



# ULTIMATE 2021 OPERATING PLAN TO DRIVE GROWTH

Designing a Forecasting and Budgeting Process to Achieve Your Goals

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# ULTIMATE 2020 OPERATING PLAN TO DRIVE GROWTH

## WHAT IS AN ANNUAL PLAN?



ULTIMATE 2020 OPERATING PLAN TO DRIVE GROWTH

# WHY SHOULD WE PLAN?







ULTIMATE 2020 OPERATING PLAN TO DRIVE GROWTH

WHY DON'T WE PLAN?

# **The Planning Framework**



1. Goal setting
2. Model building
3. Forecasting & budgeting
4. Tracking progress to goals



THE PLANNING FRAMEWORK

# GOAL SETTING



# What are your goals for next year?



Where do you want to be at the end of the year in terms of...

- Dollars of revenue
- Cash on hand
- Minions reporting to you



# How do I figure out what I want to track?



Start with operational metrics:

- North Star KPI that drives the business

Then go down the income statement:

- Revenue
- Cost of Goods Sold
- Expenses
  - Workforce related (Staffing, Contractors)
  - Non-workforce related (Travel, Equipment, Facilities, Marketing etc)



## GOAL SETTING

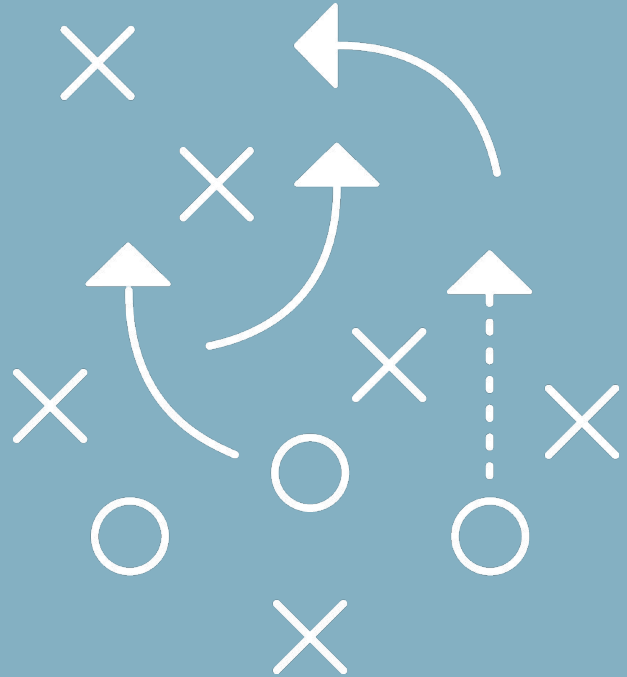
# How do we get there?

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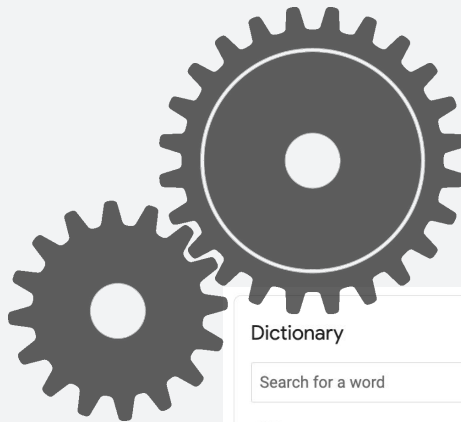


Once we've listed out your goals, we need to understand how we get there. We get there by identifying the **key drivers** of your business.

THE PLANNING FRAMEWORK  
BUILDING THE MODEL



# WHAT ARE DRIVERS?



## Dictionary

Search for a word



**driver**

/ˈdraɪvər/

See definitions in:

3. a factor which causes a particular phenomenon to happen or develop.  
"the hope of achieving such monopolies becomes the main driver of investment"

2. a wheel or other part in a mechanism that receives power directly and transmits motion to other parts.
  - **ELECTRONICS**  
a device or part of a circuit that provides power for output.
  - **COMPUTING**  
a program that controls the operation of a device such as a printer or scanner.
3. a factor which causes a particular phenomenon to happen or develop.  
"the hope of achieving such monopolies becomes the main driver of investment"
4. a golf club with a flat face and wooden head, used for driving from the tee.



