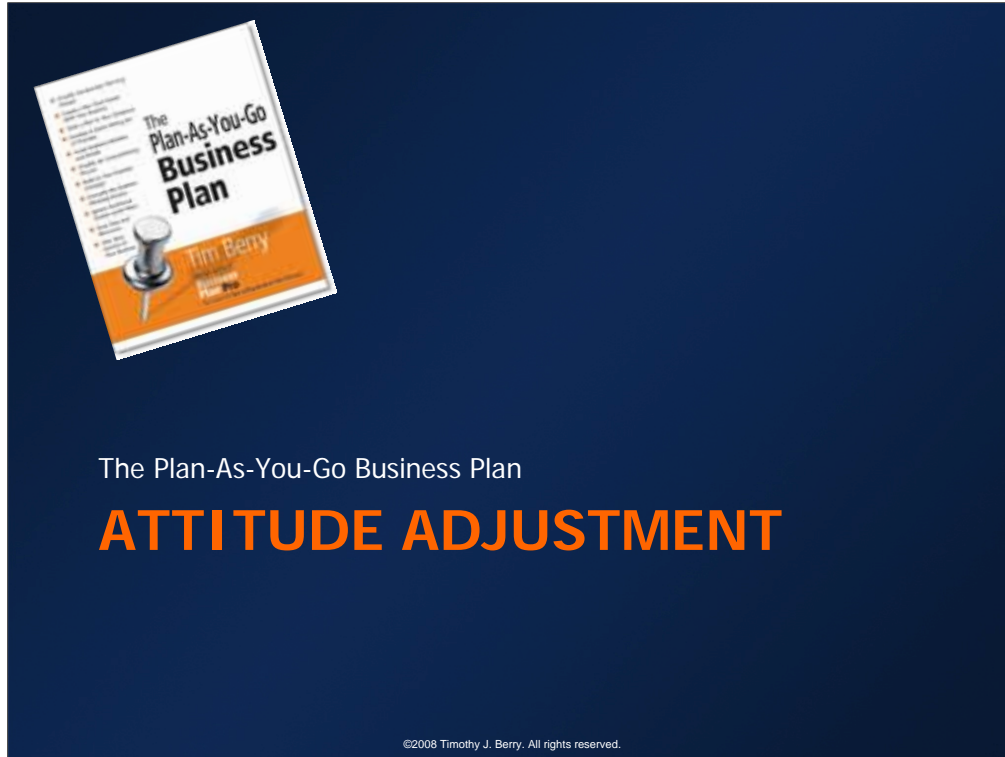


## The Plan-as-you-go Business Plan

February 27, 2008  
Eugene OR SCORE  
Tim Berry



Notes from presentation for SCORE in Eugene, Feb. 27, 2008



### **Avoid the Known problems with plans as documents:**

- Plans like documents, hard to do, off putting
- Stories of people lost in plans, obsessed
- Plans in a drawer wasted, not implemented

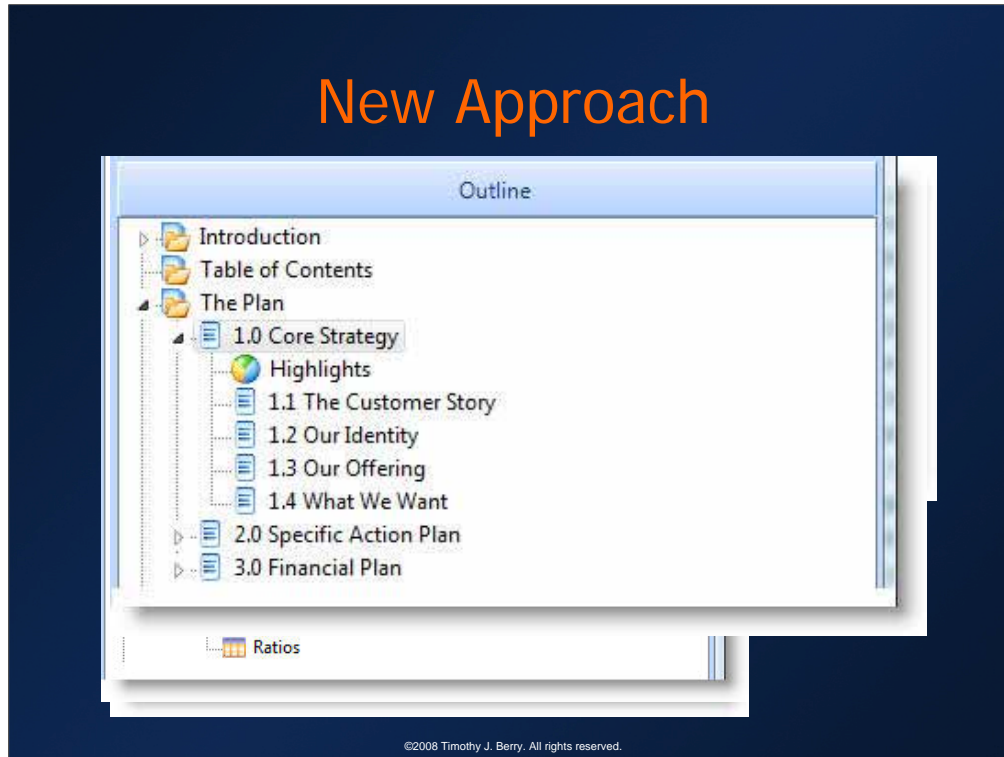
### **However, it's not the plan that's important, but planning**

- Let the form follow the function. It's data.
- Don't sweat format, spelling, or completeness
- Just get it down – somewhere, anywhere – so you can refer back to it

### **Planning is vital**

- And not nearly as hard as you think
- And succeeding without a plan is even harder

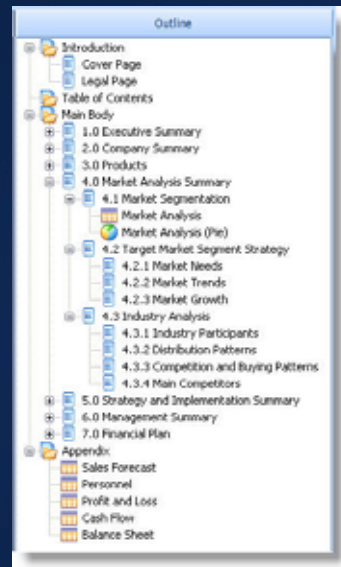
## New Approach



### This is a new approach

- **Focus on the planning, not just the plan**
- **Focus on appropriate planning:**
  - ✓ Exactly as much as you need, when you need it
  - ✓ Assumption is that during the life of the business, needs change.
  - ✓ Use it from the beginning, not only after the hurdle is jumped
  - ✓ Build it along as you need to
- **Concretely, what does that mean:**
  - ✓ Picture 6: The most basic
  - ✓ Picture 8: Core strategy
  - ✓ Picture 9: The action plan
  - ✓ Picture 10: The financial plan
  - ✓ Picture 7: Bare-boned with support nod
  - ✓ Picture 5: Condensed with supporting information

We Will  
Get  
There



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## We'll get to the right place

- Simple, focused, useful planning for those who need only that
- The complete plan document, formal, for those who need that
- Trust me; I'll get you there

## Blocks. Start Anywhere



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Start simple. Take simple steps to make sure each one is valuable. Which steps you take will depend on who you are, what you want, how you think, and how you're going to use it. There is no right order or sequence.

Start anywhere. Get going. The plan is a matter of interlocking blocks, so some people start with a numbers task, like a sales forecast, and others start conceptually, with a vision or a strategy or focus. Just get started. Don't wait until your plan is finished, get going. Start today and start using it tomorrow.

Paradox: However, one of the first and most useful blocks of all is the review schedule.

Some other blocks:

- SWOT
- The heart
- Sales forecast
- Target customer profile
- Keys to success
- Mantra
- Mission



**Some starting points are more likely to be useful than others:**

- **The heart of the plan is excellent**
  - ✓ That might be just spoken
  - ✓ Elevator speech
  - ✓ Maybe a few slides
  - ✓ As long as you get it straight
  - ✓ And of course, understand that it will change
  - ✓ You can jump to that section
- **The sales forecast is a good place to start**
  - ✓ Concrete, specific, numbers oriented
  - ✓ Trackable, hooray
- **The burn rate is also good**
  - ✓ Fixed costs
  - ✓ Wages, rent, etc.
  - ✓ Nuance: marketing expenses
  - ✓ You can jump to that section
- **SWOT is an excellent starting point**
  - ✓ Advantage in teams, start the discussion
  - ✓ You can jump to SWOT now

Don't Wait. Get Going.



