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## Should Start-Up Founders Forget About Business Plans?

This past summer, [HubSpot Inc.](#) received several offers from venture firms to invest in the marketing software start-up. The company wasn't looking to raise funding yet - it still had about \$5 million left from a \$12 million Series B round in May 2008 - but rather than wait HubSpot decided in October [to accept \\$16 million](#) while it was still on the table.

That was the third round for HubSpot, which has raised more than \$30 million from venture firms in just two years. And it's done it all without a formal [business plan](#).

"No venture capitalist actually asked us for a business plan," HubSpot Chief Executive and founder [Brian Halligan](#) said last week at the [Puerto Rico Venture Forum](#).

Halligan believes "it's a fool's errand" for start-up founders to create a business plan. He knows a lot about raising capital, serving as a venture partner at Longworth Ventures before his current position.

"When I was a venture capitalist investing in companies, I never actually read a business plan, so don't even waste your time with a business plan," he said.

Halligan said he and his team started building a business plan when he first established the company, but it took more time to update the documents than it did to build HubSpot. "Eventually we said, 'Forget it, let's not even build a business plan.'"

Instead, Halligan says there are three documents that start-ups need when raising venture capital for the first time:

- 1) A PowerPoint presentation - "Ten slides long, that's it, really simple," Halligan said. "If you want to learn how to build a great PowerPoint, watch Steve Jobs' PowerPoint presentations. He builds very simple, elegant PowerPoint slides."
- 2) A one-page executive summary - "If it's five pages people don't want to read it," Halligan said. "Keep it simple, one page, kind of like a resume."
- 3) A "fictitious" pro forma income statement - Halligan says this with tongue in cheek. "It turns out [venture capitalists] actually want you to build this income statement and ask you questions about it," he said. "And that's a qualifier when you're talking to an investor...You hand them the hockey-stick curve, a fictitious thing, and they start asking you questions about assumptions in there, and you know your talking to the wrong person when they're asking you questions about your fictitious pro forma."

Below is the brief video of Halligan's speech at the Puerto Rico Venture Forum. Readers, what do you think?

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