



Young Inventors International

www.younginventors.org



Presents...



Alternative Business Planning
Appropriate Business Planning
Not so big business planning

By Tim Berry
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Do this instead!



Goal: Control Your Destiny



- Planning is proactive
- Dealing with rapid change
- Look up, look ahead
- “The plan is useless. Planning is essential.”
- You do it for yourself
- Not for anybody else
- It’s about business

Form Follows Function



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

Planning, Mapping, Management



Business maps

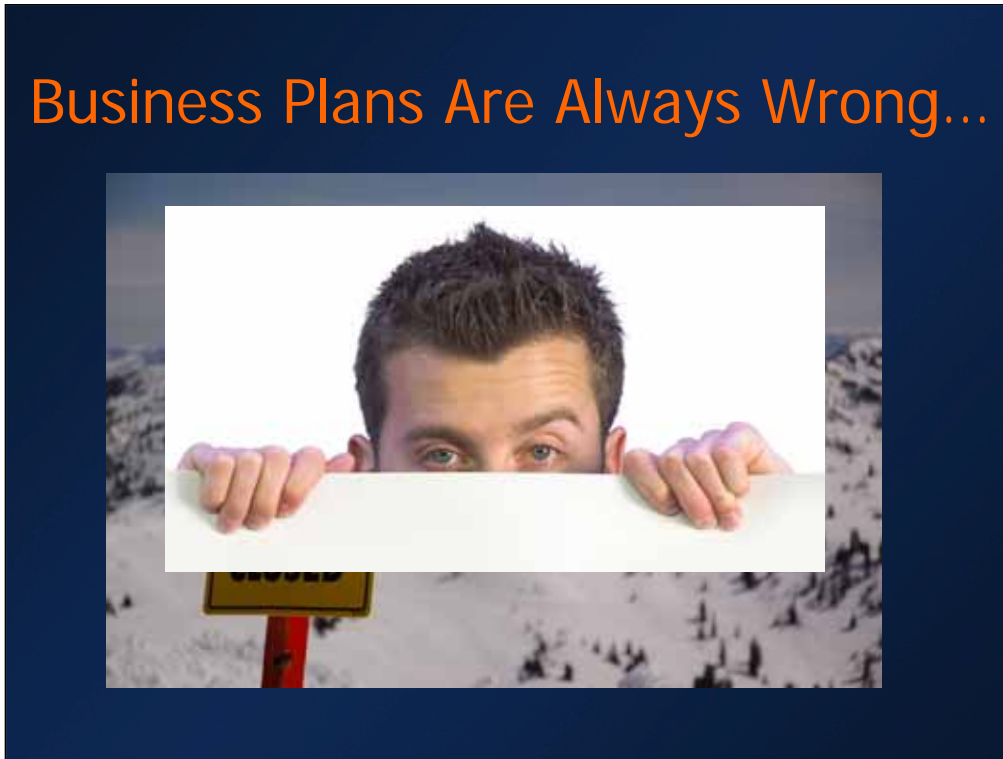
- The web
- Yellow pages
- Books etc.
- People who know

Analogy

- Mapping frontier
- Traffic alerts
- Manage geography
- Mapping, not a map

Planning Process = Accountability





Understand from the start that it's not about guessing right; you won't guess right. Not being able to guess right is a reason for planning, not a reason not to plan.

Business plans aren't ever "right." They are a process.

- Like a map for a journey, routes can change
- Assumptions are always changing. Reality intervenes
- Use the plan as a marker. Compare where you are to where you intended to be.

Blog post:

http://blog.timberly.com/2007/05/business_plans_.html

... They are Vital Management Tools



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

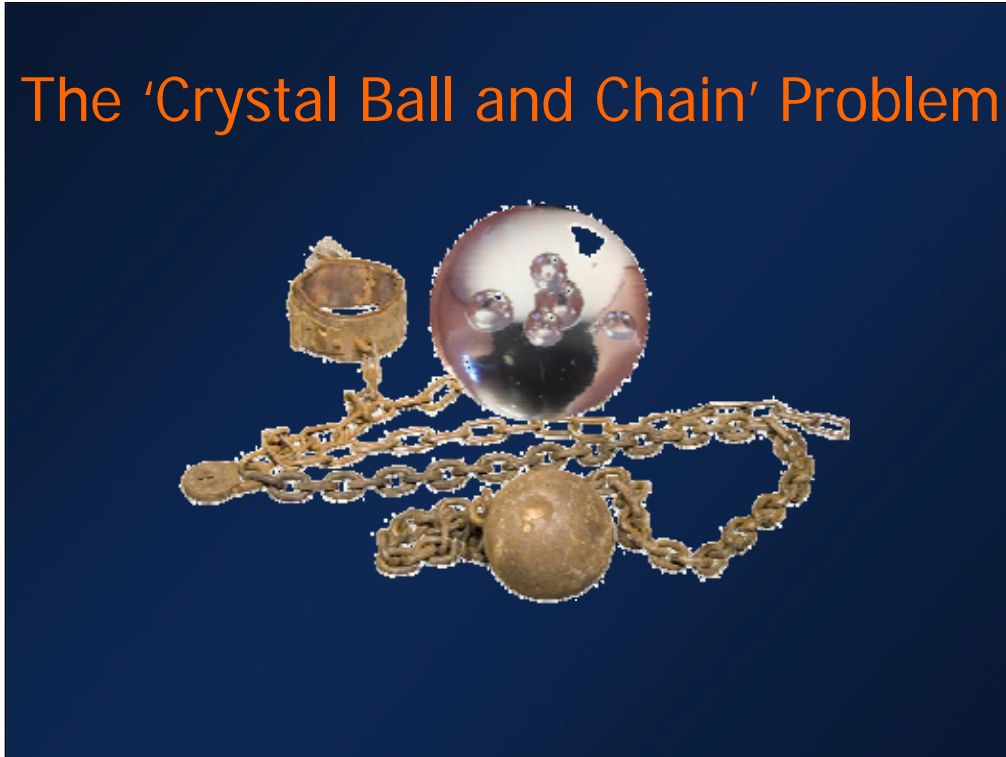
Important requirements

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

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

http://blog.timberly.com/2007/05/business_plans_.html

The 'Crystal Ball and Chain' Problem



The guess is valuable

Educating guesses

- Experience
- Past data
- Other businesses
- Other products/services
- Public data
- Advisors
- Consultants
- Others