# **How do we identify drivers?**

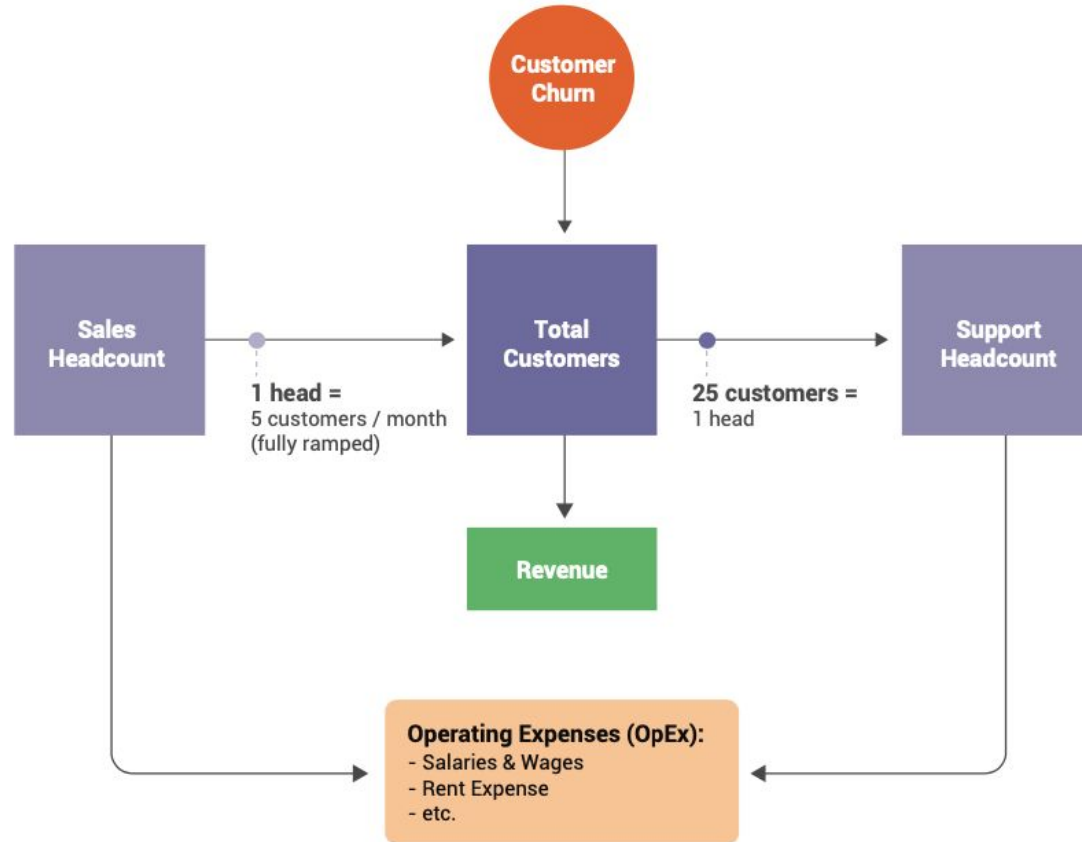


Think about your revenue. Where does it come from?

## **Questions to ask:**

- What people and products in my business generate revenue?
- Who are the people I need to fulfill orders and support my customers?
- What are my operating expenses to support all of this?

# HOW DRIVERS HELP US BUILD A MODEL



## **Getting to Insight**



Let's get back to your goals. Let's assume the big goal is to increase net profit from 5% to 20% in the next five years.

A financial model can help you figure out how to get there.



THE PLANNING FRAMEWORK

# FORECASTING & BUDGETING



## Defining Assumptions



Drivers > OpEx

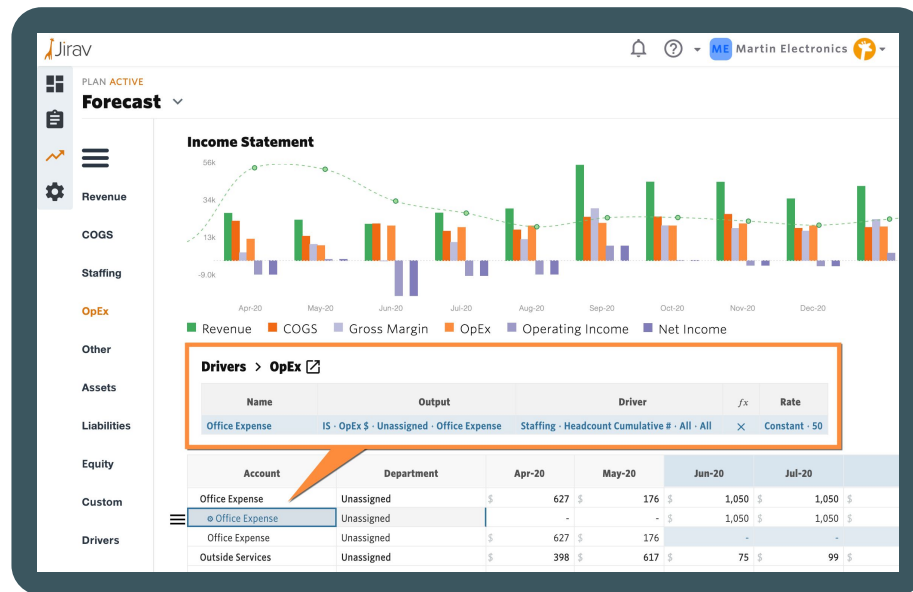
Driver	$f_x$	Rate
Headcount Cumulative #	X	Constant 25

