



# Harvard Business Review

REPRINT H0065N  
PUBLISHED ON HBR.ORG  
SEPTEMBER 02, 2010

## **ARTICLE** **STRATEGY EXECUTION**

# Keeping Your Business Plan Flexible

*by Amy Gallo*

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People make business plans for all sorts of reasons — to attract funding, evaluate future growth, build partnerships, or guide development. Unfortunately, the vast majority of these plans are usually out of date by the time the printer ink dries. Business moves fast: the product's features morph, new competitors emerge, or the economic climate shifts. When these changes occur, many people just throw their business plans out the window. For a plan to be truly valuable it needs to evolve with your company and stay relevant in the face of uncertainty.

## What the Experts Say

Despite the hype business plans get from corporate advisers, “most business owners don’t have a formal business plan,” says Patricia Greene, Professor of Entrepreneurship of Babson College and co-editor of *The Development of University-based Entrepreneurship Ecosystem*. Yet one of the first items you’ll find on every entrepreneur’s checklist is *Write business plan*. The key is to create a living document. “When you think about a business plan, think about the distinction between a snapshot and a moving picture,” says William Sahlman, the Dimitri V. D’Arbeloff – Class of 1955 Professor of Business Administration at Harvard Business School and author of *How to Write a Great Business Plan*. Sahlman explains that you need something that moves with your business. However, capturing all of the unknowns while not sounding wishy-washy is challenging. Below are several ways to make sure your plan is a fluid, useful document.

## Focus on your largest asset

For many budding businesses, people are the most important asset. And, according to Sahlman, that is first thing many investors look for in a company. “People make decisions, plans don’t,” he says. Greene echoes his point. “To the external folks, it’s about: can you do this? Can you execute?” she says. Value is created when the right people seize the right opportunity and your plan needs to describe both. Feature your most important people prominently in the plan. Be sure to articulate

exactly why they are most qualified to see this venture through: have they done it before? Do they have unique expertise? For some businesses, especially more established ones, a technology or a discovery might be more important than human resources. The same advice applies. Focus on whatever you have that is of the most value.

### **Describe the experiments**

Starting a business is all about trial and error. Readers of your business plan don't expect you to have it all figured out, especially at the start of a new venture. Rather, your plan should describe how you'll evaluate the best way to make and/or sell your proposed product or service. "Your goal is to describe a path and a series of well-structured experiments to see what you should do next," Sahlman says. "The best plans are not the ones that say 'we're going to do x, y, and x in the following order; they say 'here's what we're going to do to figure out what to do next and here are the people who are going to do it because they've done it before.'" Don't just describe the ways in which you'll conduct this research. Be sure to explain what you will do with the data coming out of the experiments as well.

### **Include risk assessment and contingencies**

Any entrepreneur will tell you that the chances of everything going according to plan are zero. One way to keep your plan dynamic is to include a risk assessment. Many companies do this on a large scale but it's important for nascent businesses to do it as well. Sahlman says the plan should demonstrate conditional thinking and lay out how you plan to manage the various risks involved in your venture. Of course, it's not practical, or even possible, to lay out all of the options. Instead, focus on exhibiting your ability to deal with conditions as they change.

### **Explore alternative formats**

There are times when you need to use a certain format for your plan. For example, a bank or venture capital firm may require you to include specific items and adhere to a certain structure as part of their due diligence. But, fortunately, in most situations, you won't be bound by a template, and both Sahlman and Greene suggest considering less formal options, such as a Powerpoint presentation or a simple dashboard of indicators that will keep the business on track. Using a more streamlined format may prove useful later on if and when you need to write a more elaborate plan. Expanding on a small document is often more effective than trying to condense a large one.

### **Revisit the plan often**

Regardless of the format you use, Greene says it's important to reassess the plan frequently. "The people who do it best are the people who schedule themselves to review it," she says. Rewrite and update regularly. If you are working with others, you can assign responsibility for different parts to different people, although as the business owner or head of the venture, you need to be sure it all hangs together. Regular reviews are also opportunities for you to make sure that how the business is evolving in line with your original vision.

### **Principles to Remember**

Do:

- Feature your greatest asset prominently
- Outline how you will test whether you have a valuable product or service
- Show that you understand the risks and explain how you will address them

Don't:

- Try to describe every possible scenario or risk
- Feel wedded to creating a traditional 40-page Word document
- Let your plan go untouched once it's finished. Update it regularly

### **Case Study #1: Skip the formal document**

Reece Pacheco and his fellow co-founders started the game-film editing and sharing service [Homefield](#) in 2007. When they started to court investors, they were regularly told to send their business plan. Reece spent a lot of time and energy creating a traditional one. It was difficult because, as he says, “early on, we didn’t know everything we needed to know.” In two weeks what he’d written was no longer relevant. He also found that the investors and partners most intrigued by Homefield didn’t care about the plan. They just wanted to hear his story and why he was passionate about the business. In fact, those that were less interested were more likely to request a plan.

Reece decided that a traditional plan wasn’t practical. “The web moves too fast. Most businesses move too fast he explains. “Investors’ attention spans have gotten shorter and shorter.” And the customers Homefield has secured are much better proof of their company’s viability than any five-year projections. So Reece now uses a six-page PowerPoint deck that is flexible and easy to update. The aim is to “build relationships,” to convince partners and investors that he and his colleagues are the right people to execute on their unique idea. And so far, it’s worked.

### **Case Study #2: Tell a compelling story**

Jenny Machida joined the founding team of Sevident in December 2009 as the Chief Business Officer. Sevident is a start-up focused on developing a rapid diagnostic platform for infectious disease. Like many other businesses, their value lies in the flexibility of the technology they offer, so it’s critical to convey its various applications. The challenge is to show that in a business plan without sounding unfocused.

The team started off by describing the business in presentation form. They had PowerPoint decks and one- and two-page executive summaries but hadn’t developed a formal business plan because no potential partners, customers, or funders had asked for one. “You don’t need a plan until you have an audience for it,” Jenny says.

But, they decided to create a formal plan because they assumed potential funders would need one further along in the process. The document they use now, which is roughly 30 pages including data

and financials, extends directly from the earlier presentation materials and is regularly updated as the business evolves.

Rather than explaining all the potential applications of their technology, they now tell a concrete story about how they will use the first application. The plan is still flexible in the way it describes the company's operations and how they will play in various markets. "We've made a deliberate choice to foreground the capability of the technology itself," Jenny explained, rather than focus exclusively on a specific market opportunity. The plan demonstrates that they have thought of all of the various options for how the business may develop without laying out exhaustive and low-probability contingency plans. "Everyone knows that there's uncertainty to a new business but you still need to tell a compelling story of how you're going to knock down risk," Jenny says. Sevident is now in active diligence with several venture capital firms.

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