Story: Apple Latin America, 1985

Conclusion: living with the guess



You don't start in order
Don't go from beginning to the end
Grab a corner of cheese and start eating
SWOT, mantra, keys, budgets, forecasts
Choose your starting point: words, numbers, etc.
Follow back and track and change

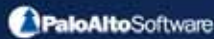
Blog post:

<http://upandrinning.entrepreneur.com/2007/08/23/business-planning-like-building-blocks/>

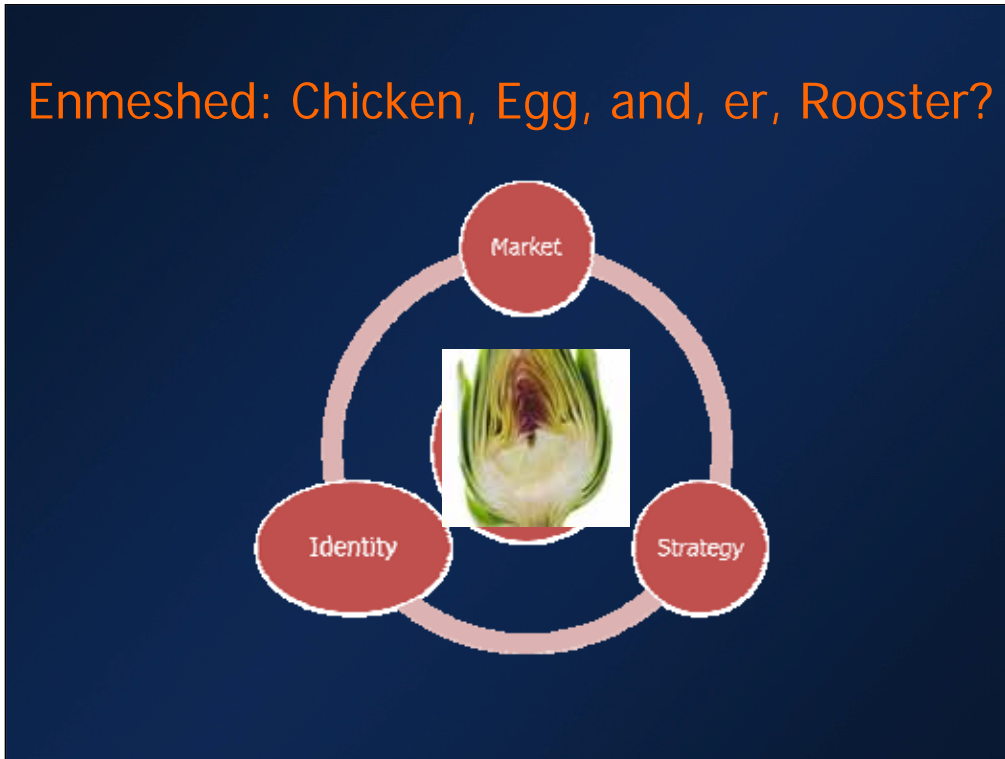


Inside Out from the Heart

The trilogy



- At the core, your identity complex:
 - What you do
 - Why people want it
 - How you're different: SWOT, core competence, secret sauce, etc.
 - Positioning, etc.
- Build outwards
 - Messages and media
 - Keeping the promise
 - Making money
 - Accountability
 - Strategic alignment
 - Growing





Who wants what you sell, why, where and how many are they,?

Know Your Market

Online book:

<http://www.hurdlebook.com/index.cfm?p=71>

Web articles:

<http://www.bplans.com/dp/article.cfm/16>

<http://www.bplans.com/ma/article.cfm/69>

<http://www.bplans.com/ma/article.cfm/70>

<http://www.bplans.com/dp/article.cfm/21>

The Essential Why to Buy



<http://blog.timberly.com/2007/07/the-essential-w.html>

Profile Your Ideal Customer



Know Your Competition

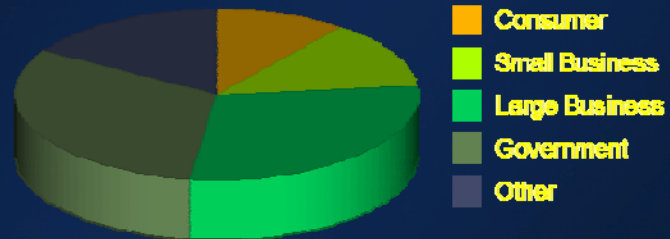


Competitive Analysis

- Yes you *do* have competition
- Industry profiles
- Publicly traded companies
- Web search
- Literature search
- Shoe-leather
- Get on the phone
- Strengths and weaknesses
- Locations
- Positioning