Output
IS • OpEx \$ Office Expense

=

# ASSUMPTION



# Common Assumptions

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## Cost per Lead:

\$1,000 spend on paid search /

\$20 **cost per lead** =

50 signups

## Workforce driven expenses are a function of headcount:

- Payroll taxes & benefits
- Software subscriptions
- Travel & entertainment

# Model + Assumptions = Forecast

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Month 1

Month 2

Month 3...

- *New customers*
- *Churn customers (if subscription)*
- *Total customers*
- *Revenue per customer*
- **Revenue**
- **COGS**
- **Gross Margin**
- **OpEx**
  - **Staffing**
  - **Outside Support / Contractors**
  - **Travel & Entertainment**
  - **Equipment & Office**
  - **Facilities**
  - **Marketing Expenses**
  - **Other OpEx**
- **Net Profit**
- *Headcount*
- *Change in Cash*
- *Cash Balance*

# Publish your forecast



Individuals have the following probabilities of completing a goal by taking these actions:

- Having an idea or goal: **10%**
- Consciously deciding that you will do it: **25%**
- Deciding when you will do it: **40%**
- Planning how to do it: **50%**
- Committing to someone that you will do it: **65%**
- Having a specific accountability appointment with someone you've committed to: **95%**

### Share

SHARE WITH

Ryan McDonald <ryan@jirav.com>

ACCESS

Can View

OPTIONAL MESSAGE

Ryan, here are the latest quarterly reports — I think you'll like these numbers!

Already shared with Martin Zych and 10 more.

☒ Send Notification

CANCEL

SHARE

Source: Association for Talent Development

<https://uonly.co/2015/01/08/how-to-increase-the-odds-of-reaching-your-goals-by-85-2/>



