Top 10 Business Planning Mistakes

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Allow Me to Introduce Myself

- Tim B

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Please Ask Questions as They Occur to You

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1.
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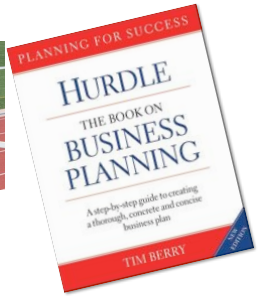
9.
10. The hurdle myth

Number 10

The Hurdle Myth

The Myth of the Hurdle

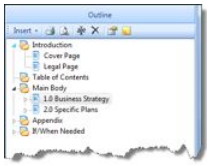


Not the Old Standby

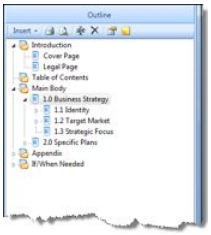
Necessarily

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

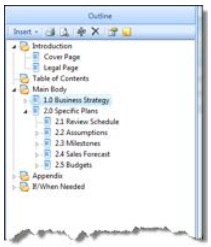
Do Only What You Need



Do Only What You Need



Do Only What You Need



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Grow it Organically

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Change It Often

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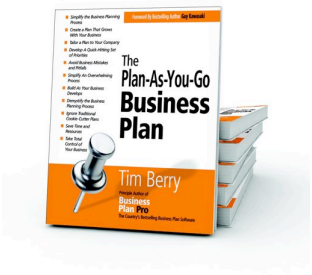
Flexible, Live, Just Big Enough



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1.
2.
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8.
9. Never pitch without a plan
10. The hurdle myth

Number 9

Never pitch without a plan

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Planning is Management

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The Pitch is Output, Not Plan

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Blocks. Modules

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Top Ten Planning Mistakes

1.
2.
3.
4.
5.
6.
7.
8. Making financing the goal
9. Never pitch without a plan
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Number 8

Making financing the goal

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Good Business ≠ Good Investment

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Arguments Against Investors

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Bootstrapping Power & Peril

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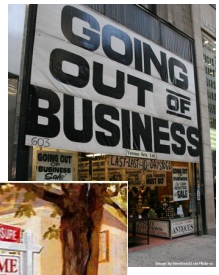
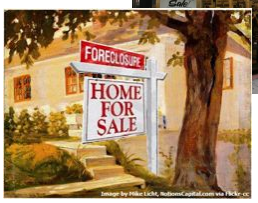
Arguments Against Bootstrapping





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1.
2.
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Number 7

Build it don't buy it

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Tailored to Situation

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It's Planning not Accounting

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The Formal Plan Document

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What Investors Want

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What Bankers Want

1.
2.
3.
4.
5.
6. Hiding behind numbers
7. Build it don't buy it
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Number 6

Hiding behind numbers

The Hockey Stick

Keeping It Real

The Best Validation is Sales

The Huge Market Fallacy

Work the Story

1.
2.
3.
4.
5. Doing it all
6. Hiding behind numbers
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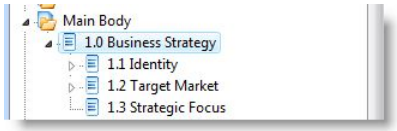
Number 5

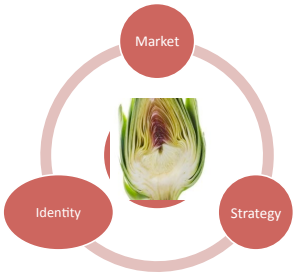
Trying to do everything for everyone

Strategy is Focus

The Heart of the Plan



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



Your Business Identity

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Study the Mirror

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Your Specific Keys to Success

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Target Needs and Wants

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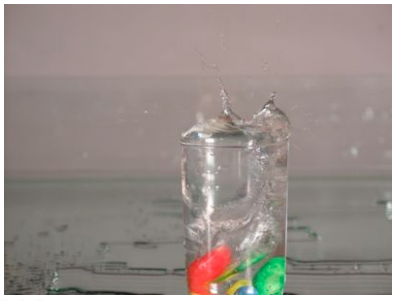
Divide & Conquer

Understand Displacement



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Strategy is Focus

The more priorities or key points included...

The less likelihood of implementation...

Focus

Tough Decisions

Pop Quiz, With a Prize

Who Said This?

"I don't know the secret to success; but I do know that the secret to failure is trying to please everybody."

Who Said This?

"I don' to
succes that
the se rying
to plea

Top Planning Mistakes Ten

1.
2.
3.
4. Lowball pricing
5. Doing it all
6. Hiding behind numbers
7. Build it don't buy it
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Number 4

Lowball Pricing

Pricing is Marketing Message

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Pricing is Positioning

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1.
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Number 3

Planning in the clouds

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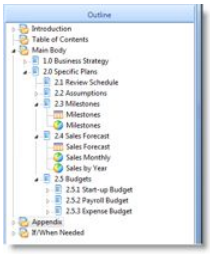
Action Plan: What? When?