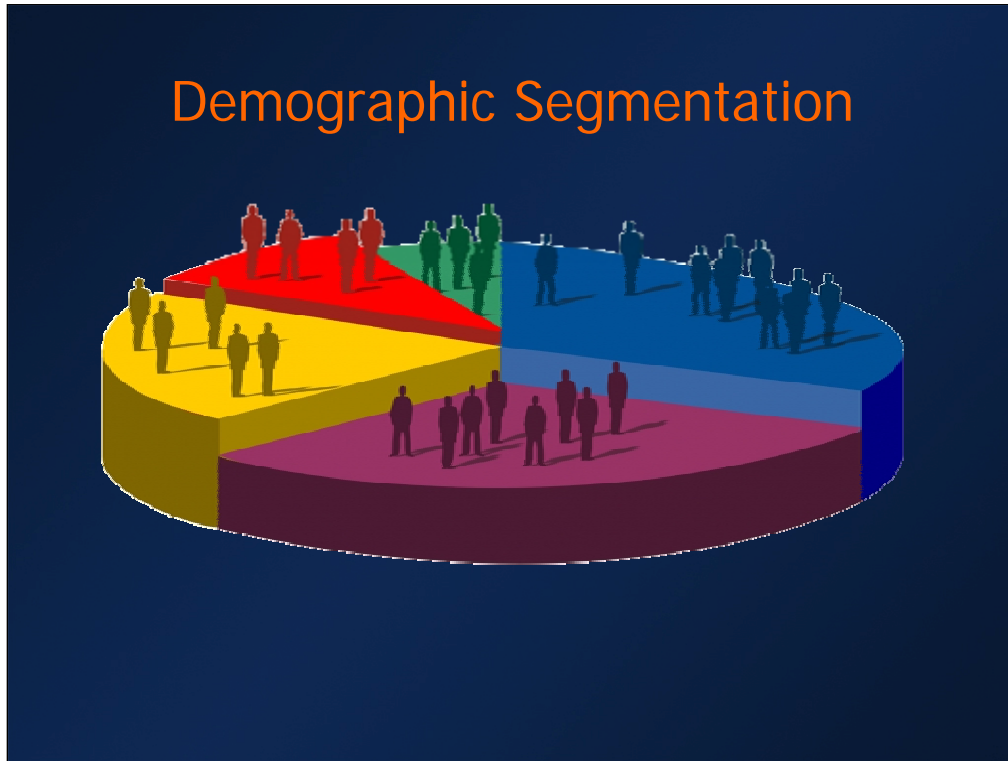
Market Forecast

Market Analysis (Pie)



Potential Market vs. Sales





Geographic Segmentation







Your Business' Fundamental Nature: How Are You Different

Define Business Identity

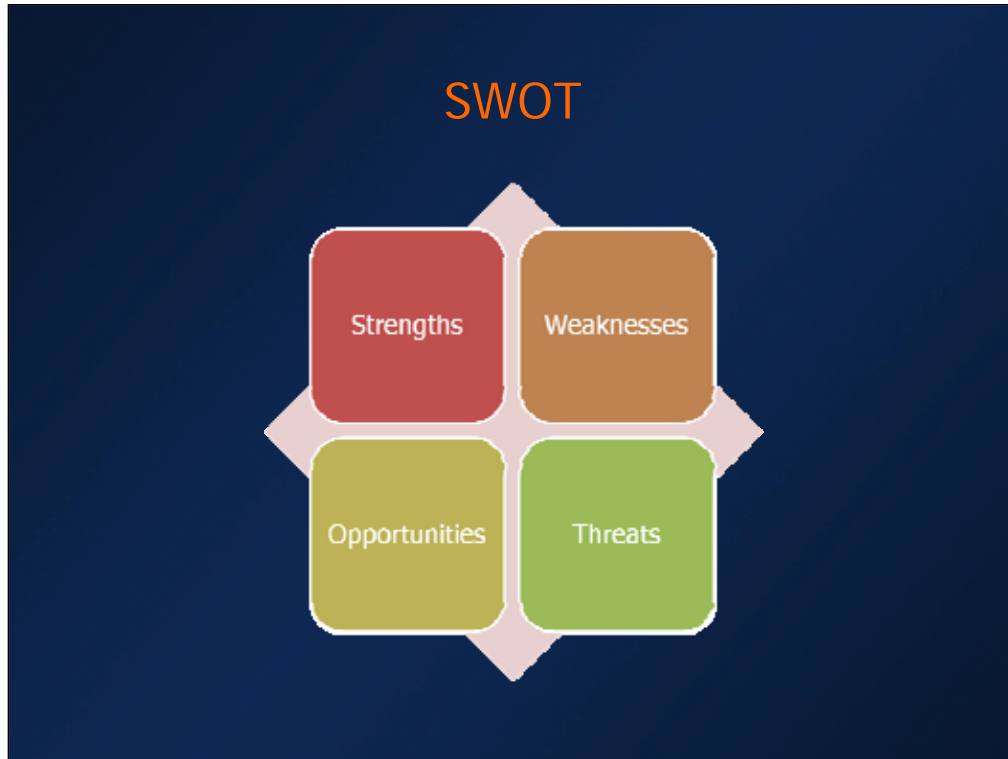
SWOT

- Know your limitations
 - Realism
 - Filter
- Core competence

What you want

Know your market

- Needs & Wants
- Inside out
- Outside in
- Competition



Strengths

Weaknesses

Opportunities

Threats

Advantages

- Involvement
- Teamwork

Stories

- Cale and SWOT
- SWOT and strategy

Your Specific Keys to Success



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



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?



Focus

Choices, consistency, realism,
displacement



Focus is vital. Strategy is Focus. Focus is Vital.

- Focus is critical to success of the planning that happens in the channels
- Focus is also critical to success of the program to improve the channel by building better planning
 - Channel managers should focus and remember key priorities of each significant channel partner
 - Channel managers should help the channel partners maintain their focus
 - Channel managers should track key points in channel partners plans

An important quotation:

- “ I don't know the secret to success, but I do know that the secret to failure is trying to please everybody.”

Strategy is Long Term



It isn't strategy if you can't stick to it for years

- It won't happen
- It won't work
- Waste of time

Better a consistently applied mediocre strategy than a series of brilliant strategies

- Shifts of strategy negate strategy
- Only over time does strategy matter

Planning & Paradox

- Consistency vs revision
- Growth vs. focus
- Always wrong ...
- Never done ...



http://blog.timberly.com/2007/06/planning_and_pa.html

Not All Ideas are Opportunities



Ideas vs. opportunities

- Developing realistic strategy involves filtering opportunities from ideas
- Ideas are essentially worthless. Opportunities have value. Some ideas are also opportunities.
- Criteria for filtering:
 - Is there really market need? Buyers need and want what you're offering?
 - Is the market big enough to support the requirements?
 - Do you have the resources to do it right?
 - Do you have the people to do it right?
 - How will the competition react?
 - Will it be worth it financially? Personally?
 - How will it affect other goals, other programs, other parts of the business?
- Information required
 - Market needs
 - Market estimates
 - Financial projections
 - Resource requirements

Opportunities are Realistic



You have to understand reality

Buzzword: degrees of strategic freedom

You have to do your own strategy

Hence: scanning, environment, SWOT

The picture refers to the analogy of the knobs you have to turn. You have to understand the knobs you can turn.

Opportunities are Tailored



The Decision to Grow

- Why Grow?
- Do you have a choice?
- What business are you in now?

Which ways can you grow?

