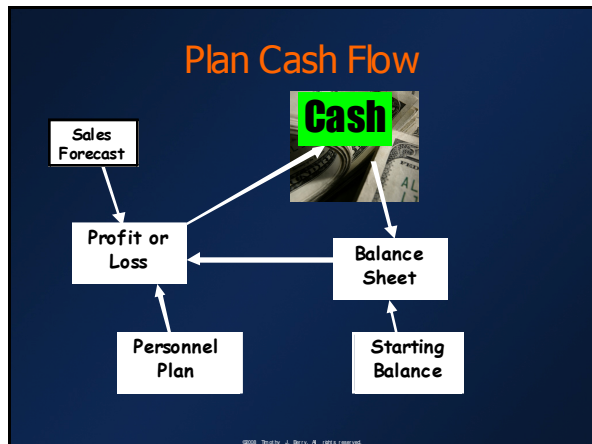
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Section 5
DRESSING AND GROWING

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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

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Balance Sheet

Pro Forma Balance Sheet			
	Jan	Feb	Mar
Assets			
Starting Balances			
Current Assets			
Cash	\$55	\$1	\$107
Accounts Receivable	\$395	\$426	\$511
Inventory	\$805	\$621	\$378
Other Current Assets	\$25	\$25	\$25
Total Current Assets	\$1,280	\$1,073	\$1,111
Long-term Assets			
Long-term Assets	\$350	\$375	\$375
Accumulated Depreciation	\$50	\$51	\$52
Total Long-term Assets	\$300	\$324	\$327
Total Assets	\$1,580	\$1,397	\$1,434
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$224	\$34	\$49
Current Borrowing	\$90	\$90	\$90
Other Current Liabilities	\$15	\$22	\$22
Subtotal Current Liabilities	\$329	\$146	\$161
Long-term Liabilities	\$285	\$282	\$279
Total Liabilities	\$614	\$428	\$440
Equity			
Part-in Capital	\$500	\$500	\$525
Retained Earnings	\$418	\$467	\$467
Earnings	\$49	\$1	\$2
Total Capital	\$967	\$968	\$994
Total Liabilities and Capital	\$1,581	\$1,396	\$1,705
Net Worth	\$966	\$969	\$994

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Cash Flow Plan

Cash Flow				
Money Received	Start	Month 1	Month 2	Month 3
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

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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	

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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	

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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

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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

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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

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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

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Cash Flow

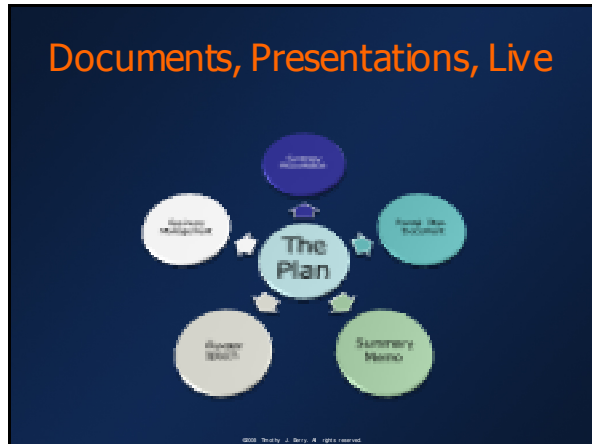
Cash Flow	Jan	Feb	Mar
Cash Received			
Cash from Operations			
Cash Sales	\$40	\$51	\$62
Cash from Receivables	\$198	\$205	\$230
Subtotal Cash from Operations	\$238	\$256	\$293
Additional Cash Received			
New Other Liabilities	\$7	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$100
New Investment Received	\$0	\$25	\$0
Subtotal Cash Received	\$245	\$281	\$393
Expenditures			
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

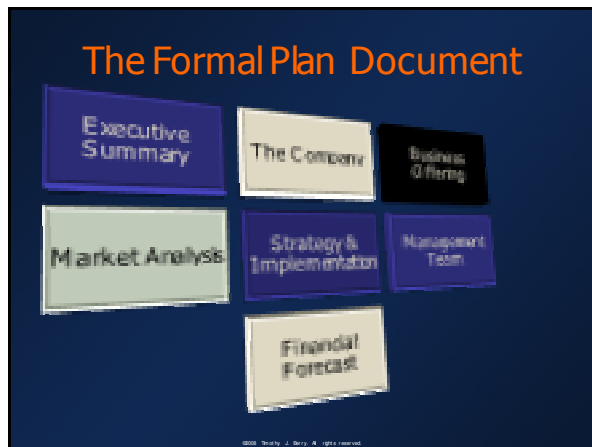
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Dress It As Needed




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The Summary Memo



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Heart – Core – Strategy – Elevator Speech



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Section 6
PLANNING PROCESS

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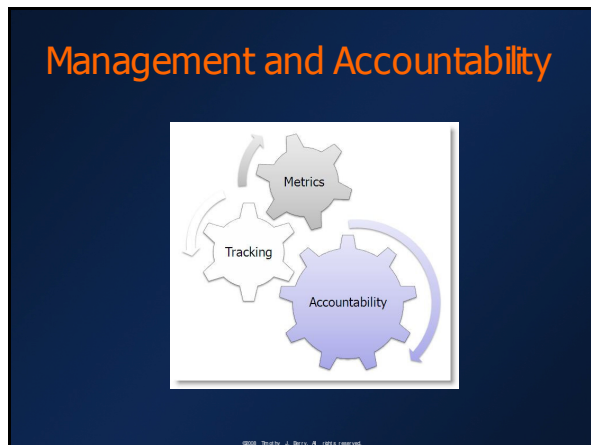
Plan vs. Actual

Unit Sales		Jan	Feb	Mar
Meals	779	33	(140)	(55)
Drinks	390	(111)	(112)	138
Other		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		(\$2.51)	(\$1.59)	(\$0.89)
Total Unit Price				

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

Sales		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	





Set Expectations and Follow Up



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Business Plans Are Always Wrong



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... but Vital



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A Good Business Plan is Never Done



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The Plan-As-You-Go Business Plan

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<http://planasyougo.com>

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By Tim Berry

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Attitude Adjustment (Presentation)
This is a brief (six minute) slide presentation summarizing the key points in Chapter 2, "Attitude Adjustment."

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The book is now in stock for online ordering at amazon.com, barnesandnoble.com, and border.com.

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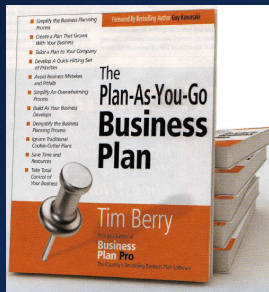
WEBSTER'S NOTE
This website includes an advanced draft, but not the same final word-for-word version in the finished book available in stores.

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