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Identify Important Assumptions

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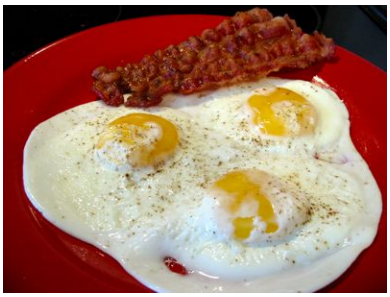
Match Tasks to Owners



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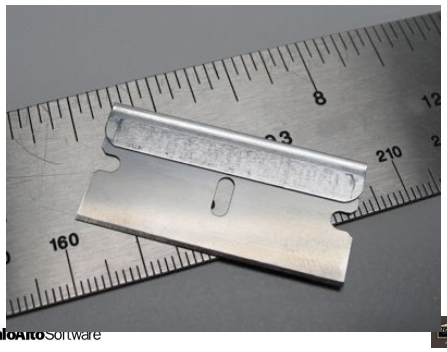
Develop Metrics



Know the Knobs You Can Turn

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	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
Totals			$181,500		

1.
2. Confusing profits with cash
3. Planning in the clouds
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Number 2

Confusing profits with cash

How Can This Happen?

- **The same…**
  - Sales
  - Costs
  - Expenses
  - Profits
- **But different…**
  - Sales on credit
  - Collection days
  - Payment days

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**

Sample Sales Forecast

Sales Forecast	Oct	Nov	Dec	2009	2010	2011
Unit Sales						
Widgets	265	187	285	2,637	3,428	4,456
Whatsits	530	374	570	5,274	7,384	10,337
Other	0	0	0	473	520	572
Total Unit Sales	795	561	855	8,384	11,332	15,366
Unit Prices	Oct	Nov	Dec	2009	2010	2011
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	$26,500	$18,700	$28,500	$263,700	$369,180	$516,852
Other	$0	$0	$0	$4,730	$5,203	$5,723
Total Sales	$33,125	$23,375	$35,625	$334,352	$460,081	$633,983
Direct Unit Costs	Oct	Nov	Dec	2009	2010	2011
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	$16,480	$21,425	$27,852
Whatsits	$9,275	$6,545	$9,975	$92,295	$129,213	$180,898
Other	$0	$0	$0	$1,892	$2,081	$2,289
Subtotal Direct Cost of Sales	$10,931	$7,714	$11,756	$110,667	$152,719	$211,039

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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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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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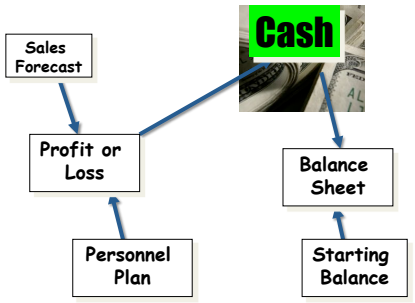
Cash Flow Connect the Dots



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Why Cash Flow is Like a River

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1. Confusing a plan with planning
2. Confusing profits with cash
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Number 1

Confusing a plan with planing

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Do the Review Schedule First

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Business Plans Are Always Wrong

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… but Vital

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Plan vs. Actual

Unit Sales	Jan	Feb	Mar
Meals	33	(140)	(55)
Drinks	(111)	(112)	138
Other	47	36	101
Total Unit Sales	(31)	(216)	184
Unit Prices	Jan	Feb	Mar
Meals	$3.96	$2.85	$4.84
Drinks	$0.45	$0.63	$0.51
Other	($2.51)	($1.59)	($0.89)
Sales			
Meals	$3,711	$502	$6,193
Drinks	($96)	$37	$730
Other	$302	$271	$902
Total Sales	$3,916	$810	$7,826

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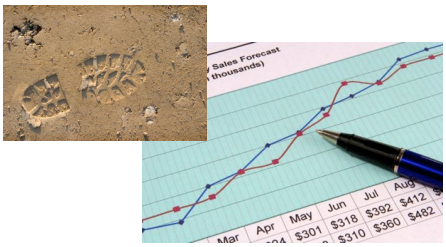
It's About Results, not documents



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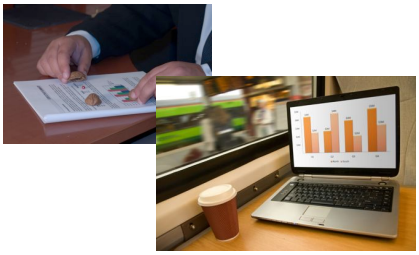
It Thrives on the Computer



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A Good Business Plan is Never Done

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Pop Quiz, With a Prize

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Planning, not Just a Plan

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Who Said This First?

"The plan is useless, but planning is essential."

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