- Expansion Strategies
- Contiguous opportunities
- Scanning
- What business do you want to be in 3 years from now?

You pick and choose what works

No right or wrong answers

Strategic Advantage

- Competitive advantage
- Core competencies

Strategic position?

- Market needs
- Market positioning
- Keys to success
- Strategic alignment

Keeping it real

- Market needs
- Valves you can turn
- Realistic options

There is no
standard
strategy for
anything

Problem-Solution Sets



Market Needs

Market-driven businesses

- Sales cover multitude of sins
- Right way: identify a need and fill it
- Wrong way: build a product and sell it

Real-world examples

- Right way: Acme services, Turbo Pascal, Sidekick
- Wrong way: Apple Newton
 - But what about Palm Pilot?
- Another example: business plan templates
- You won't always find them
- Borland was an accident to some extent

The Newton example: How Not to do it.

Solve those Problems



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No, Really, Solve Those Problems



Market Needs

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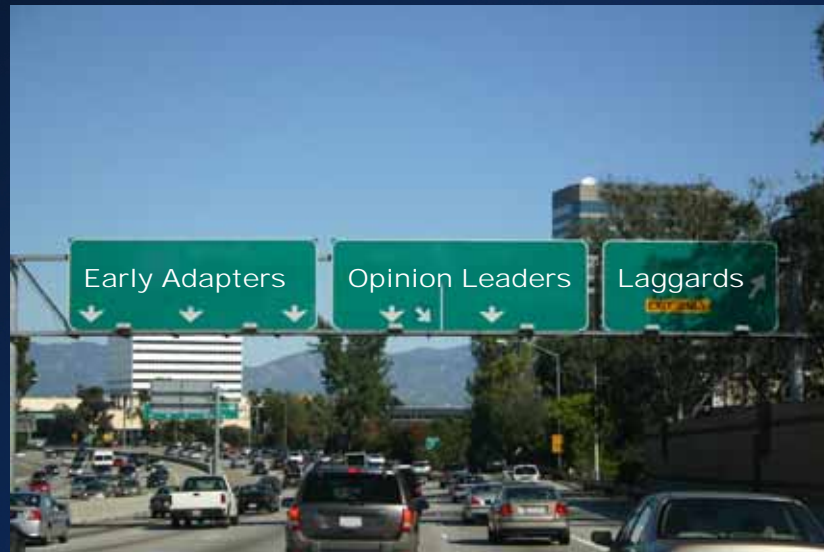
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Product-Market Focus



Segmentation leads to strategy

- Divide potential users into meaningful groups
- Segmentation might be based on various cuts:
 - Customer demographics (age, gender, income, etc. ... or size in sales or employees, for companies)
 - Geography or location
 - Psychographics
 - Type of market needs
 - Buying style and patterns
 - Channels

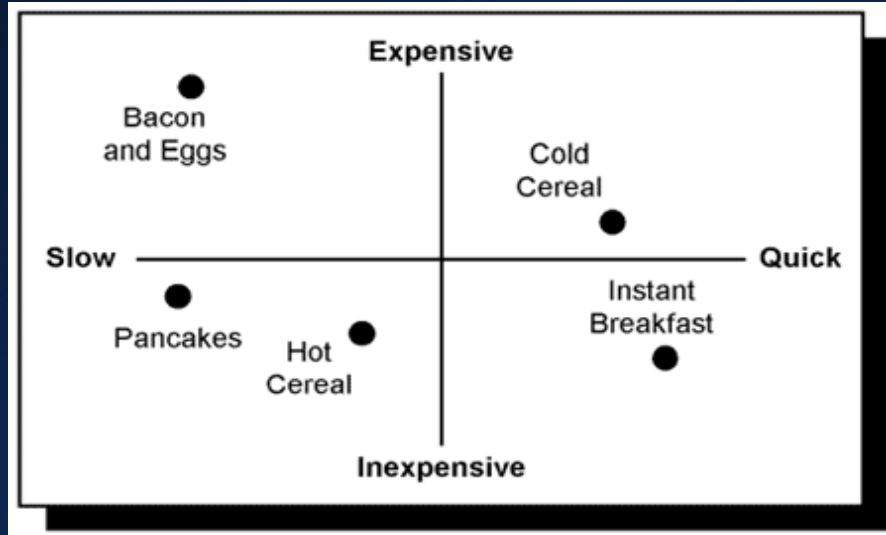
Segmentation helps define more specific target groups

- Target marketing
- Controlling costs by pinpointing

Recommendation:

- The 'Know Your Market' chapter of the Hurdle book included with Business Plan Pro

Positioning: Set Yourself Apart



Build Competitive Advantage



Some Classics

- Volvo
- McDonalds

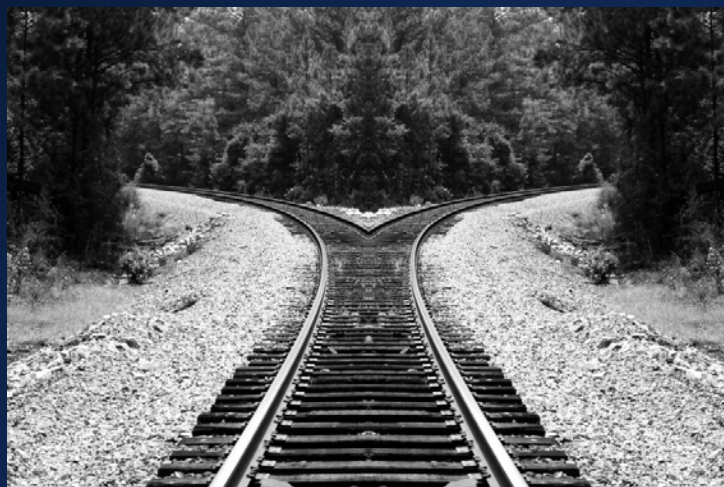
For Your Own Company

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- Pull from customers
- Question assumptions

Can you change over time?

How much? Why?

