Although much has been written about the practice of new business development, the authors continue to find corporate managers and entrepreneurs repeating the same mistakes and often reaching the conclusion that venturing in the corporate environment won't work. The problem stems from a mental model about how business should be managed and managers' performance assessed. Corporate managers of existing businesses are judged against meeting plan. In growing new businesses, however, strict adherence to "the plan" can lead to business failure. To manage business development risk, venture managers must learn to deal with uncertainty. Whereas managers of mature businesses practice the ethic of predictability, venture managers must follow a learning ethic.

Working with Fortune 100 corporations, the authors have evolved a practical, disciplined process for business development risk management that focuses on learning. Titled critical assumption planning (CAP), the process maximizes learning about new markets at lowest cost. Major uncertainties in the business proposition are isolated as critical planning assumptions. Critical assumptions in the plan are then tested. The test sequence is determined by the potential reduction of uncertainty per dollar of test cost. Assessment of the assumption test results marks a milestone. At each milestone the business plan is revised to reflect what has been learned, and the venture is redirected or terminated. This process avoids the wasted effort and expense of pursuing the original plan until commercial failure becomes obvious.

The key steps in this learning process are identification of critical assumptions and cost-effective testing of assumptions. Because these steps are unfamiliar to most corporate managers, effective use
requires a new perspective and new planning tools. The study explains this perspective and introduces new tools for employing the process. Following are some planning innovations that have been effective in changing perspective and that also are of practical use:

1. Differentiation between primary and derivative assumptions with focus on extracting and understanding the primary assumptions.
2. Early construction of a model of the business plan that allows calculation of the impact of primary assumptions such as price or sales productivity factors on derivative assumptions such as revenues and income.
3. Assignment of uncertainty ranges to the primary assumption values, not just the most likely values.
4. Identification of the critical planning assumptions by determining the impact of their uncertainty ranges on venture net present value.
5. Selection of the next venture milestone based on the test program that results in maximum reduction of uncertainty at least cost in least time for the most critical assumption(s).

Using CAP, managers can control risk despite the many uncertainties surrounding a new business proposition. Above all, decisions to stop or redirect ventures can be taken earlier, saving the corporation money and venture managers their career credibility.

INTRODUCTION

Corporate managers seeking new growth opportunities are often frustrated by the poor results from their new business development programs. The more resource applied, the smaller the result and the bigger the loss. Employees challenged to be entrepreneurs are frustrated because their energy and enthusiasm to succeed seems to be expended on failures. A few ideas succeed, but for both managers and entrepreneurs, the risks just don't seem to justify the rewards.

The root of the problem is a preconceived mental model about how new ventures should be managed and how performance should be measured. Reviewers of a wide range of corporate venture experience have noted that applying business practices valid for a mature business can cause failure for new businesses started in a corporate environment. Refer to Block (1982), Kanter (1989), Sykes and Block (1989), or Block and MacMillan (1993). This observation is not limited to internal corporate ventures but applies to independent companies as well. Greiner (1972) concluded that what works for a mature business will cause failure for an early-stage business.

In a going business, performance is measured against plan. A premium is put on predictability. In new business development, emphasis on meeting plan can lead to failure. In a mature business the plan is built, mainly, on preestablished fact. Procedures are based on what was learned in the past. Controls are established to avoid past mistakes. The primary activity is applying learning accumulated from past experience. In contrast there is very little in the way of preestablished facts in new business development. A new business plan at the outset is made mostly of assumptions. Meeting the plan would require that all critical assumptions be correct; failure to meet the plan is almost guaranteed.

Management of new business requires a new mental model. The primary activity in a new venture must be learning from testing the assumptions and responding to what is learned. Managers must see developing new sources of revenue as a process of discovery—proposing and testing a series of hypotheses about what the market needs and how best to deliver it. For both the manager running a new business team and senior management controlling the purse strings, the challenge is to learn about the proposed opportunity quickly and cost-effectively.
FIGURE 1 Six steps in critical assumption planning.

