

BOOK REVIEW

Why start-ups must plan to change plans

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789 words

1 October 2009

Financial Times

FTFT

London Ed1

14

English

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Getting to Plan B

Breaking Through to a Better Business Model By John Mullins and Randy Komisar Harvard Business Press, \$29.95/ £19.99

Here is bad news and good news for budding entrepreneurs who spend years trying to get their initial master plan to work. The bad news is that not only do most plan As fail, but most great companies have achieved their success by moving quickly from plan A to plan B, C, D or E.

The point is made by John Mullins and Randy Komisar in Getting to Plan B. Mullins, an associate professor of management practice at London Business School, had analysed what happened to participants in the LBS entrepreneurship summer school he had been running for five years. One finding was that 60 per cent of the new businesses still operating were no longer based on the ideas that the owner-managers first contemplated.

"These entrepreneurs are among the lucky few," says Mullins, who wrote The New Business Road Test (2003) to help people assess ideas for start-ups. His analysis fits with general research that suggests it takes 58 new product ideas to deliver just one success.

Komisar, a partner at Kleiner Perkins Caufield & Byers, the venture capital firm, and author at the height of the dotcom boom of The Monk and The Riddle, a popular book about entrepreneurship with a philosophical twist, writes from the investor's point of view. He relates how early last year, he and fellow partners gathered together the heads of several early-stage companies that Kleiner had backed. Two-thirds admitted they had abandoned the original idea they had taken Kleiner's money to develop.

Like Mullins, Komisar brings an intimate understanding of businesses that have to change the blueprint. In the 1980s, as a lawyer, he represented many of the Silicon Valley entrepreneurs who had started their companies in their garages. He joined Apple, where he was responsible for licensing and technology acquisitions but left to form Claris, which Apple later bought.

The good news is that Komisar and Mullins say their book can greatly improve the chances of start-ups emulating the success of globally successful businesses that have ventured far from their original strategy, such as Apple, payment system PayPal, fashion retailer Zara, no-frills airline Ryanair or internet call business Skype. Apple's creation of the iTunes music store and the iPod moved the PC maker into completely new territory. However, it used or adapted bits of other business models to make it work. For instance, it took Gillette's idea of selling cut-price razors in order to make the money on replacement blades and turned it on its head, selling music at a mere 99 cents so consumers would pay for pricey iPods.

The original plan of PayPal's Max Levchin, to develop security software for the Palm Pilot handheld device, proved hopeless. His second idea, for cryptography software, also bit the dust. It was only with Plan F, which involved enabling users to move cash securely from one Palm Pilot to another, that he got near a decent business idea. Even then the business model was not quite right.

Levchin's breakthrough was pure accident. Having built a web-based demonstration version of the software, he found people preferred to use this to move money rather than something on a handheld device. Fortunately, he swallowed his pride and focused on the website version to create what would eventually become PayPal, now the dominant system for paying securely for online purchases.

The model outlined by Mullins and Komisar has five key elements - much of which, it has to be said, comprise some fairly basic home truths. Their best advice is probably for founders to record systematically the leaps of faith they make and the hypotheses that grow out of those in a process they call dashboarding. Scientists do this in their sleep, they say, but it is a discipline that those caught up in the cut and thrust of building a business often fail to follow. This is likely to be the greatest help for entrepreneurs who need to get from plan A to plan B following the principle that what gets measured gets done.

If the advice at times seems a bit obvious, their achievement is to lay it out in an easily understood and digestible format. In this way, it is both a handbook for those already on the way to building a successful business as well as encouraging others to think they could do it.

If that was their plan, they have achieved it first time round.

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