Make the Strategic Choices



Displacement



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

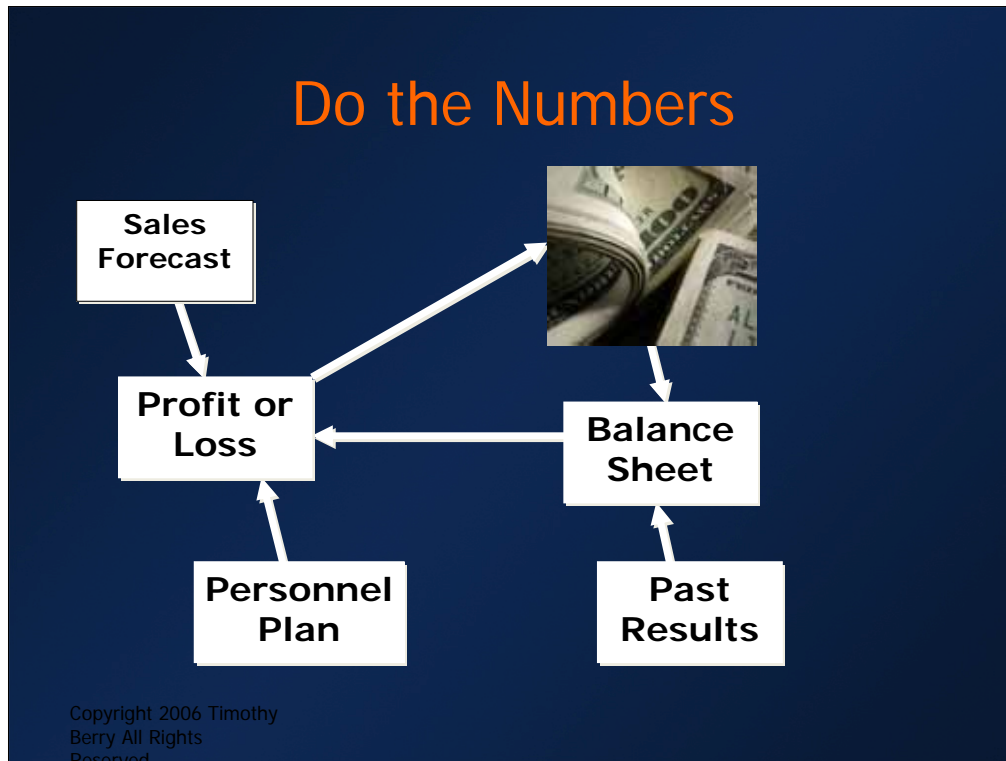
It is also reality



Set the Steps

Steps, Tasks, Owners, Metrics, Accountability,
Measurement, Money





Critical:

- Profits are not cash
- This matters because it can hurt so badly

Examples

- I learned the hard way with channels

You don't need to do it – but know it!

For more information:

<http://www.timberry.com/fm/>

Planning not Accounting



Accounting: today backwards into the past
Objective is reporting to IRS, SEC, etc.

Details are essential

- Depreciation in detail
- Assets in detail
- Loan payments and interest
- Graduated tax rates

Reporting responsibility for infinite details

Planning: today forwards into the future

Objective is decision making

Powerful simplifying assumptions:

- Depreciation
- Assets
- Taxes
- Loans and interest

Where is the uncertainty:

- Sales forecast vs.
- Detailed depreciation
- Detailed taxes

There's also
an article on
my blog at
[blog.timberly](http://blog.timberly.com)
.com