As Senge (1990) stresses, a necessary leadership discipline for learning organizations is to surface and challenge mental models. Changing mental models is even more difficult. After working with many corporate venture teams over the years, we have found that they require help to make the change to a learning approach for new business development. To meet this need we have evolved a discipline called critical assumption planning (CAP).

CRITICAL ASSUMPTION PLANNING

The goal of CAP is to help managers and entrepreneurs maximize business development learning at least cost – least financial cost to the company and least cost to their career development. CAP is a process designed to challenge and test assumptions. It is built on a foundation laid down by Block (1989) who showed that assumptions can stand in the way of perceiving current business realities. Surfacing and testing assumptions is the essence of running and managing new business ventures.

It is no mean challenge. CAP requires new skills, the most demanding of which are: critical assumption identification and cost-efficient assumption testing. Identifying and testing assumptions are hardly new ideas. They are inherent in the scientific process of discovery—which is the point we would make. New business development is least risky when pursued as a systematic process of discovery.

CAP involves six steps, illustrated in Figure 1 and described later. Completion of the sixth step achieves a milestone and becomes the floor for the first step in the next cycle. We refer to this cycle as a learning loop. The learning loop is repeated as the business is developed. Completion of each loop or milestone brings the venture to a new plateau of knowledge. Thus, succeeding loops form a spiral\(^1\) with its focus a more complete understanding of the business proposition.

\(^1\)This is a generic concept for all types of product development where there are complex interactions among the parts of the whole and where any part, if wrong, can require that other parts be reworked. We adopted the descriptor "spiral" from Boehm (1988), who describes application of the concept to software development.
Exploration of the whole business case in each cycle avoids wasted effort on noncritical issues. The venture team and management remain responsive to what they learn and adjust the business plan accordingly. Thus, the business plan for a venture is not just a sales document to get management approval and then to be shelved until the next corporate budget cycle. Hanan (1976) appropriately has called this type of flexible planning a looseleaf operating plan.

Effective execution of the steps in the learning loop requires thought. Some tasks can appear counterintuitive and difficult for many managers to learn. For example, managers should test assumptions in order of their financial impact, not according to a traditional product development sequence. The most difficult task is to identify assumptions that are critical to the business proposition. We cover tools for this task in the first two steps described later. The next most difficult task is design of a cost-efficient way to test each assumption, which is covered in step 3. Because these three steps comprise the heart of the CAP process, they will be the primary focus of the following discussion.

**Step 1:** Knowledge base assessment—This is a comprehensive analysis of what is known and unknown to date about the market, technology, and competition.

Rigorous product/market assessment is often brushed over in enthusiasm for quickly pursuing an apparently novel venture idea. Rarely is the vision so clear or the timing so urgent that this step should be skipped. It is an opportunity to expose key assumptions. As part of the knowledge base assessment, we will examine two tasks that often expose important assumptions: defining the concept and assessing the competition.

**Defining the Business Concept**

Fuzziness in defining the concept is often the source of false starts. The first stumbling block is defining who the customer really is. Can we assume that the user is the buyer? What are we assuming about his or her decision criteria? Or about their ability to pay?

Failure to understand the customer's need is probably the source of most market failures. Assumptions about the need require a thorough understanding of the customer's current alternatives for meeting that need. A common problem is that a proposed solution meets a specific need well but fails to meet other needs satisfied by the customer's current alternative. Banking from home by computer modem saves a trip to the post office, but not to the cash machine. Electronic transmission of a dress design is faster than express mail, but can't send a swatch of the material.

Also, beware internal corporate assumptions, for example, the "strategic reasons" for pursuing a new opportunity. Often management has not articulated strategy clearly, or, worse, waits for a detailed business plan before reacting to its strategic implications. Assumptions about which division or group will have final operating responsibility, or about the behavior of groups responsible for products that may be made obsolete by the new product, should be vetted early.