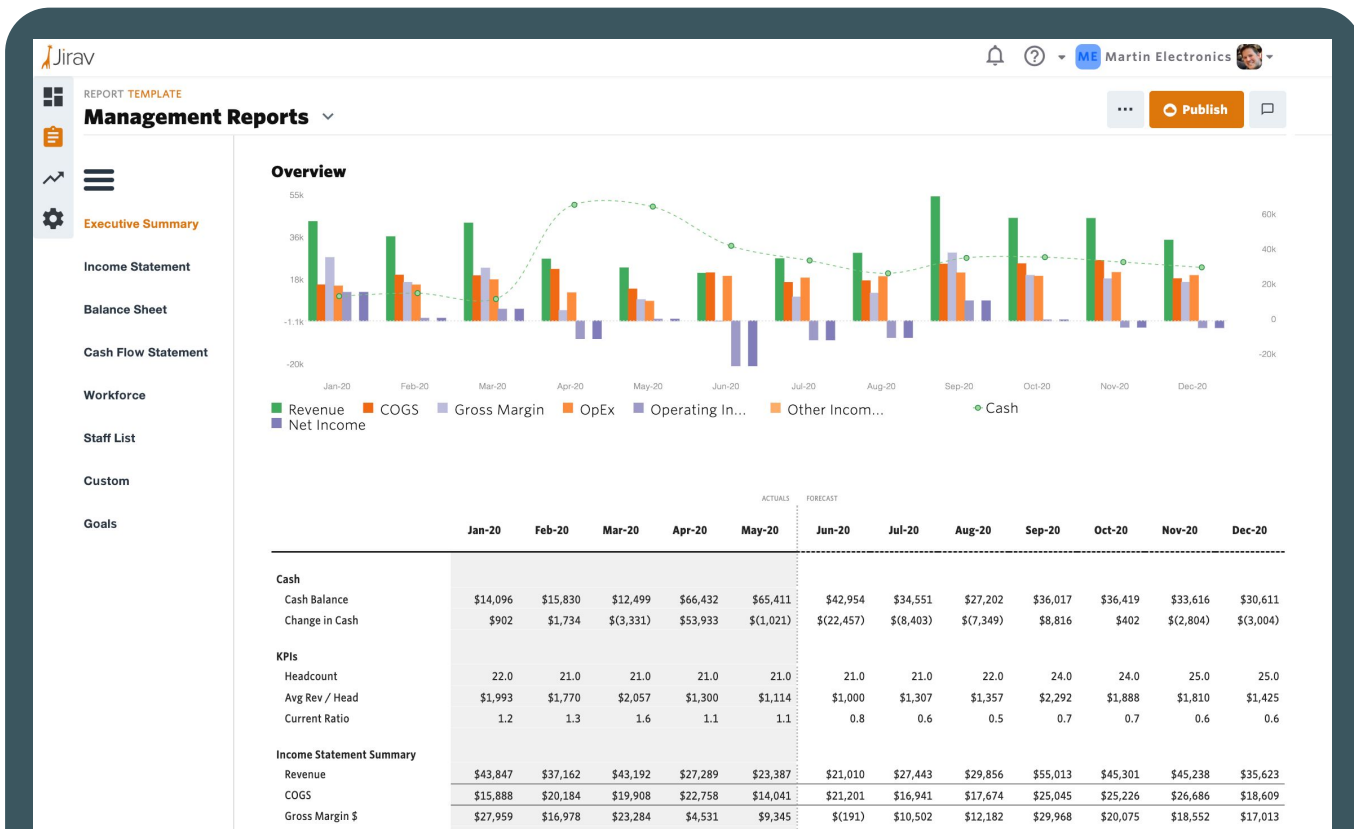
THE PLANNING FRAMEWORK

# TRACKING PROGRESS



## TRACKING PROGRESS

# Executive Summary



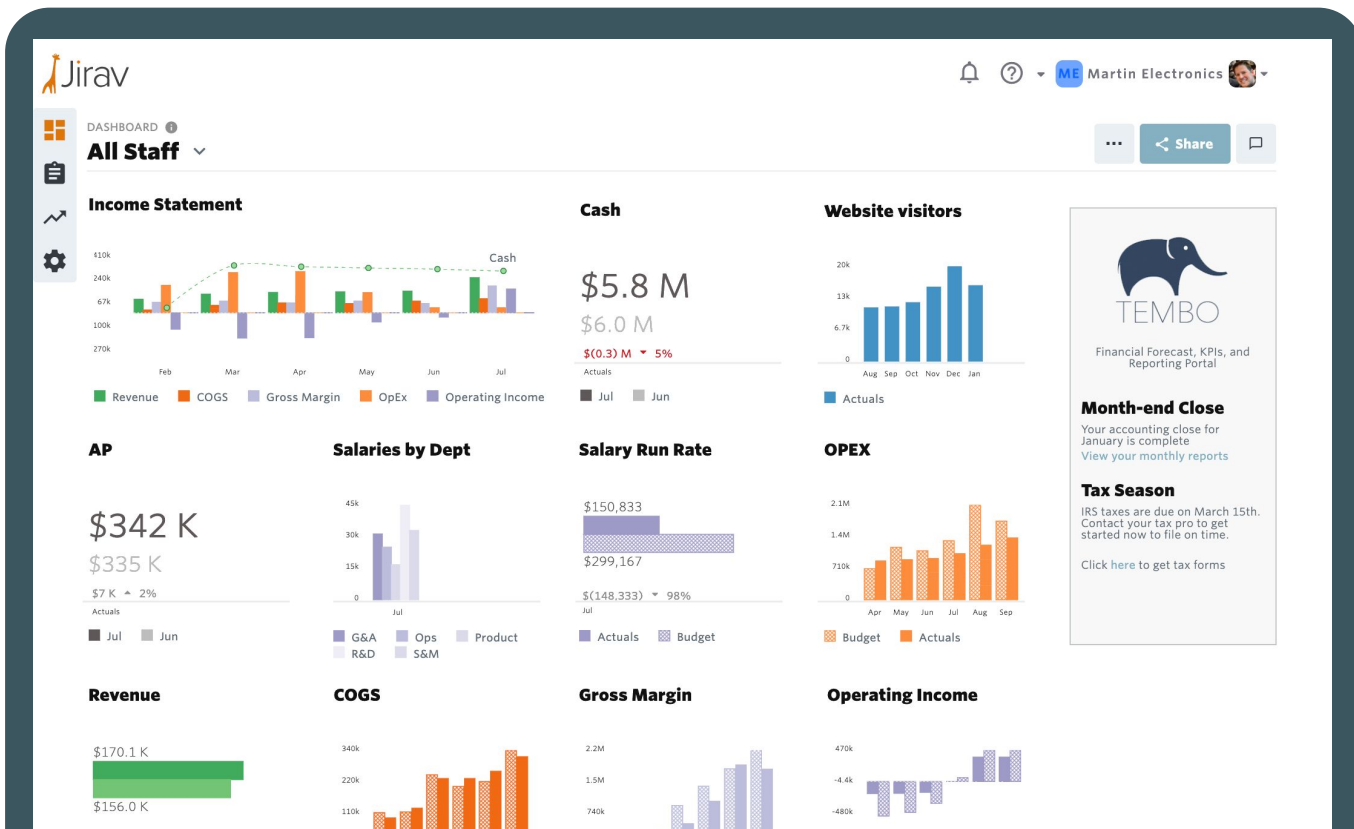
# Budget v. Actual



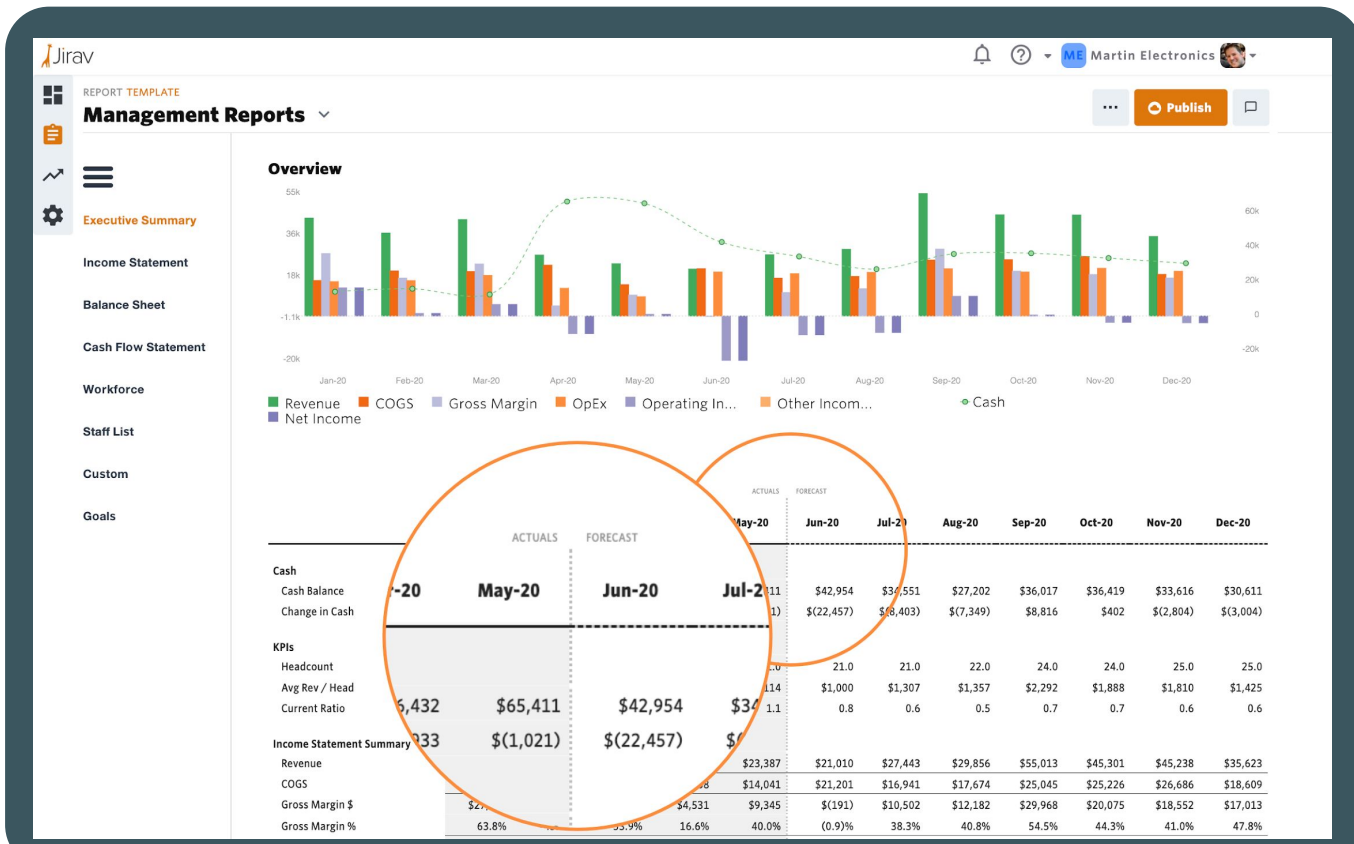
<div> <div></div> <div>Executive Summary</div> </div> <div> <div>Income Statement</div> <div>Income Statement By Department</div> <div>Balance Sheet</div> <div>Cash Flow Statement</div> <div>Workforce</div> <div>Staff List</div> <div>Custom</div> <div>Goals</div> </div>	<div> <div> <div>...</div> <div>↺</div> <div>↻</div> <div>Edit Columns</div> <div>Edit Rows</div> </div> <div>TowerCo</div> <div>Executive Summary - Variance</div> <div>Jan - Sep 2020</div> </div>											
	Q1-20				Q2-20							
	Jan - Mar'20	Jan - Mar'19	Δ	%	Apr - Jun'20	Apr - Jun'19	Δ	%				
	Cash											
	Cash Balance	\$12,499	\$17,595	\$(5,095)	(40.8)%	\$58,741	\$7,666	\$51,074	86.9%			
	Change in Cash	\$(695)	\$(1,742)	\$1,047	(150.6)%	\$46,242	\$(9,928)	\$56,170	121.5%			