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## The myth of the hurdle causes a lot of damage

- You don't literally need to stop and do a full complete business plan before you start
- Instead, take it the plan-as-you-go way
  - ✓ Appropriate planning as you need it
  - ✓ Get going and make every step useful

# Do Only What You Need



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## Big Win: Plan vs. "Proof."



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### The not so big plan

Leave it on top

Leave it where everybody can see it

Dressing it up when there's a reason

Literally:

- Slides and budgets
- Formats for tracking & follow-up
- Web and projections
- In Business Plan Pro
- Word and Excel
- PowerPoint and Excel

It's about behavior, management, not form

It's about better business management

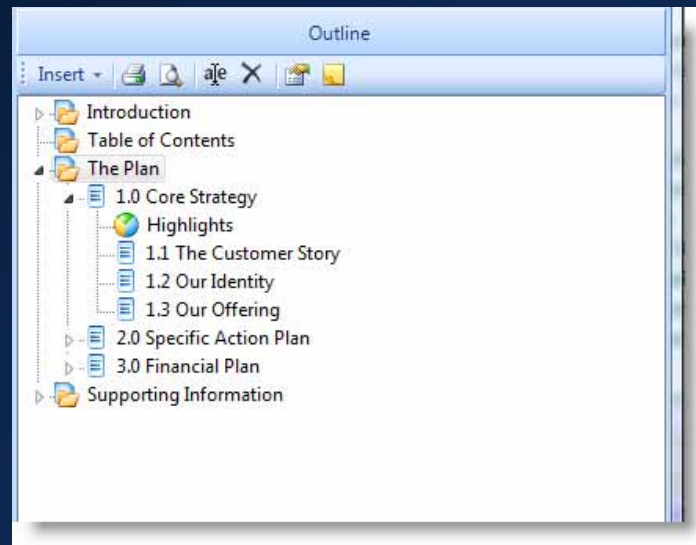


The Plan-As-You-Go Business Plan

# THE HEART OF THE PLAN

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## Not Necessarily a Text

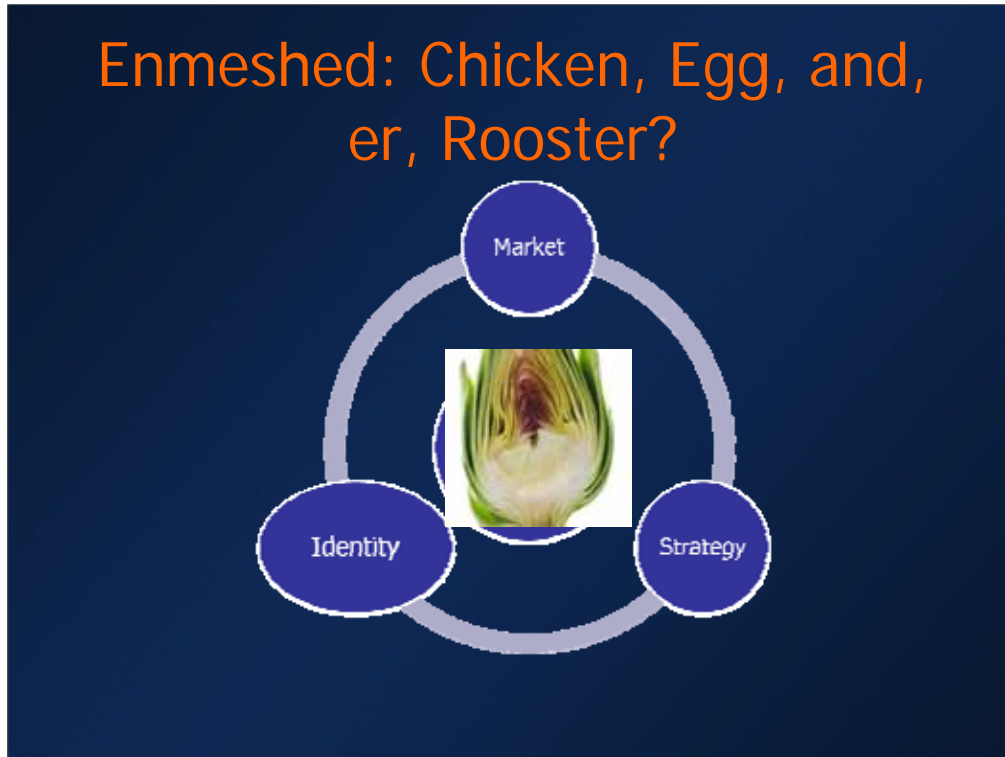


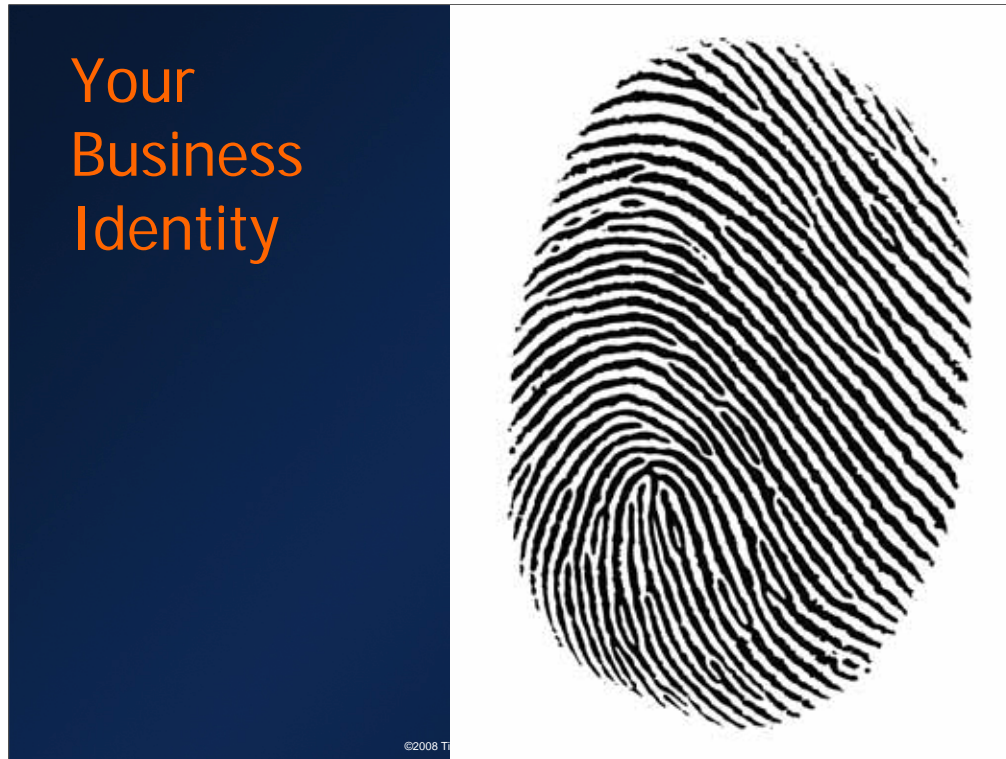
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### Break the mythology:

- Don't think of a plan as a document
- It's what's going to happen
  - ✓ Doesn't necessarily even include why
- Several possible forms:
  - ✓ Elevator speech
  - ✓ Any old speech
  - ✓ Get your team on the same page
  - ✓ Bullet points, quick text
  - ✓ Pictures for narration

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





## Identity: Who you are.

- **As a company, if you are on, or an individual if you're just starting a one-person business.**
- ***It's your identity. Your DNA. Especially, what you do well, differently, better; long-term objectives. Goals. Dreams.***
- **What do you like to do. Keep the focus in mind, too, as in who you aren't, what you don't do well.**

## Study the Mirror



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### Study a mirror.