**Assessing the Competition**

The objective of competitive analysis is to position the proposed product in a competitive price/performance matrix. Analysis of competitive data at the earliest stage is also important to test assumptions about time-to-market and product positioning. Often, entrepreneurs will claim that their product is so novel it has no competition. Of course this is a fallacy. Customers
always have an alternative. They will continue to address their needs as they have in the
past unless they see a real advantage to the new product or service.

**Step 2:** Critical assumption identification—Critical assumptions are those that,
if wrong, lead to a change of direction for the venture or termination.

This is the heart of critical assumption planning. Business plan assumptions must first
be identified and then evaluated for criticality. The hardest part of planning is to identify
the assumptions.

The most dangerous assumptions in a business plan are those that are tacit or unrecog-
nized. As a result they go unchallenged or untested. For example, a corporate venture team
designed an innovative new communications product and chose to use the existing company
sales force to sell it. They assumed that because the existing channel was already selling
other communications products, this route would be quickest to market. Disappointing sales
followed. Behind the choice of channel in this venture lay tacit assumptions that were not
recognized, or if recognized, were not tested or allowed for. Among the unstated assumptions
proved wrong were: (1) “The existing channel will be willing to divert sales time from present
products to a new product that requires extra time per dollar of sales to educate the customer
on its use,” and (2) “The customer normally contacted for decision on buying the existing
product line is the same as the one who will make a decision about buying the new product.”

**Primary versus Derivative Assumptions**

When asked which assumption in the business plan is most critical, the entrepreneur will
often reply, “My sales forecast.” Right. But such a description is not very helpful in planning
cost-effective venture development. The proposed plan that follows that assumption often
goes “My first milestone is to get funding. Then I can start making and selling product to
test whether my sales forecast is right.”

A revenue forecast is a derivative assumption. Examples of other derivative assumptions
are profit forecasts, cash flow outlook, and return on investment. Cost-effective venture
development results from testing primary assumptions, early, and with least cost. The entre-
preneurial manager must learn to distinguish between primary and derivative assumptions.

Primary assumptions are those about whom the customer really is, what the customer
really wants or needs, what value the customer will place on the product versus competitive
alternatives, and whether the product or service that the customer wants can be produced
at a cost that allows sufficient gross margin. Assumptions about sales productivity, such as
the number of new prospects that a salesperson can contact each year and the percentage of
those who will buy, derive from assumptions about the density of prospects in a given sales
region, the amount and focus of advertising, the familiarity of the salesperson with the
customer’s need, and the amount of sales effort required to explain a new concept to a potential
customer, and, of course, price.

In reviewing a business plan, managers must dig out and examine primary assumptions.
One type of derivative assumption often accepted without inspection is the executive mandate.
For example, a new product venture may be launched with a command such as “We must
be in the market in 18 months!” Such a mandate may very well be appropriate, but it may
also force a costly plan of execution that skips over the testing of some critical assumptions.
Here are some of the unstated assumptions behind the foregoing mandate:
If we are later than 18 months, we will lose the opportunity to a competitor.
If so, there must be an opportunity for us to lose.
If so,

The customer is identified and will feel a need to buy.
The technology required will be available.
The necessary industry infrastructure will be in place.
The competitor(s) have the capability to deliver product in 18 months.

The layers of assumptions in this sequence could be peeled back further, based on the specifics of the product and technology. Our point is that most business mandates, tacit or explicit, can be restated as assumptions. By searching for the primary roots of those assumptions, we can identify the critical issues more rationally and design a sound approach for testing the assumptions.

The Business Model as a Tool for Assumption Identification

To find the importance of an assumption, it must be quantified and entered into a business model. This is a spreadsheet that shows the dependency of derivative or bottom-line assumptions, such as revenues, profits, and cash flow, upon primary assumptions such as price, cost, and sales productivity factors. In presentation of a complete business model, the income and cash flow statements are preceded by operational statements setting forth the primary planning assumptions about market size, sales productivity, and bases for the revenue estimate.

Too often management reviews focus on the derivative assumptions such as forecast revenues and return on investment. The forecast profit or return on investment is meaningless by itself. Venture capitalists are well aware of that fact and spend most of their effort understanding the bases for the forecast and the source of the assumptions. They place the highest credibility in the assumptions by those entrepreneurs who have had direct experience with the proposed market or technology.