More Art than Science



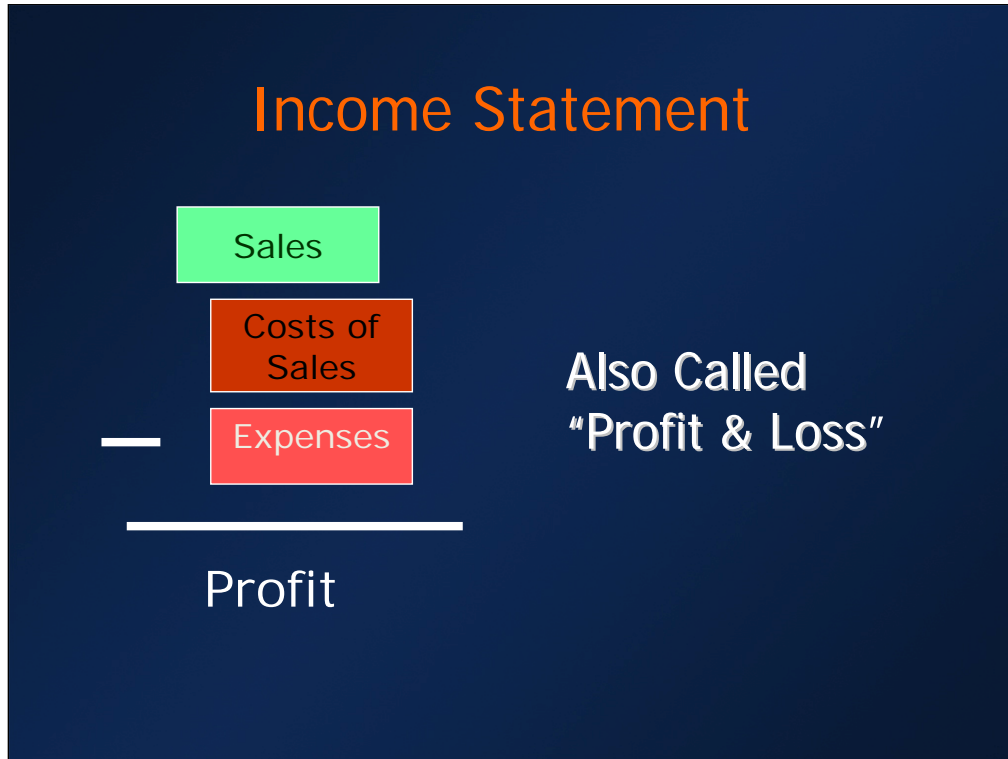
It is an educated guess

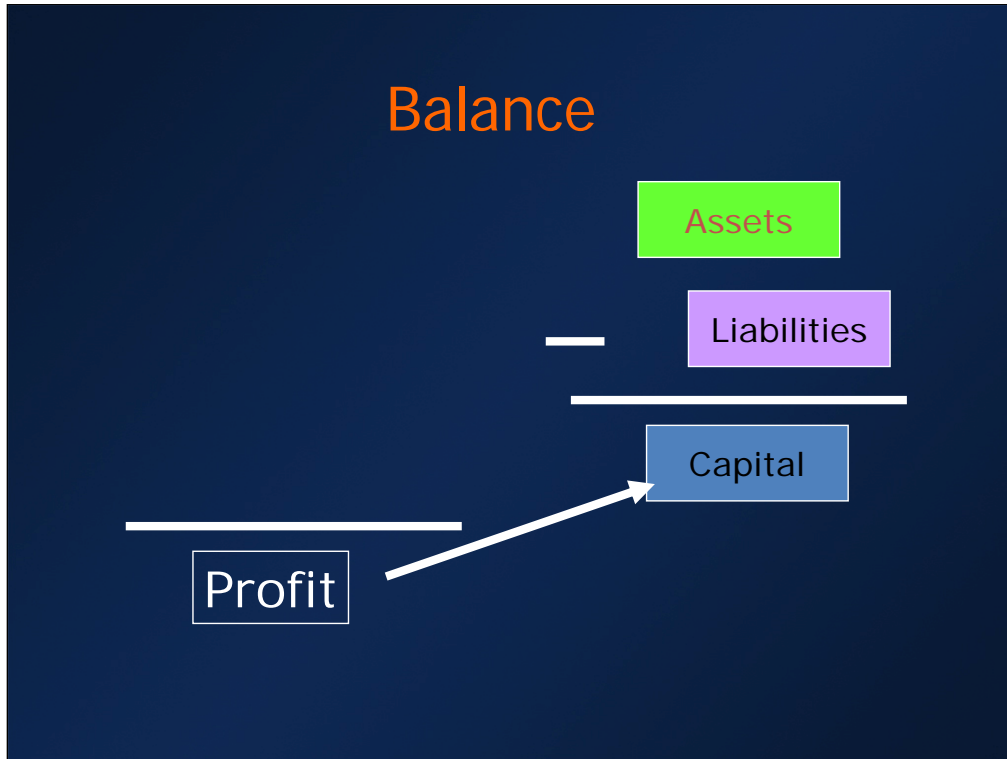
- Nobody knows for sure
- You don't need complex math

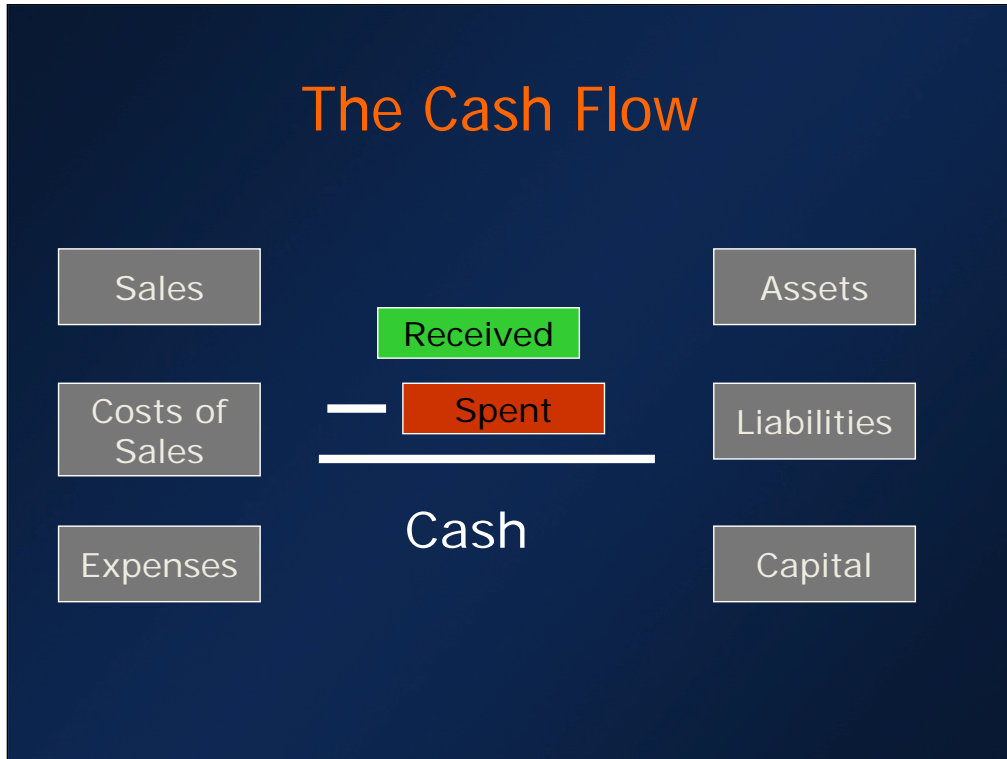
Educate Your Guessing

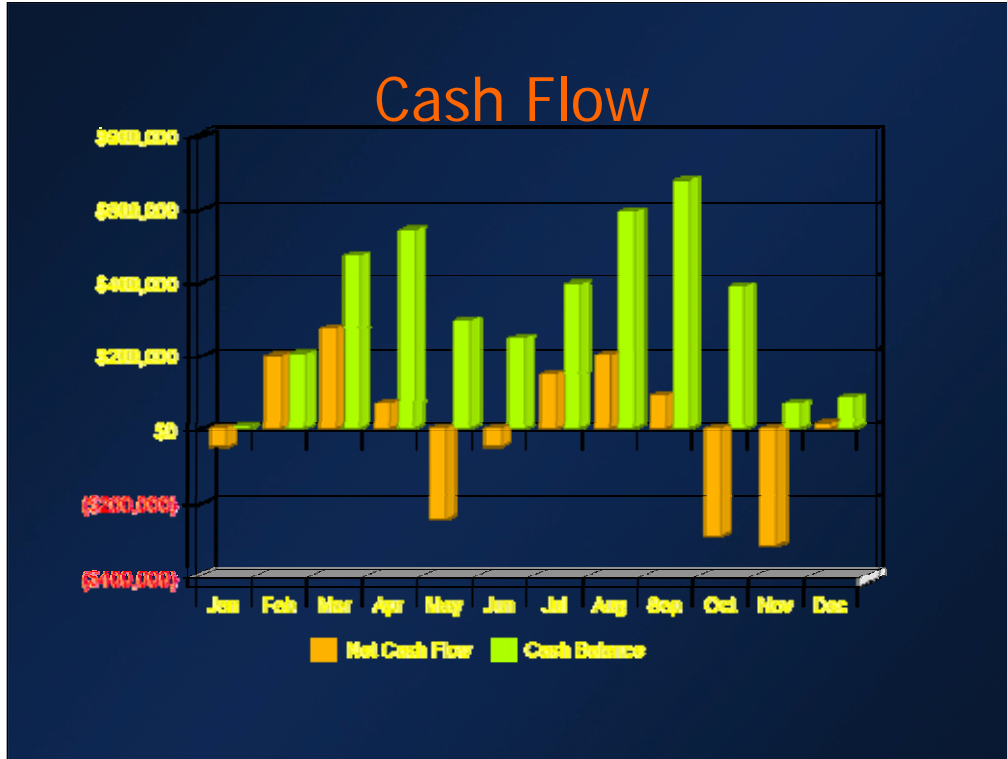
- Experience and know-how
- Data available
 - Your own past data
 - Early results
 - Financial data
 - Ratios
 - Industry statistics
 - Forecasts