- **What do you want?**
- **Who are you?**
- **What are your strengths and weaknesses? Core competence is very important.**
- **What are your objectives for your business?**

## Core Competence



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### Understanding your core competence. For example:

- **A business plan consultant who's core competence is**
  - ✓ finding people with money
  - ✓ The document: explaining well, writing simply
- **A restaurant whose core competence is**
  - ✓ Quick, fast, drive-through
  - ✓ Excellent cuisine
  - ✓ Ambience; date place
  - ✓ Sports bar
  - ✓ Healthy fast foods
- **Some simple everybody knows:**
  - ✓ McDonalds
  - ✓ Michelin tires
  - ✓ Nordstrom's
  - ✓ Starbucks



### What is it:

- Strengths
- Weaknesses
- Opportunities
- Threats

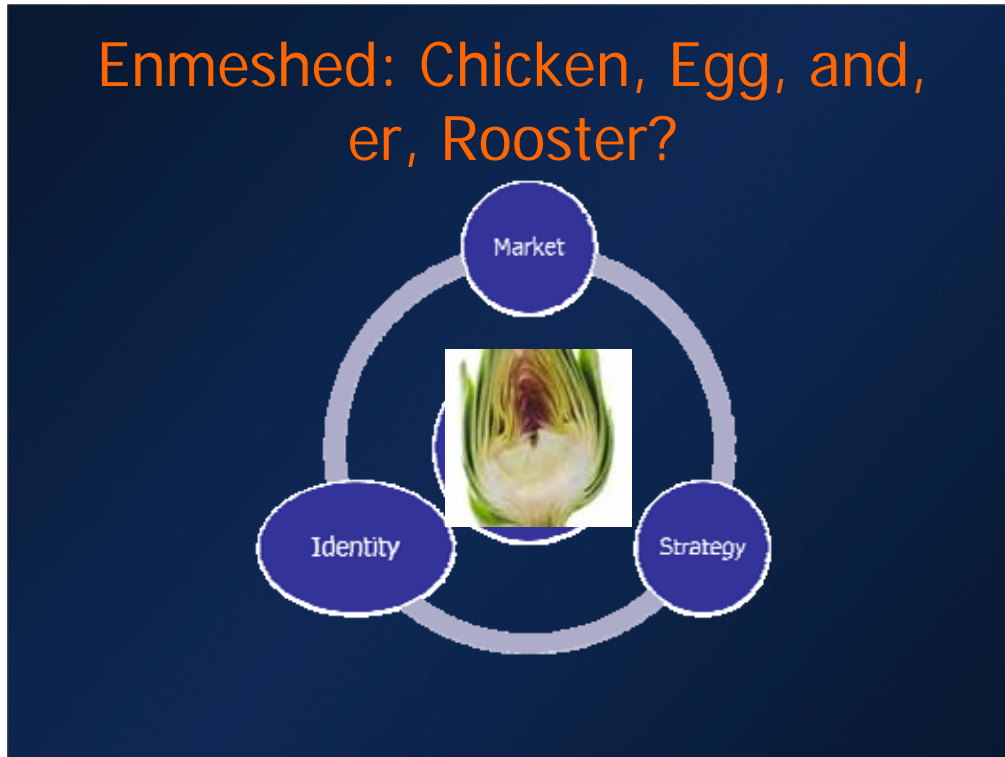
### Advantages

- Involvement
- Teamwork

### Stories

- Case and SWOT
- SWOT and strategy

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



## Market Who and Why



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### Who you reach.

- That's a customer, a company that buys from you, a client, a beneficiary.
- *Your target market.* By the way, it's hard to pull this apart from how they find you, how do they know who you are and what you do.
- Keep focus in mind: who isn't your target, and what's different about your target that narrows the focus better. Who don't you reach on purpose? How is your target different from the rest?

**Tell a story: Ralph (or Mabel) what the situation is, what's the problem, need, or want, and what happens as you fill it.**

## Profile Your Ideal Customer



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**Try this, recommended by John Jantsch in Duct Tape Marketing. Get to know your ideal target customer. Who is absolutely perfect? Don't try to generalize your more-or-less broad target. Get specific.**

**If you don't already know a person, make up a person. Give that person an age, a gender, an occupation, a family. What car does she drive? Where does he want to go on vacation? What television does she like? What websites does he use. What does she order at a restaurant? What sports does he watch.**

**Or make up a company, if you're doing business-to-business. Describe your ideal buyer company. How big is it? Where is it? What does it do? How does it make its corporate decisions? What terms does it expect? How many units will it order? Does it find you on the web, or call you, or do you have to go to office to visit?**

**If you're an existing business you'll have a pretty good idea. Talk to your customers, or talk to the people on your team who talk to the customers. Flesh the persona out with questions that add a lot of detail.**

## Understand Needs & Wants

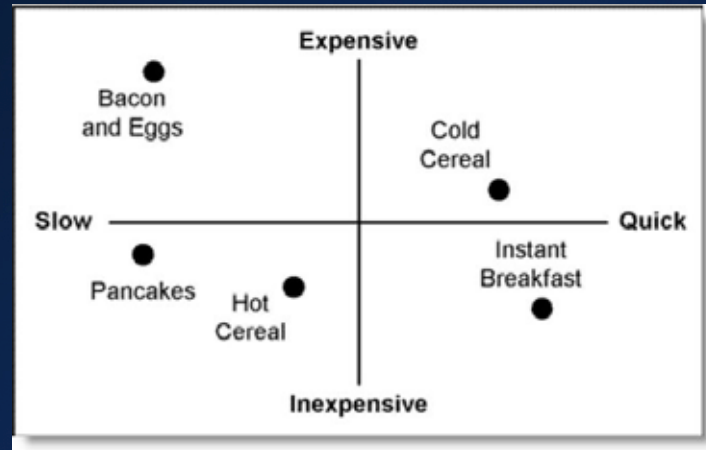


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### What is Starbucks really selling

- Affordable luxury
- A place to meet
- Consistency

## Strategic Positioning



### Re-evaluate your pricing

- Pricing is part of positioning
- Important to match the price positioning to the perceived value
- The fallacy of the lower cost vendor
- Don't assume that lower price means higher volume ... that's only with commodities
- Mislead fundamental economics

This is from Kotler's Marketing Management, the most used textbook in business



### Use this graphic to understand your own strategy positioning

- Match the meal to the house. To the car.
- What do you know about who is your target customer?  
Media? Message? Location? Hot buttons?

## Divide & Conquer



**Very Important: who isn't your customer?**

## Reality Check



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**Do you need the supporting information? The market research? The survey, the data mining, the literature search?**

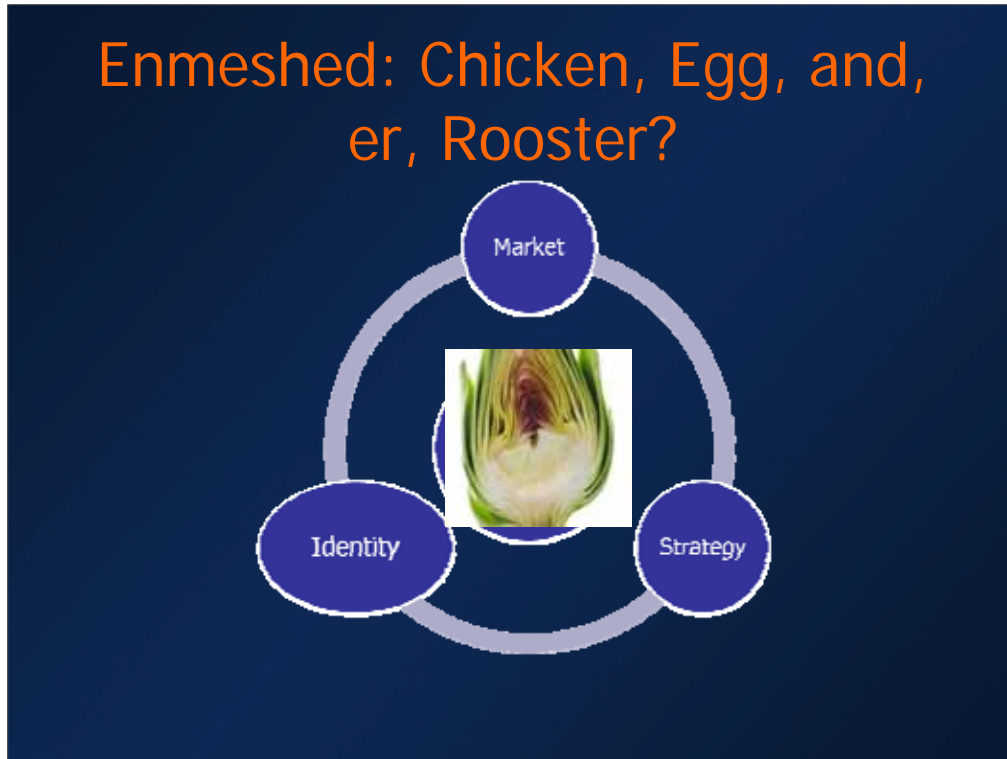
**Then do it. Do it now. It's still plan-as-you-go, because it turned out you needed it.**

## Tell Your Story

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**The heart of the elevator speech, also the heart of your strategy.**

**Seriously: tell a story. Ralph is hungry but doesn't have time to stop. Hence, the drive-through restaurant. Mabel needs a place to meet with friends. Hence, Starbucks.**



Another repetition. Intended as a placeholder. From market to strategy. Remember, these are enmeshed,



## Strategy is Focus



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### Strategy

- Might also be business offering
- Strategy is focus
- What you do for them. Fill a need, perform a service, offer a benefit. *What business are you in?* In this one it's better to think of focus as well, meaning what you don't do for them.