Asked to construct a business model at the outset of developing a new opportunity, most venture teams explain: “We can’t list our assumptions yet. After all,” they argue, “how can we state our pricing assumption if we haven’t yet developed the product concept?” Our response: just do it. The exercise will force identification of areas of greatest uncertainty – those that must be tested first. In setting a price the entrepreneur will be forced to think about factors determining price. At the start, there will probably be more assumptions than facts about the market if it is new to the company. The important thing is to be absolutely clear about which elements are facts supported by data or experience and which are assumptions.

Most assumptions can be quantified. A mandate that we must be in the market in 18 months, is stated as a yes/no situation. After understanding the underlying primary assumptions, we can probably restate the mandate as a numerical business plan assumption. For example, “Each month delay in market introduction beyond 15 months from now will cost us a 2% market share.” The resulting impact on the present value of the project can be calculated from the business model. This provides a measure of the incentive to provide increased resources to expedite the venture development.

Ventures that reach the stage of requesting funding invariably present a positive base case, or “most likely” scenario. That forecast is no help in determining the most cost-effective plan for venture development. A cost-effective plan must focus on finding and testing the
most critical assumptions. To be useful for determining assumption criticality, the range of uncertainty about each primary assumption must be assessed. Only with this data can we explore the effect on derivative assumptions such as revenue and profits.

**Determining Criticality**

The business model is the basic tool for assessing assumption criticality. The effect of a change in an assumption on the venture net present value (NPV) provides a measure of financial risk. To determine criticality, each assumption is assigned a range of uncertainty. Probability curves are sometimes used to describe these uncertainties, but in our experience such sophistication is unjustified. Three values are sufficient: base case, high, and low. The venture NPV for the high and low value of each individual assumption is then calculated while holding the other assumptions at base case value. Figure 2 displays the results of an NPV analysis of the uncertainty ranges for five assumptions from an early-stage venture business plan for a new communications product. This was a stand-alone, desktop device for office workers, which we will call COLLEX.

There are two indicators of criticality. The most important is the degree to which the low value of an assumption will result in a negative NPV. In the example in Figure 2, product price would be the most critical. The other indicator is the NPV range resulting from the low to high values of an assumption. The width of this range displays the financial significance of our range of uncertainty. A wide NPV range raises skepticism about our high and low

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2Computer programs are available for estimating the probability curve for a dependent business variable such as NPV using probability inputs for the independent variables. In our experience, however, the result usually predicts a low probability for negative NPV because of the selection of base case values and the tendency to include optimistic upside values for key assumptions. The range of uncertainty for a given assumption is more important than its statistical weighting over the range.

3Although there can be significant interactions between primary assumptions, we seldom find justification for including this effect unless we have confidence in the quantitative relationship. For example, price will have a major effect on market size and some effect on number of calls to make a sale. These interactive effects could be expressed in the business model in the form of equations but are still assumptions to be tested.
estimates, and especially about the "most likely" or base case value. In the example, assump-
tions that appear critical because of the NPV range are price, percent of customers who will 
buy, and number of unit sales per firm. Applying these two criteria to our list of assumptions 
will provide us with a ranking of criticality.

To project planners, the procedure just described may appear to be nothing more than 
a sensitivity calculation. The difference from most such calculations is two-fold. The variables 
studied are primary assumptions rather than changes in derivative assumptions such as the 
revenue forecast. Secondly, the variable range studied is not an arbitrary percentage, such 
as plus or minus 10% in revenue, but the assessed high and low values of the primary 
assumptions.

Step 3: Assumption test program design—The objective is to maximize learning per 
dollar spent. Completion of a test program and assessment of the results represents a business 
plan milestone.