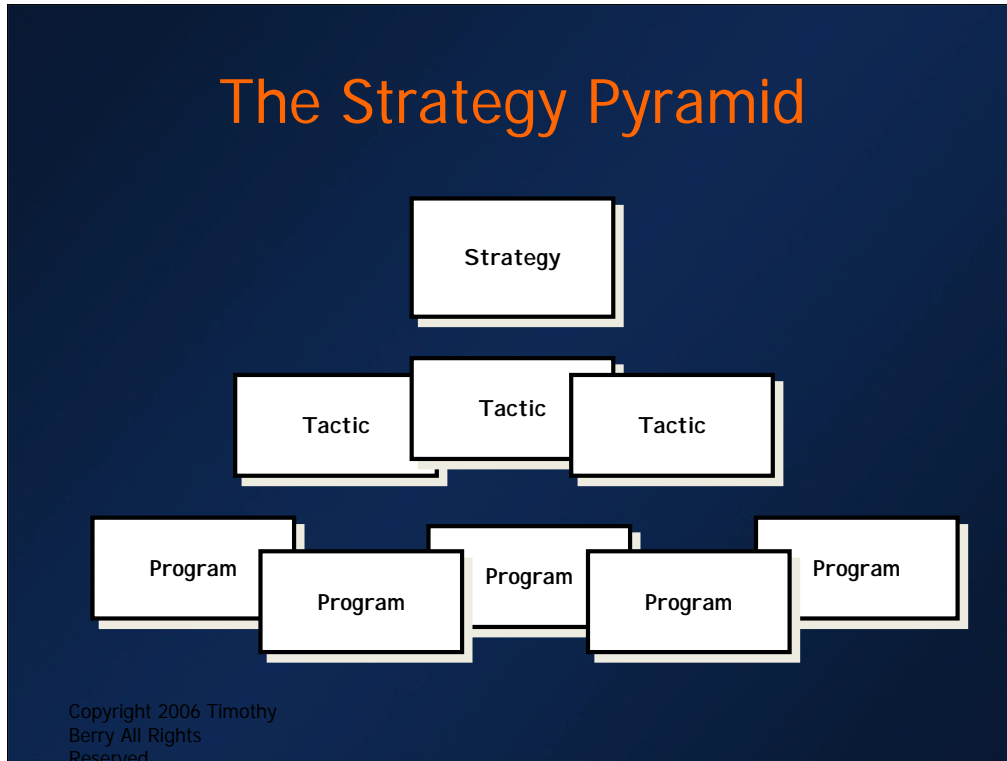












Story Behind It
Blue Sky Strategy vs. Real Planning
Strategic Alignment



AMT

Plan Concretely and Specifically



It's human nature. Plans are worthless without implementation. What makes implementation likely?

- Measurable objectives
- Specific start dates
- Specific end dates
- Specific responsibilities
- Specific spending budgets
- Specific business activities, with specific people responsible for carrying them out, and for results.

For more information on this topic:

<http://www.hurdlebook.com/index.cfm?p=150>

Metrics are Measurable



You find ways to build measurement– accountability – into the plan.

- Dollars
- Units
- Percentage
- Calls
- Presentations
- Complaints
- Transactions
- Contacts
- Messages
- Volume

Objectives Must be Measurable

- Is it just a document or a plan?
- What about defining new business and growth?
 - Market Need -- Logistics
 - Business strategy -- Team
- Identifying a market
 - Market size -- Market needs
 - Market growth -- Competition
- Setting targets
 - Sales -- Expenses
 - Cash flow -- Market Share

Match Tasks to Owners



The Pigs and The Chickens at Breakfast

Set Expectations and Follow Up



Including

- The Strategy
- The Live Plan
- Predefined Measurements and Milestones
- Implementation: Watching and Tracking
- Plan vs. Actual
- Managed Revisions
- Future Plans
- Long-term Consistency

Build real, trackable Milestones

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		



This is just a quick view.

- Your detailed market research comes later.
- An educated guess is OK for now

Potential market, not actual market.

- Potential customers, not actual customers
- We're trying to get an idea of size and possibilities

www.hurdlebook.com/index.cfm?p=147

Managing the Plan

			Jan	Feb	Mar
Unit Sales					
Meals	776	1,053	33	(140)	(55)
Drinks	390	527	(111)	(112)	138
Other	20	20	47	36	101
Total Unit Sales			(31)	(216)	184
Unit Price					
Meals	812		\$3.96	\$2.85	\$4.84
Drinks	279		\$0.45	\$0.63	\$0.51
Other	67		(\$2.51)	(\$1.59)	(\$0.89)
Total Unit Sales	1,158				
Sales					
Meals			\$3,711	\$502	\$6,193
Drinks			(\$96)	\$37	\$730
Other			\$302	\$271	\$902
Total Sales			\$3,916	\$810	\$7,826
Sales					
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		