## Build Competitive Advantage



**Intended redundance from the core competence slide.  
Focusing on core competence is a way to build  
competitive advantage**

### **Some Classics**

- **Volvo**
- **McDonalds**

### **For Your Own Company**

- **Open inquiry**
- **Pull from team**
- **Pull from customers**
- **Question assumptions**

**Can you change over time?**

**How much? Why?**

## Your Specific Keys to Success



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### Keys to Success

Focusing on what I call "keys to success" is a good idea for getting a better view of the priorities in your business. Just about any business imaginable is going to depend a lot on three or four most important factors. In a retail business, for example, the classic joke is that the keys to success are "location, location, and location." In truth, that might be location, convenient parking, and low prices. A computer store's keys to success might be knowledgeable salespeople, major brands, and newspaper advertising.

Focus is very important, and the keys to success framework helps you develop focus. There is what I call a law of inverse focus. I can't prove it with detailed research but I've seen it many times. Beyond three or four key items, the more items on a priority list, the less chance of implementation. Thinking about keys to success is a great way to focus on the main elements that make your business work.

-- Tim Berry, on [www.bplans.com](http://www.bplans.com)

## Strategy Takes Time



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**Anecdotal evidence**

**Story of Apple and desktop publishing**

## Strategy Takes Time

Better to have a mediocre long-term strategy consistently applied for years than a series of brilliant but contradictory strategies that never last long enough to matter.

*Hurdle: the Book on Business Planning*

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**Quote is from Hurdle: the Book on Business Planning.  
I hate the title. That was then. This is now.**

**Paradox  
Reminder**



**Consistency vs.  
brick wall.**

**The answer to the paradox:  
Changing assumptions**

## Knobs You Can Turn



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- **Understand your specific situation**
  - What knobs do you have to control?
  - What are your real options?

## Understand Displacement



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### Reminder: Strategy is Focus

- You Can't Do Everything
- The Inverse Relationship Reality

✓(The More Priorities, the Less Weight)

### One Priority Displaces Another

- Think of bricks in a pail of water
- Think of your logistical/management bandwidth

It is also reality

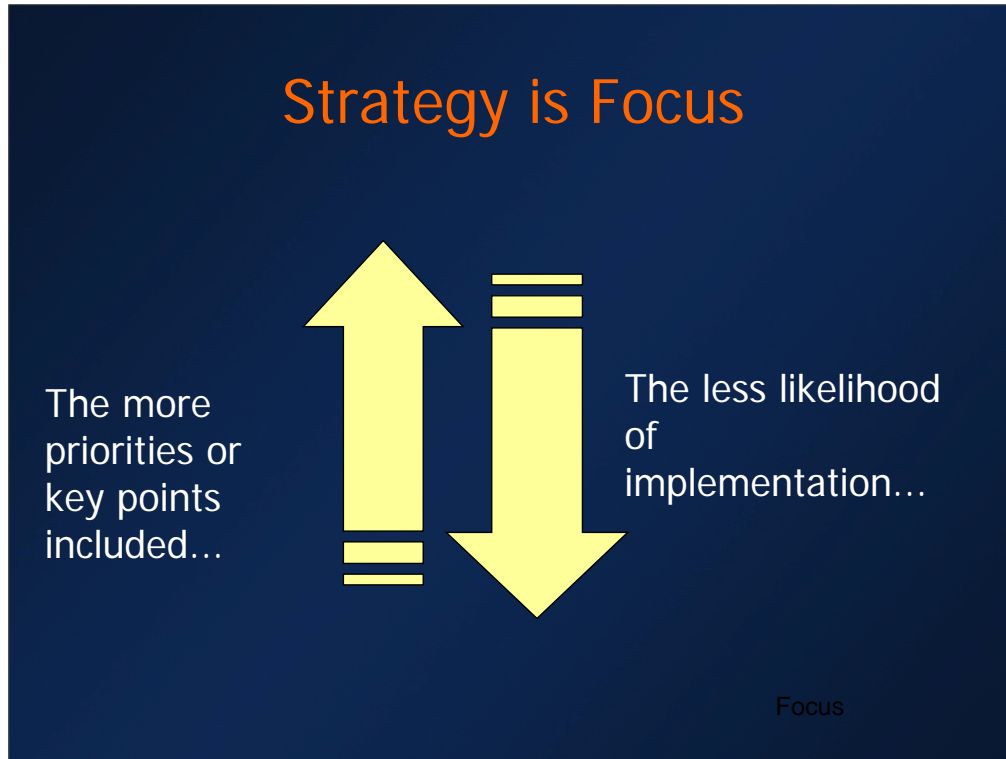
## Tough Decisions



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**You can't do everything. Displacement. Knobs to turn.  
So do the right things.**

**Outlook to-do list example**



### **Inverse Proportion**

- **Speed and time**
- **Price and volume (OUCH: NOT!)**
- **Airplane check-in and customer satisfaction**

### **The to-do list example**

**“Management is the art of saying no.”**

**So is strategy**

## Caution: Missions, Mantras

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**About the urge to write mission statements, missions, mantras ...**

**Ask yourself: can your competition say the same thing?**

**Could you guess whose mission or mantra this is?**

**Would your customers identify your mission statement? Your mantra?**

## The Business Model

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**Nobody talked much about business models until suddenly a lot of businesses, valued for a lot of money, didn't have them.**

**For almost any traditional business, the business model is so obvious that you don't have to talk about it. Stores sell goods. Restaurants sell meals. Hotels sell lodging. Airlines and taxis sell transportation.**

**The new businesses, mainly web businesses, need to explain how they make money. Some of the most highly valued businesses in the world -- Facebook, for example -- don't have an obvious way to make money.**

**Some businesses still get away with generating traffic, so-called eyeballs, but not money. The underlying assumption in these cases is that the traffic means a likelihood of being able to generate money somehow, some day.**

## Plan-As-You-Go Tip

Get this part down first

- Strategy
- Elevator Speech

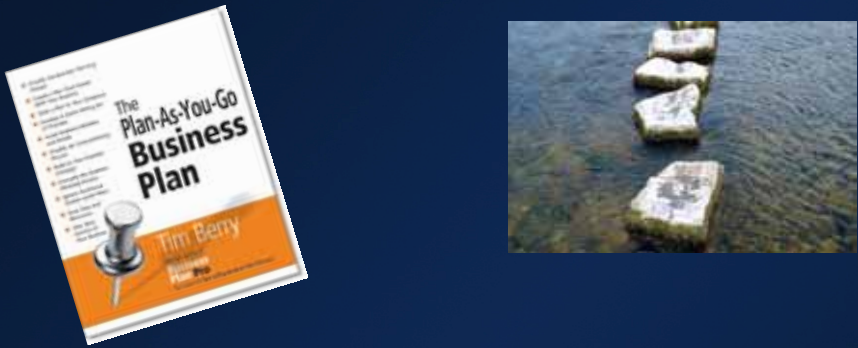
Or maybe not;

- Sales forecast
- Burn rate
- Technical proof

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**Paradox again: start anywhere, but not necessarily.  
Some starting points are better than others**

- **Heart of the plan, strategy, elevator speech is good**
- **Also SWOT**
- **Maybe you like numbers:**
  - ✓ Starting costs might be appropriate for a startup
  - ✓ Sales forecast is really good
  - ✓ Burn rate is good too



The Plan-As-You-Go Business Plan

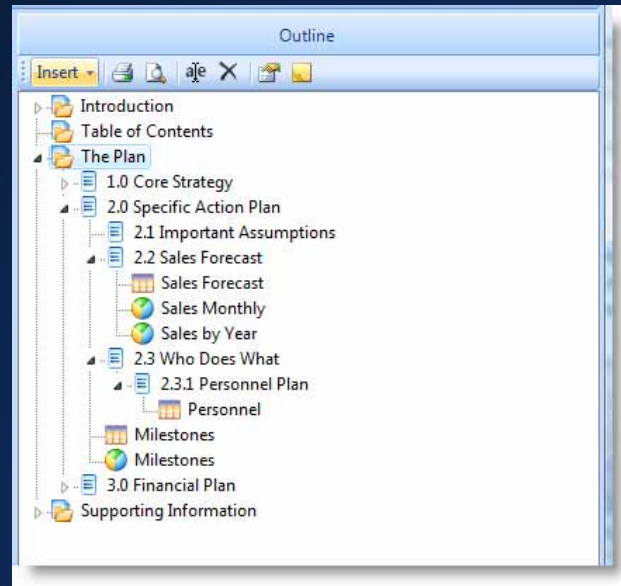
**FLESH AND BONES OF THE PLAN**

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### Set up the steps.

