How Often Should You Update Your Business Plan?

After many hours of hard work, you've finally finished your business plan. It is well written and all the data is up to date. Will this still be true in 6 months? How often should you review and update your business plan, and while doing so, how do you make sure you keep track of all the changes and don't leave out anything important?

SO you have a perfect business plan. Your financial projections are up to date; the plan contains the latest market statistics, the latest industry trends, the most recent information on your competitors, and quotes an industry survey released 2 months ago. Will it still be perfect in 6 months? 12 months? Your business progress may still be perfectly aligned with the strategy you've originally set, but the economy around you is constantly changing. Your business environment evolves on a daily basis, and you have to make adjustments and updates in your strategy and execution in order to sustain your success. Therefore, as the management's key strategy guide, your business plan is a dynamic document, and should be kept up-to-date on a continuous basis.

Levels of Updates

Depending on the amount and complexity of the content that needs to be updated, one could distinguish two levels of update. On a lower level, there are detail and factual updates that require changes within the business plan. Factual updates are relatively straight forward and mostly comprise mechanical changes of specific data, such as numerical or other factual information.

At the higher level, there is the conceptual update. Conceptual updates may be dictated by an introduction of a new product, market shifts, changes in the competitive environment, legislative reforms, and many other factors, and thus, require deeper analysis, and more profound changes in the business plan. Conceptual changes are very case specific to individual businesses and it is up to management to decide which events and changes are important and how they need to be reflected in the business plan.

In this article, we will focus on the tools and methods that will help you to simplify and speed up the factual updates. We will cover conceptual updates in future articles.

Frequency of Updates

There isn't any universal rule, as each business has its own specifics. However, a basic rule of thumb can be to phase your updates as follows:

- Once a quarter: Financials, market and industry statistics, and factual info

- Once every six months: Specific chapters and sections that may need edits and additions (e.g. product info, customer base, etc.)

- At least once a year: Conduct a major review of the whole business plan and make necessary changes

Making Updates Easier

As a mostly mechanical process, factual updates are relatively simple and straight forward. However, they can be quite time consuming and confusing, and, if not done thoroughly, may result in data inconsistencies in different parts of the business plan, and lead to negative consequences.

Factual data may include financial projections, other numerical data expressed in dollar amounts, number of new customers acquired last month, price changes, cost updates, shipping volumes, etc. Other examples of factual data are proper names, locations, dates, research findings, and other non-numerical information. Any one of them is easy to replace and update, but there are many of them scattered all over your business plan, and they all change at their own pace. And, in order to stay on top of everything, you must keep track of all these changes and know exactly why and how they happened.

There are several simple tricks that can help you save time and avoid headaches while making your factual updates. If you do it in a timely manner and on an ongoing basis, it shouldn't take more than one hour at a time. The following simple tips will

help you set up the basics for your update process, and you can customize them to your specific needs:

1. Utilize the file name

■ *File naming conventions*: The simplest and most obvious way to distinguish the updated version of your business plan is to assign a new and rankable file name: e.g. "XYZ_Bizplan_050301" (the date), or "Bizplan_2005-03-01". Furthermore, if you need to insert a section that would be relevant for a particular audience or investor, you may want to reflect that in the filename as well, e.g. "XYZ_Bizplan_050301_Investor-A". Unique file names help you to find documents faster, and allow you to maintain several customized copies. You can apply the same principle to your financial projections, as well as to your presentations.

■ *File naming routine*: A good routine to adopt is to open the version you want to update, and immediately assign a new date and other specifiers to the file name ("File" => "Save As" => change date or other details).

2. Create an "All Numerical Data" support file

■ The most important reason that justifies the creation of this file is that it helps you to prevent possible inconsistencies throughout your business plan later on, when you make changes and updates. And you *will* make updates numerous times, and inconsistencies eventually *do* happen. Imagine an investor reading your business plan; it is flawless, your product is great, the Executive Summary shows quite a sizable market at $2 billion, he is starting to get excited… Then he discovers in the full business plan that the market is actually $1.5 billion. Which number is correct? This could be a minor mistake, but it shouts sloppiness to an investor or a potential buyer. NOW the investor questions the validity of the rest of your plan, your financial projections, and assumptions.

■ The support file also makes the update process faster and removes the headache of figuring out every time exactly which part(s) of the business plan a particular update should go to. The support file can be as simple as a table shown below (Table 1), and fit within 2 pages:

TABLE 1

Data Type	Current Data	Location in the Business Plan	Latest Update
Market Size	• $2 billion	• Executive Summary: page 1, paragraph 3 • Business plan, Chapter 2 (The Market), page 4, Paragraph 3	Dec. 07, 2004
Customers	• 250 paying customers	• Exec. Summary, page X; • Bizplan, Chapter 6 (The Company), page Y, Par. Z	Feb. 20, 2005
Revenue	• $1,300,000 in Year 1	• Financials • Executive Summary • Bizplan, "Financial Summary" chapter, page X	Feb. 20, 2005
Capital Needs	• $1.5 million	• Bizplan, "Financial Summary" chapter, "Capital Requirements" section, page X	Dec. 10, 2004
Etc…	• XYZ volume shipped monthly	•	

Note: the above table is, of course, just a sample. You may add columns or cells to reflect additional details, such as "data source," for instance.

■ Another important benefit of the "numerical data" support file is that it can come in very handy during presentations and phone calls by helping you to find a specific figure instantly.

3. Maintain an "Update Log" file

■ Whether you're just updating your financial forecasts or adding a whole new subsection in your Strategy or Sales & Marketing chapter, it is worthwhile to keep track of *all* the changes, so that you remember when and why you made such an update. In a way, it is an extension of the above support file. Similarly, the update-log file helps you to keep track of your changes, and find them in your business plan faster.

■ *An update-log file format* can be another simple table document. See the example in Table 2 below:

TABLE 2

Information Updated	Location in the Business Plan	The update text	Date of update	Notes & Comments (Why this update was made)
Market Size	1. Executive Summary: page 1, paragraph 3 2. Business plan, Chapter 2 (The Market), page 4, Paragraph 3	• $2 billion	Dec. 07, 2004	• The industry report by S&P from 2004. • The earlier estimate was $3.2 billion (S&P Report 2001).
Current Customers	• Exec. Summary, page X; • Bizplan, Chapter 6 (The Company), page Y, paragraph Z	• 250 paying customers	Feb. 20, 2005	• Added 42 customers since November 2004; • The update improves our 2nd year financial projections.
Competition	• "The Industry" chapter; Section "Leading players", page X, Par. X • "Risk Management" chapter, page Y, table B.	Comment added: • "Mosaic was bought out by XYZ Corp. in January 2005. Their ABC product line, our competition, was closed down, as XYZ decided to focus on their core competency, and due to low profitability."	Feb. 20, 2005	• This is good news for us. • We can claim a bigger potential market share by 2007 • Need to think about % increase in our market share, and reflect in the financial projections.

At first glance, it seems like unnecessary work, but experience shows that this one-time effort of setting up such support files may save you a lot of time and headache down the road, especially if several people have access to and can update the business plan. Assuming all the financial updates and strategy adjustments have been completed, the whole update process should take no more than 30 minutes or so. Half an hour once in a while is a very reasonable investment given the fact that an investor's first impression about your company may be solely based on your business plan. Dazzle your investors!

P.S. By the way, this document contains an intentional inconsistency. Did you spot it?

Good luck! ■

Booway Balhaajav is a Senior Consultant at Cayenne Consulting, LLC, "The One Stop Shop for Startups." He can be contacted at Booway@caycon.com. For more information, please visit www.caycon.com.