Fact of Human Nature

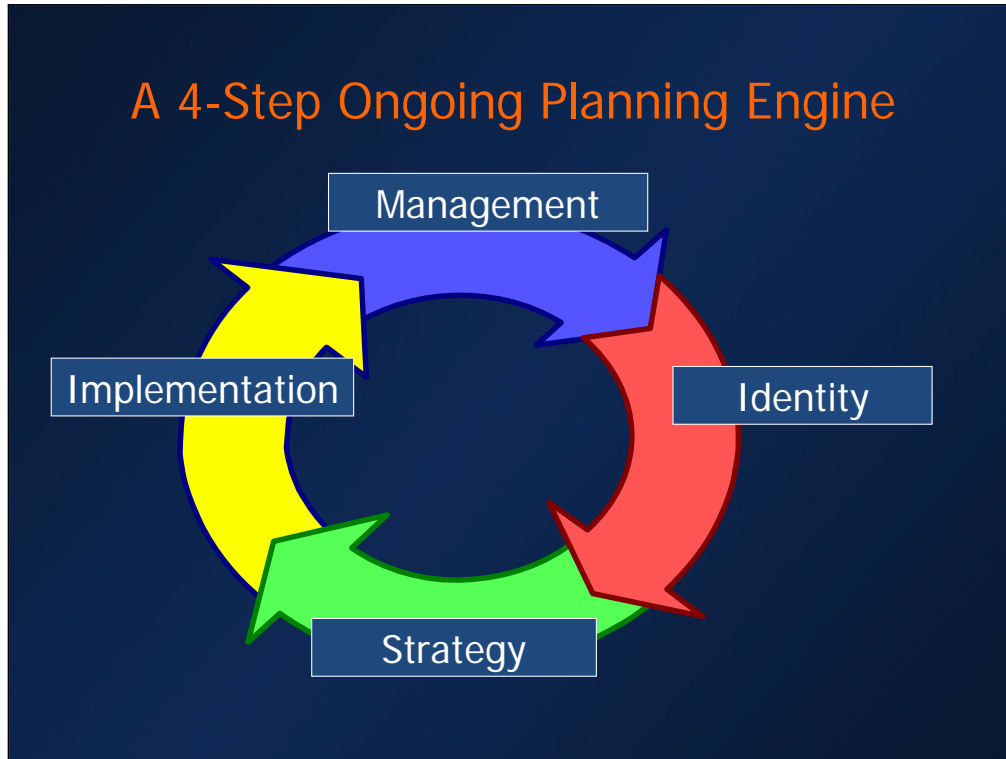
- Make it known that results will be tracked
- Without the promise of tracking, implementation is far less likely

A live plan is an ongoing management tool

- Insist on plan-vs.-actual
- Study the variance
- Update the Plan

Accountability





Situation analysis

- The problem and your solution
- Understand market needs, quantifying, reality checks
- Practical Market Research
- Break markets into groups called segments
- Know your competition
- Understand your strengths and weaknesses

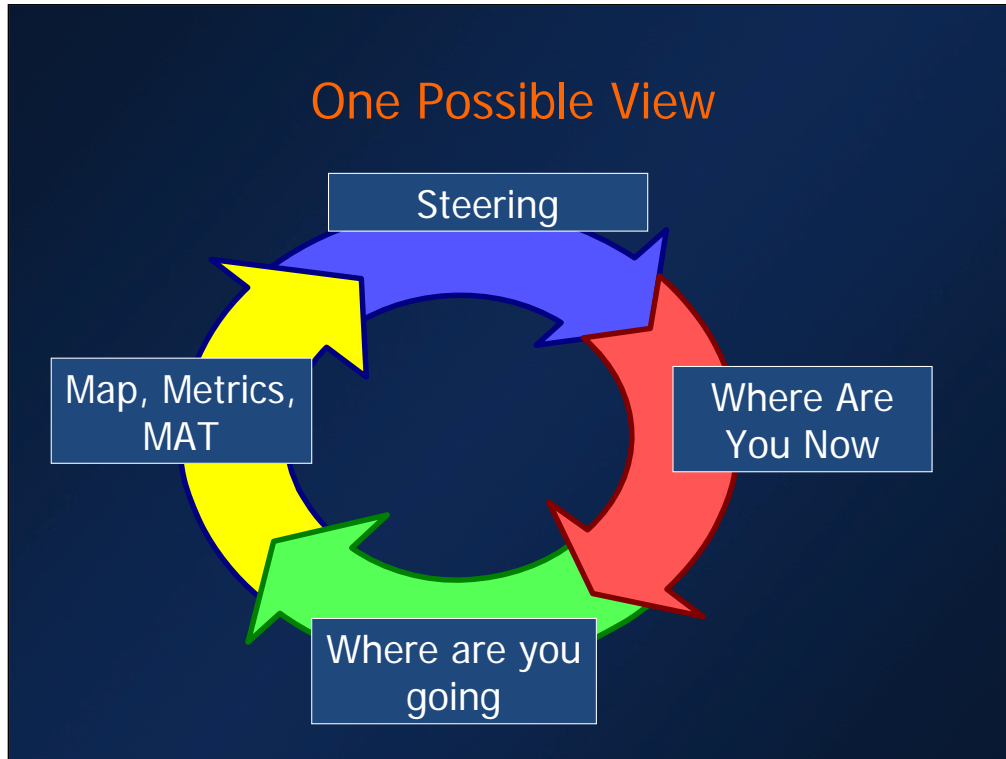
Strategy

- Ideas vs. Opportunities
- Focus on priorities
- Develop positioning strategy

Plan

- Make everything concrete and measurable
- Cover the bases as required
- Make the projections
- Customize for your needs

Follow up



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Follow up



Wants & Needs

- The problem and your solution
- Understand market needs, quantifying, reality checks
- Practical Market Research
- Break markets into groups called segments

Business Offering – Business Model

- Know your competition
- Understand your strengths and weaknesses
- Ideas vs. Opportunities
- Focus on priorities
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Making it Happen

- Make everything concrete and measurable
- Cover the bases as required
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Accountability



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It's about better business management

Sources & Such...

- My blogs:
 - <http://blog.timberry.com>
 - [Planning, Startups, Stories](#)
 - [Up and Running](#)
- Websites <http://upandrunning.entrepreneur.com>
 - www.timberry.com
 - www.paloalto.com
 - www.bplans.com
- Presentation download:
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