- These are imaginary steps towards your objectives, out there on the horizon.
- What logical steps would it take?
- Now turn them into specifics.
- List what's going to happen in your business, when it is supposed to happen, and who is responsible.
- Put start dates and end dates onto your activities, put a living breathing person in charge, and set spending amounts.

## Specific Action Plan



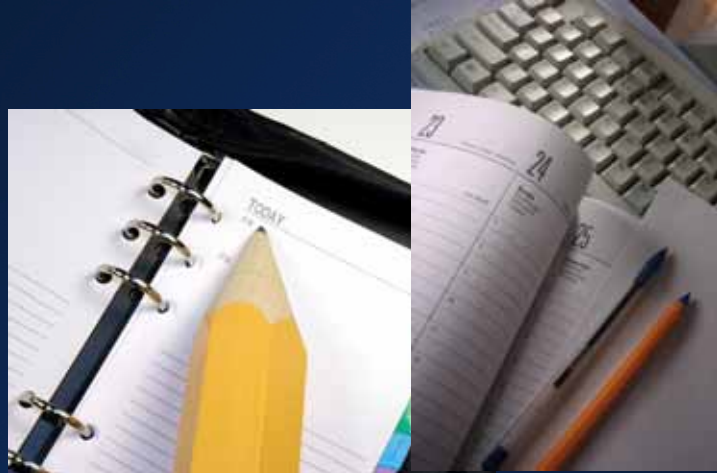
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**Some might call this the specific action plan**

**The illustration skips start-up costs on purpose**

- **Specific to startups only'**
- **Not universal**

## Do the Review Schedule First



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### Very important

- **Makes it all real**
- **People need to know**
- **“It will be on the exam.”**
- **Assign a once-a-month review meeting**
  - ✓ For example, third Thursday, fourth Tuesday
- **Assign a once-a-quarter strategic review**
- **Arrange attendance and participation**
- **Top management has to demonstrate the importance in the beginning**

**Paradox reminder: do it in the order that feels best, that you'll use**

## Identify Important Assumptions



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One of the core principles of the plan-as-you-go business plan is keeping your assumptions on top, visible, where you can see them for every review meeting.

What exactly "on top" means depends on your situation. I use that term from habit as a computer user, in Mac or Windows, where the interface gives you the option of keeping some windows on top of others, so you always see them. In the planning situation that might mean they are listed somewhere you can get to easily, where you won't forget them, where they will be part of every meeting.

People do forget assumptions. You make a sales forecast based on one assumption and then things change and you forget to acknowledge the change. That's bad for planning. The world moves very quickly.

Consider the alternative.

## Develop Metrics



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### People need and want metrics

- Grades in school
- Playing for money
- Keeping score
- Book reference: **Three Ways to Make Your Employees Miserable**

### Develop metrics for your business

- Not just sales or costs or expenses
- Other examples
  - ✓Presentations
  - ✓Emails sent
  - ✓Phone calls answered
  - ✓Support incidents per product
  - ✓Trips
  - ✓Hotel nights reserved
  - ✓Rooms cleaned
  - ✓Minutes per call

## Maybe Starting Costs

	A	B
1	<b>Start-up</b>	
2		
3	<b>Requirements</b>	
4		
5	<b>Start-up Expenses</b>	
6	Legal	\$500
7	Insurance	\$250
8	Rent	\$6,000
9	Computer	\$1,000
10	Other	\$1,000
11	<b>Total Start-up Expenses</b>	<b>\$8,750</b>
12		
13	<b>Start-up Assets</b>	
14	Cash Required	\$90,000
15	Start-up Inventory	\$3,000
16	Other Current Assets	\$10,000
17	Long-term Assets	\$44,712
18	<b>Total Assets</b>	<b>\$147,712</b>
19		

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**For Startup companies, starting costs are a good place to get going**

- **Two lists**

- ✓Expenses that happen before the start.

These will be loss carried forward, meaning a loss at startup, which is normal.

They are deductible against income

- ✓Assets you need to start with

Current assets like cash, inventory

Fixed, long-term or capital assets (all the same thing) like furniture, signage, leasehold improvements, etc.

- **Cash is hard to estimate in the beginning. But guess.**

- ✓Having a sales forecast helps

- ✓Knowing an estimated burn rate helps

- **Startup funding can become a factor**

- ✓If you can't fund it you can't spend it

- ✓Either investment or borrowed. Debt or equity.

## Forecast Your Sales



### It is an educated guess

- Nobody knows for sure
- You don't need complex math
- The weather forecast as an example:
  - ✓Data available
  - ✓Past results
  - ✓Subjective, educated human guess
  - ✓It's not the mathematical model alone
- Yes, you are qualified
- The ATM study example

## Forecast From Recent Past



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**Existing companies take heart. Take your last year's sales and put them into this year's forecast. Then adjust them.**

**Use some logic. Why higher? Why lower?**

## New Forecast? Break It Down



### Even services have units

- Hours, clients, trips, days, jobs

Units are easier to estimate

Units are easier to change later

Or else you can just use dollars

# Sample Sales Forecast

		A	L	M	N	O	AD	AE
16	<b>Sales Forecast</b>							
17								
18	<b>Unit Sales</b>							
19	Widgets	265	187	285	2,637	3,428	4,456	
20	Whatsits	530	374	570	5,274	7,384	10,337	
21	Other	0	0	0	473	520	572	
22	<b>Total Unit Sales</b>	795	561	855	8,384	11,332	15,366	
23								
24	<b>Unit Prices</b>							
25	Widgets	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	
26	Whatsits	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	
27	Other	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
28								
29	<b>Sales</b>							
30	Widgets	\$6,625	\$4,675	\$7,125	\$65,922	\$85,698	\$111,408	
31	Whatsits	\$26,500	\$18,700	\$28,500	\$263,700	\$369,180	\$516,852	
32	Other	\$0	\$0	\$0	\$4,730	\$5,203	\$5,723	
33	<b>Total Sales</b>	\$33,125	\$23,375	\$35,625	\$334,352	\$460,081	\$633,983	
34								
35	<b>Direct Unit Costs</b>							
36	Widgets	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	
37	Whatsits	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50	
38	Other	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	
39								
40	<b>Direct Cost of Sales</b>							
41	Widgets	\$1,656	\$1,169	\$1,781	\$16,480	\$21,425	\$27,852	
42	Whatsits	\$9,275	\$6,545	\$9,975	\$92,295	\$129,213	\$180,898	
43	Other	\$0	\$0	\$0	\$1,892	\$2,081	\$2,289	
44	<b>Subtotal Direct Cost of Sales</b>	\$10,931	\$7,714	\$11,756	\$110,667	\$152,719	\$211,039	

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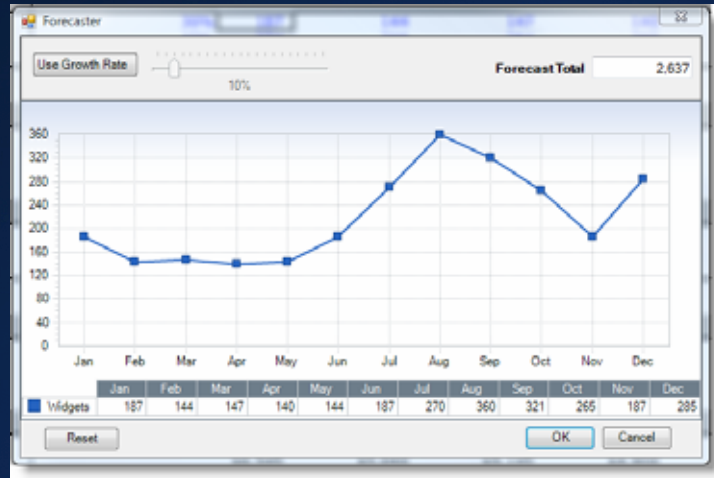
## Recommended timeframes:

- 12 months monthly
- Years two and three annually only
- FYI, some experts say more detail, longer. I disagree. The SBA does not require it. Some banks and some experts say they do.

## The math is simple:

- Estimate units. Please, see the previous, try to estimate units. It helps for tracking later on
- Estimate dollars per units. Both in costs and revenue.
- Do the simple math. Units times selling price is sales. Units times cost per unit is costs.