	Income Statement Summary											
	Revenue											
	Revenue	\$122,742	\$89,528	\$33,214	27.1%	\$58,984	\$70,306	\$(11,322)	(19.2)%			
	Other Income	\$1,554	\$2,598	\$(1,044)	(67.2)%	\$10,521	\$718	\$9,803	93.2%			
	Discounts & Refunds	\$(95)	\$(50)	\$(45)	47.4%	\$(225)	\$(75)	\$(150)	66.7%			
	Subtotal Revenue	\$124,201	\$92,076	\$32,125	25.9%	\$69,280	\$70,949	\$(1,669)	(2.4)%			
	COGS											
	Payroll	\$54,180	\$49,050	\$5,130	9.5%	\$48,940	\$57,668	\$(8,728)	(17.8)%			
	Contractors	\$1,800	\$18,495	\$(16,695)	(927.5)%	\$1,526	\$6,549	\$(5,023)	(329.2)%			
	Subtotal COGS	\$55,980	\$67,545	\$(11,565)	(20.7)%	\$50,465	\$64,216	\$(13,751)	(27.2)%			
	Gross Margin \$	\$68,221	\$24,532	\$43,690	64.0%	\$18,815	\$6,733	\$12,082	64.2%			
	Gross Margin %	54.9%	26.6%	28.3%	51.5%	27.2%	9.5%	17.7%	65.1%			
	OpEx by Acct											
	Advertising & Promotion	\$7,147	\$18,210	\$(11,063)	(154.8)%	\$4,623	\$19,516	\$(14,893)	(322.2)%			
	Auto Expenses	\$4,205	\$3,376	\$828	19.7%	\$4,039	\$4,041	\$(2)	-%			
	Computer Expenses	\$2,664	\$1,307	\$1,357	50.9%	\$1,005	\$865	\$139	13.9%			
	Employee Benefits	\$1,415	\$1,818	\$(402)	(28.4)%	\$1,276	\$1,387	\$(111)	(8.7)%			
	Employee Reimbursements	-	-	-	-	-	\$485	\$(485)	-			
	Financial Services	\$3,162	\$3,031	\$131	4.1%	\$2,083	\$2,168	\$(85)	(4.1)%			
	Insurance	\$2,012	\$1,196	\$816	40.6%	\$1,535	\$1,730	\$(195)	(12.7)%			
	Meals & Entertainment	-	\$61	\$(61)	-	-	\$541	\$(541)	-			

# TRACKING PROGRESS

# Dashboarding & Analytics



## Rolling forward the forecast and budget



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# COMPARISON OF PLANNING TOOLS





# Comparison of planning tools



FEATURES	Excel & Google Sheets	Enterprise FP&A	Jirav Business Planning
Ease of use			
Cost			
Setup time			
Accuracy			
Collaboration			
Integrations			

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