# Forecaster



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**Don't think it's scientific. Graphics work. Spatial capabilities. Particularly strong when you start with last year.**



**Think about things that hang on the sales forecast. Costs of course. Some expenses. These are usually variable costs. If you don't sell, you don't have them.**

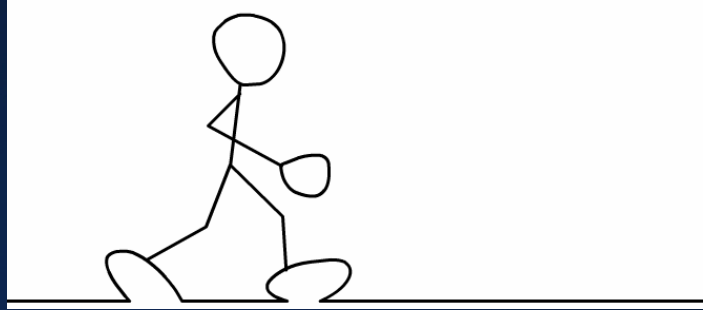


**If you sell more than expected, with the plan-as-you-go plan you would then work your assumptions to have more of the tied-in costs and expenses go up proportionately.**



**And if you sell less than expected, these costs would go down. This helps you plan as you go. You expect these relationships and this is one place where plans are expected to change.**

## Review, Revise, Manage



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**And it helps reduce stress and tension.**

**You plan for the first month.**

**You begin course corrections by the end of the second month**

**You make progress like walking or steering, correcting the course without necessarily changing the overall destination or even directions. Plan as you go.**

## Reality Check



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**Do you need the supporting information? The market research? The survey, the data mining, the literature search?**

**Then do it. Do it now. It's still plan-as-you-go, because it turned out you needed it.**

**Don't forget available information, like sales per square foot, or sales per employee, for your industry**

# Estimate Burn Rate



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# Estimate Burn Rate

	Oct	Nov	Dec
Monthly burn rate			
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

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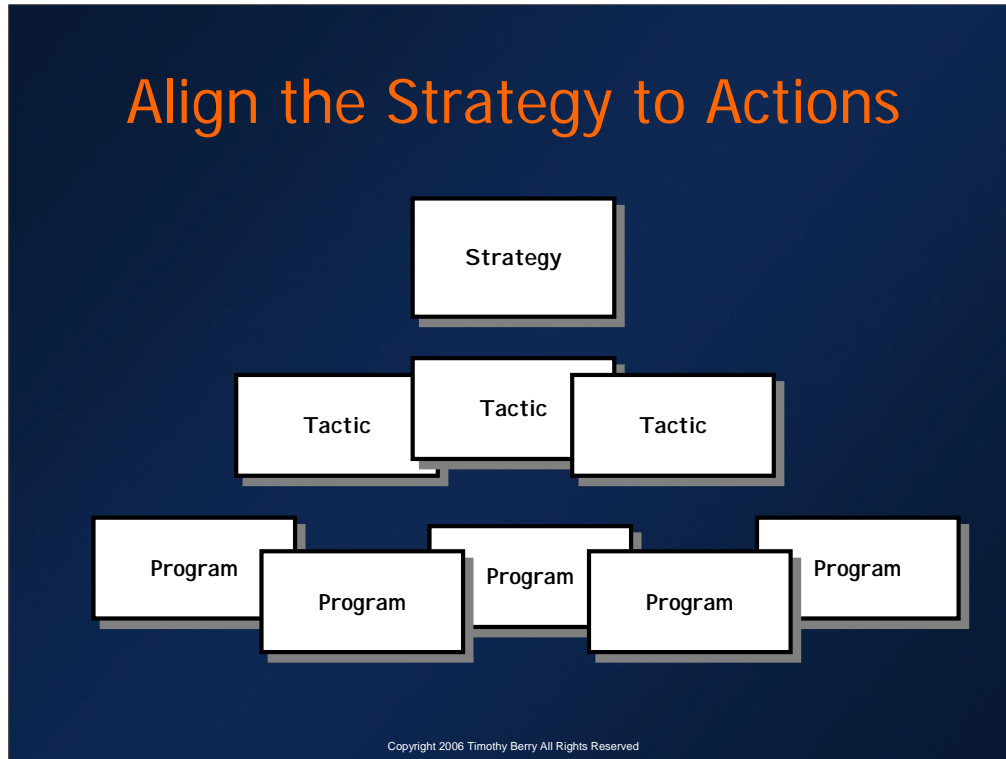
## Reality Check



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**If you're doing a new company and you have no idea of burn rate, stop. Get an idea.**

- **Add somebody to your team.**
- **Look at suitable business locations. Find out the realistic rental rate.**
- **Count employees**
- **Call people**
  - ✓ Distant non-competitors perhaps
  - ✓ Build your reverse telephone tree
  - ✓ Hire a (gulp) consultant
  - ✓ Scour the web
  - ✓ Look at available industry data (Business Plan Pro note: look in the ratios wizard)



### Story Behind It

### Blue Sky Strategy vs. Real Planning

### Strategic Alignment

Online book reference:

<http://www.hurdlebook.com/>

## Match Tasks to Owners



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### **Challenge:**

**Compare and contrast the roles of the pig and the chicken in a bacon-and-egg breakfast**

## Stay Specific

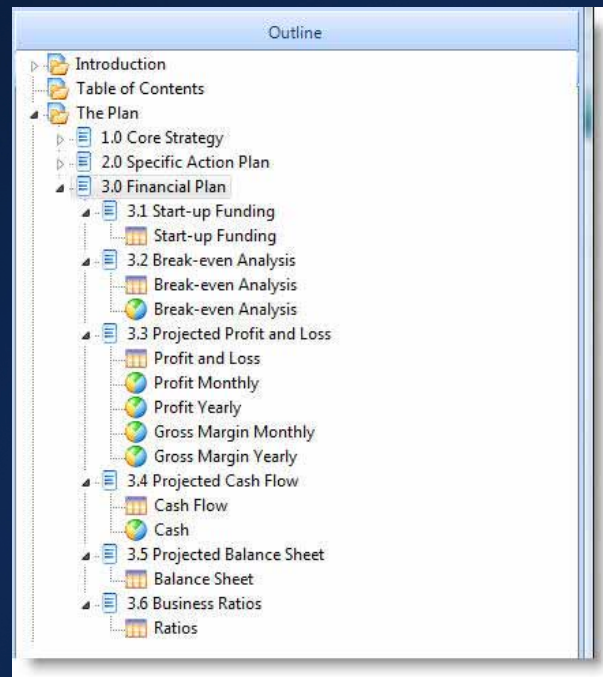
Milestone	Start Date	End Date	Budget	Manager	Department
Corporate Identity	12/1/2006	12/17/2006	\$10,000	TJ	Marketing
Seminar implementation	1/1/2007	1/10/2007	\$1,000	IR	Sales
Business Plan Review	1/2/2007	1/11/2007	\$0	RJ	GM
Upgrade mailer	1/2/2007	1/17/2007	\$5,000	IR	Sales
New corporate brochure	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	SG	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
<b>Totals</b>			<b>\$181,500</b>		

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### Set up the steps.

- These are imaginary steps towards your objectives, out there on the horizon.
- What logical steps would it take?
- Now turn them into specifics.
- List what's going to happen in your business, when it is supposed to happen, and who is responsible.
- Put start dates and end dates onto your activities, put a living breathing person in charge, and set spending amounts.

# Financial Plan



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**This is a placeholder, a second portion of the setting the steps portion, the financial plan. In the illustration, the strategy and the action plan are closed.**

## Planning not Accounting



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There is a clear distinction between planning and accounting. Planning begins today and goes forward into the future. Accounting ends today and goes backward into the past. Planning is for making decisions, setting priorities, and management. Accounting is also for information and management, of course, but there are legal obligations related to taxes. Accounting must necessarily go very deep into detail. Planning requires a balance between detail and concept, because there are times when too much detail is not productive.

Many people fail to understand the distinction and put disproportionate attention, as they develop a plan, into accounting details. For example, tax reporting and proper accounting requires detailed lists of assets (Property that a business owns, including cash and receivables, inventory, etc. Assets are any possessions that have value in an exchange) and depreciation (The estimated loss of asset value over time), where for planning purposes a good estimate is more efficient.

### Example

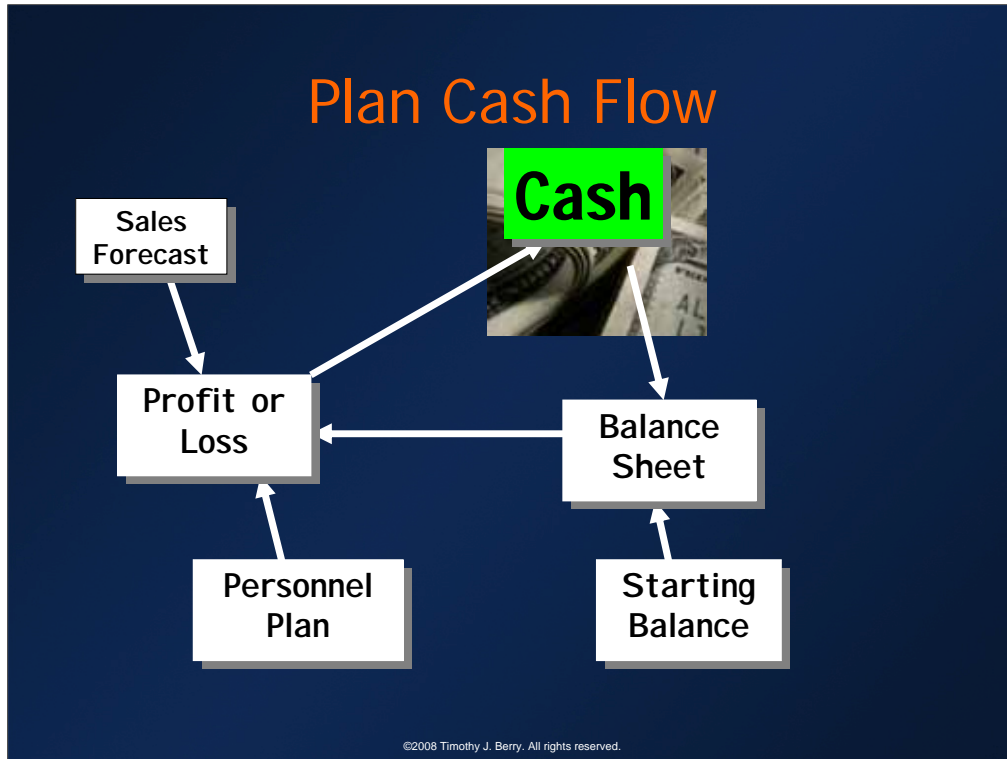
To understand this difference, consider the relative proportion of uncertainty in a forward-looking estimate of depreciation vs. a sales forecast. The AMT computer store, one of our Business Plan Pro sample plans, projects depreciation of approximately \$13,000 per year. It expects sales to rise from \$5 million to \$9 million in three years. AMT could develop a plan that lists future asset purchases and uses depreciation functions to depreciate each future asset according to accepted formulas.

Doing that would probably reduce the uncertainty built into the depreciation estimate, but how much uncertainty would be reduced, for how much effort? A 50% variation in the projected depreciation, either way, comes to less than \$10,000, while a 10% variation in the sales forecast in the last year is worth \$900,000.

A good business plan process maintains proportion between effort and value. Accounting needs detailed depreciation in this company, after the fact; but the business plan, looking three years ahead, does not.

Of course, to effectively use the planning tools provided in your software, it helps to have a basic understanding of accounting principles; these principles form the basic financial ground upon which the more general plan financials are judged by investors.

*From Business Plan Pro help file*



# Cash Realities

**The Financial Model**
Chart | Cash Flow | About

**Business Plan Pro's financial model focuses on cash flow.**

Use this calculator to experiment with factors affecting cash flow.

This calculator isn't Business Plan Pro. It has a different interface. It substitutes simple sales and profit assumptions where Business Plan Pro has full monthly row-by-row detail.

However, it illustrates the financial model. Cash projections will be the same as in Business Plan Pro.

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

<p>Starting Cash: <input style="width: 80px;" type="text" value="\$10,000"/> <input type="button" value="OK"/></p> <p>First Month's Sales: <input style="width: 80px;" type="text" value="\$15,000"/> <input type="button" value="OK"/></p> <p>Cost of Goods Sold (% of Sales): <input style="width: 80px;" type="text" value="30%"/> <input type="button" value="OK"/></p> <p>Monthly Sales Growth: <input style="width: 80px;" type="text" value="0.5%"/> <input type="button" value="OK"/></p> <p>Sales on Credit: <input style="width: 80px;" type="text" value="75%"/> <input type="button" value="OK"/></p> <p>Collection Days: <input style="width: 80px;" type="text" value="60"/> <input type="button" value="OK"/></p>	<p>Profitability (% of Sales): <input style="width: 80px;" type="text" value="7%"/> <input type="button" value="OK"/></p> <p>Initial Inventory Balance: <input style="width: 80px;" type="text" value="\$5,000"/> <input type="button" value="OK"/></p> <p>Months of Inventory Kept on Hand: <input style="width: 80px;" type="text" value="1"/> <input type="button" value="OK"/></p> <p>Starting Receivables: <input style="width: 80px;" type="text" value="\$0"/> <input type="button" value="OK"/></p> <p>Starting Payables: <input style="width: 80px;" type="text" value="\$2,000"/> <input type="button" value="OK"/></p> <p>Payment Days: <input style="width: 80px;" type="text" value="30"/> <input type="button" value="OK"/></p>
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The Plan-As-You-Go Business Plan

# DRESS AS REQUIRED

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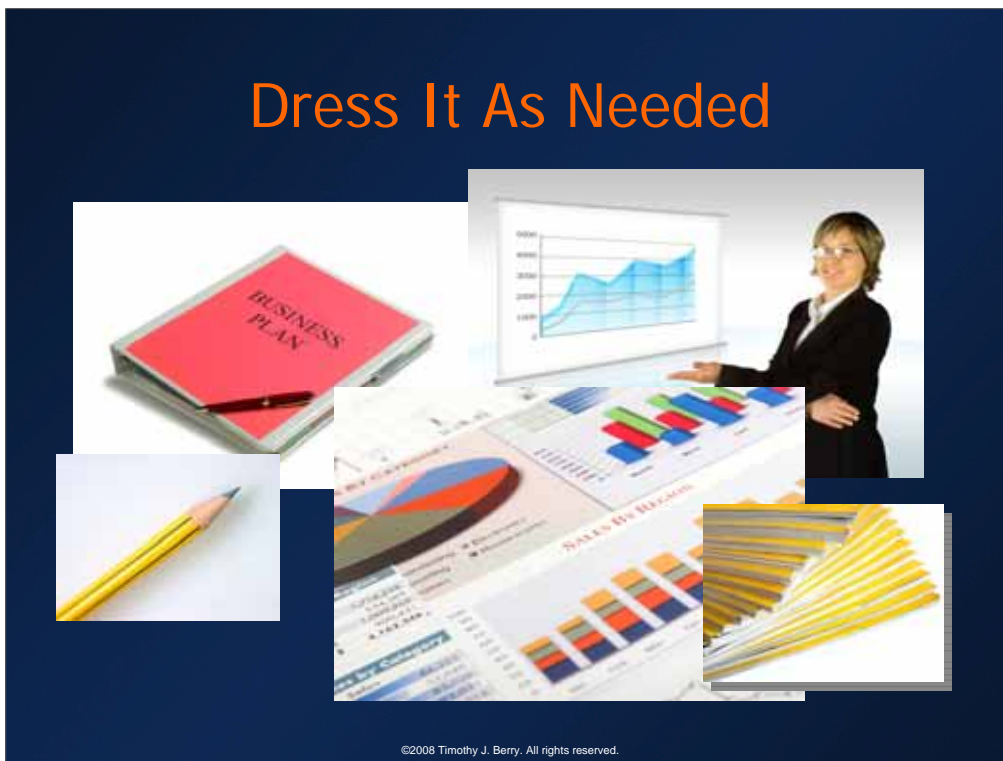
**The plan is what's going to happen.**

**These other elements are outputs**

- **The elevator speech**
- **The summary memo**
- **The pitch presentation**
- **The formal business plan document**

**For more on the formal plan document, it's free at [www.hurdlebook.com](http://www.hurdlebook.com)**

## Dress It As Needed



**This is a reminder only**



I recommend the free site at [www.hurdlebook.com](http://www.hurdlebook.com) or the free ebook download of Hurdle: the Book on Business Planning at [www.bplans.com](http://www.bplans.com)

This is built into Business Plan Pro. The hard part is remembering not to do what you don't need.



### **There is a relationship between the heart of the plan (strategy) and the elevator speech**

- **You might add what we want if it's an elevator speech for investors, or a pretend elevator speech for investors (as in a venture competition)**
- **You might add asking for the sale, or a lead, or a return call, or just a business plan**
- **When required, when appropriate, add the business model**



The Plan-As-You-Go Business Plan

## IMPORTANT PRINCIPLES

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## Business Plans Are Never Right



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- We're all just human. Planning is predicting the future, we can't do that well enough to be right in everything.
- The world changes. Assumptions change. Things happen.
- The misguided idea that the plan is supposed to correctly guess the future interferes with the real value of the business plan.
  - It isn't supposed to be right or accurate about the future
  - Instead, it sets down plans as we see them now, along with related assumptions, so we can track the difference between plan and actual.
  - Without a plan you could never track plan vs. actual.

## ... They are Vital Management Tools



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**A real business plan is never done.**

**Reality comes quickly**

- Expect changes
- Review it often
- Use it or lose it

**The benefit of the plan is planning**

- Business tracking
- Following up

**Important requirements**

- Regular review
- Course corrections
- Plan vs. actual analysis

It's not just for a loan or seeking investment. It's to manage your business

# A Good Business Plan is Never Done



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- Always plan to review actual results against planned results
- Techniques can be very simple.
- The result is management
- Constant course corrections:

- Walking
- Steering
- Planning Process

Plan	May	Jun	Jul
t-shirts - Website	2,400	1,500	1,000
t-shirts - eBay Store	3,600	2,500	2,000
<b>Total Unit Sales</b>	6,000	4,000	3,000
<b>Unit Prices</b>	May	Jun	Jul
t-shirts - Website	\$29.99	\$29.99	\$29.99
t-shirts - eBay Store	\$29.99	\$29.99	\$29.99
<b>Sales</b>			
t-shirts - Website	\$71,976	\$44,985	\$29,990
t-shirts - eBay Store	\$107,964	\$74,975	\$59,980
<b>Total Sales</b>	\$179,940	\$119,960	\$89,970

Actual	May	Jun	Jul
t-shirts - Website	1,264	1,224	1,272
t-shirts - eBay Store	4,992	3,936	3,072
<b>Total Unit Sales</b>	6,256	5,160	4,344
<b>Unit Prices</b>	May	Jun	Jul
t-shirts - Website	\$25.13	\$27.91	\$27.99
t-shirts - eBay Store	\$27.50	\$31.95	\$36.64
<b>Sales</b>			
t-shirts - Website	\$31,760	\$34,160	\$35,600
t-shirts - eBay Store	\$137,300	\$125,750	\$112,550
<b>Total Sales</b>	\$169,060	\$159,910	\$148,150

Unit	May	Jun	Jul
<b>Plan v Actual</b>			
t-shirts - Website	(\$1,136)	(\$276)	272
t-shirts - eBay Store	1,392	1,436	1,072
<b>Total Unit Sales</b>	256	1,160	1,344
<b>Unit Prices</b>	May	Jun	Jul
t-shirts - Website	(\$4.86)	(\$2.08)	(\$2.00)
t-shirts - eBay Store	(\$2.49)	\$1.96	\$6.65
<b>Sales</b>			
t-shirts - Website	(\$40,216)	(\$10,825)	\$5,610
t-shirts - eBay Store	\$29,336	\$50,775	\$52,570
<b>Total Sales</b>	(\$10,880)	\$39,950	\$58,180

**Get Going. Don't Wait.**



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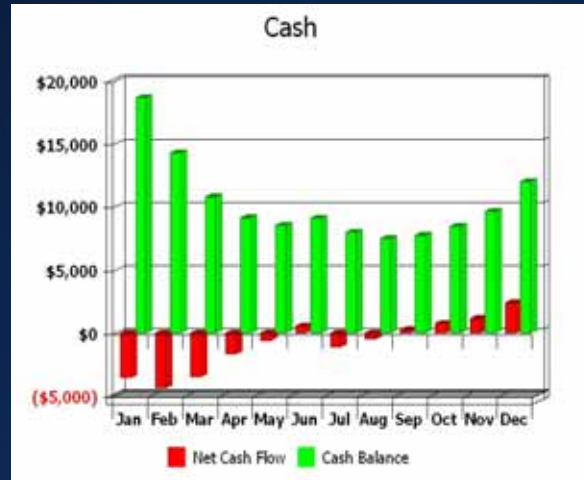
### **Controlling your own destiny is a common sports metaphor**

- **Success is in your own hands**
- **You do it, or you don't, regardless of others**

### **Controlling your destiny is what planning is about**

- **Don't just react, set your destination and steps to reach it**
- **Plan and then implement**
- **It's about influencing the future**
- **It's way easier to do with planning than without planning**

## Keep Assumptions on Top



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# Planning As Navigation



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# Planning as Dribbling



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The Plan-As-You-Go Business Plan

**RESOURCES, Q&A,  
DISCUSSION**

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The image shows a dark blue rectangular area. In the top left corner, there is a tilted image of a book cover. The book cover is white with an orange bottom section. The title 'The Plan-As-You-Go Business Plan' is written in black and orange. The author's name 'Tim Berry' is at the bottom. A silver pushpin is pinned to the bottom left of the book cover. Below the book cover, the text 'The Plan-As-You-Go Business Plan' is written in white. Below that, the words 'RESOURCES, Q&A, DISCUSSION' are written in large, bold, orange letters. At the bottom right of the blue area, there is a small copyright notice: '©2008 Timothy J. Berry. All rights reserved.'

## My Blogs



<http://blog.timberry.com>



<http://upandrunning.entrepreneur.com>

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## Related Websites

- [www.timberry.com](http://www.timberry.com)
- [www.paloalto.com](http://www.paloalto.com)
- [www.bplans.com](http://www.bplans.com)

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## My Email

[tberry@paloalto.com](mailto:tberry@paloalto.com)

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## Highlights:

**Question:** What are the most important qualities of a plan?

**Answer:** First, a plan should set priorities with the understanding that you can't do everything. After all the buzzwords and analysis, strategy is focus. What can you do better than anyone else? What's your core competence?

**Second, specifics.** What's going to happen, when, how much it's going to cost, and who's responsible for it.

**Third, cash flow.** Growth spurts in a company are good things, meaning more sales, and presumably more profits, but unplanned growth can suddenly suck up liquidity and in the worst cases kill the company. Growth without prior planning can be as fun a hard kick in the stomach.

**Here's a story to illustrate the concept growth versus cash flow:** Willamette River runs through Eugene where I live. More people drown in the slow deep portions of the river than in the rapids because people think they're okay when it's slow. Cash flow is like that, you think it's okay when you're growing and profitable. Profits are good, but cash and profits aren't always timed together.

**Question:** What's the optimal process for writing a business plan?

**Answer:** Grab whatever part gets your attention first and get going. Understand that it's not sequential it's iterative, and a good plan is never done. Some people do the numbers, then the concepts, most people do concepts first, but it doesn't matter. Planning isn't a waiting room where you sit until you're done. Build it in parts, mix and match, choose items from a menu. If you like, do a sales forecast and see where that leads

**Question:** What are some of the common mistakes?

**Answer:** The worst by far is focusing on the plan instead of planning. This generates the idea that you create a plan as a document, and the related misunderstanding that the plan is for somebody else. You don't postpone life while you're developing a plan; you're always developing the plan. In the meantime, "Get going." Here are some other common mistakes:

- Blue-sky blurry: lots of strategic thinking without any hard facts. Planning requires specifics: dates, deadlines, responsibility assignments.
- Trying to do everything. I use the rule of displacement: everything you do rules out something else.
- Thinking that being the lowest price option is important. It isn't. The price and volume thing they talk about in economics classes is for 200-year-old lumps of coal, not your business. Use price as a statement of quality. Leave the low-price strategies for Walmart and Costco.
- Mistaking profits for cash. Profitable companies go broke all the time. You don't spend profits. Plan your working capital well.

**Question:** What's the best format?

**Answer:** Form follows function. Planning isn't about the "Business Plan" document, it's about the planning process that creates management. The vast majority of business plans are for the business themselves—not to be read by outsiders, and they should stay on a computer and in bullet points and financial projections because that's how they can be used.



## What is it:

- It's never done. You keep it alive and working. "Done" is a bad quality in a business plan. Review it regularly and revise as needed. It's a perpetual work in progress.
- It leaves tracks. It's going to change. You want to know afterwards how it changed, when it changed, and why it changed.
- It's not necessarily a document. You might never print it. It's a guide and it takes whatever form works for you. You turn it into a document only when and if you want (or need) somebody to read it.
- It doesn't have to be "right." You're not going to implement it blindly, like running into a brick wall. It leaves tracks you can look back on to trace changing assumptions. You're going to use it to steer. Steering involves constant corrections.
- It's concrete and specific about what is supposed to happen, when, who is responsible, and how much it costs. Otherwise you won't be able to follow changes.

## How do you do it:

- Get going. Start. Don't finish.
- Start simple. Take simple steps
- Study a mirror. What do you want? Who are you?
- SWOT. Strengths, weaknesses, opportunities, and threats.
- Solidify your business identity. Think of this as a simple core, like the heart of an artichoke.
- Fundamental marketing strategy is message, target, medium. Differentiate and position.
- Set up the steps. Dates, deadlines, budgets, tasks, responsibilities. "Weave a Mat."
- Set up metrics. How will you know whether things have been implemented?
- Plan cash flow. Sales, costs, expenses, interest, taxes, assets, liabilities, balance.
- Set up schedules for frequent review. Your plan will change. All plans are wrong.
- Identify important assumptions. How will you track them?
- Admit it: you're always planning. A good business plan is never done.