The surest way to identify and test critical assumptions is through actual field experience, 
such as building and placing a commercial prototype in use with a customer. This approach 
can also mean the highest investment risk. For example, a medical device company wanted 
to test surgeons' interest in their product by putting 50 prototype devices in the field. The 
labs responded enthusiastically, preparing prototypes with superb performance characteristics 
and great durability. The prototypes were quite expensive to make. Meanwhile, the business 
team was exploring the market dynamics. They learned to their consternation that the key 
to an attractive opportunity was an inexpensive, disposable device.

Cost-Effective Test Planning

Assumption test planning is a time for innovative thinking. It helps if the corporate venture 
team thinks of the test cost as though paid for from their own pockets. They can become 
quite creative when they behave as sparing as a struggling independent entrepreneur. For 
example, a venture team wanted to test user reaction to a new type of display for electronic 
equipment. For commercial production they would have to design and make custom chips 
to drive the display and to meet cost and space requirements. Their key concern was display 
performance and appearance, not form factor. So, they looked for a quick, inexpensive way 
to find out if they had an acceptable product before committing to the expense of designing 
custom chips. They mounted the display in the top of a handmade black box containing an 
off-the-shelf computer to drive the display elements. Target customers had no difficulty 
focusing on the display characteristics and provided significant input on needed performance 
improvements.

Elimination of all risk is not the objective of an assumption test program. The goal is 
to maximize the degree of learning per dollar invested in the test program. Therefore, the 
test plan that yields the most learning per dollar of cost should usually be done first. Following 
this guide will often mean testing the market before the product has been designed. This 
guide also means that a cost-effective test will not necessarily eliminate all risk. For example, 
early in the business development a cost-effective plan for testing pricing assumptions could 
be a survey of customer buying interest at various price points. Such a survey will not provide 
as much assurance about price as sale of actual product to customers, but could greatly reduce 
uncertainty at a much lower cost.

Speed is also an important consideration in choosing a test plan. First to market with 
the right product is a major advantage. It follows that the critical assumptions to test first
**TABLE 1** Formula for Test Effectiveness

\[
e = \frac{n}{\sum \left(\frac{PR}{CT}\right)}
\]

Where: 
- \(e\) = Test effectiveness ratio
- \(P\) = % Reduction in \(R\) for a given assumption that is expected to result from the planned test
- \(R\) = Range of uncertainty between high and low values of the NPV for a given assumption
- \(C\) = Test cost
- \(T\) = Elapsed time to complete the test
- \(n\) = number of assumptions to be evaluated in the test

should be those that provide maximum learning or risk reduction for the least cost in the shortest time. We call the ratio of risk reduction to time and cost, the test-effectiveness ratio. This relationship is quantified by the formula set forth in Table 1. Relative judgment values can be assigned to each variable, and test program alternatives ranked in order of the results. An example of use of this formula in the COLLEX case is discussed next.

**Example of Test Plan Effectiveness Evaluation**

In the COLLEX case, the NPV uncertainty values for price were a low of \(-19\text{M}\$\) to a high of \(+26\text{M}\$\), or a range of \(45\text{M}\$\). Three different programs were considered for testing the pricing assumption with potential customers:

1. Presentation of a brochure with a picture of the proposed product and a description of the features and possible applications.
2. Demonstration of a functional working model made from existing, off-the-shelf parts.
3. Customer trial of a prototype, which would look and perform like the intended product.

Each of these test programs would result in some reduction of the price uncertainty range. Directionally the reduction in uncertainty as a result of running the test would be greater the closer the test vehicle resembled the final product. But cost and time are the divisors in determining test effectiveness. Table 2 gives an example of how the effectiveness of each test program could be estimated for evaluating a single assumption—price. The first test option is an order of magnitude more effective than the second, and two orders better than the third by our quantitative measure. Although the answer was probably obvious to those experienced with product development, surprisingly, we often see corporate ventures that don't even pause to consider any of these tests before going into production.

**TABLE 2** Test Effectiveness Example

<table>
<thead>
<tr>
<th></th>
<th>Brochure</th>
<th>Functional Design</th>
<th>Prototype Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>(R) = price NPV range, M$</td>
<td>45</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>(P) = % reduction in (R) from test</td>
<td>60</td>
<td>36</td>
<td>41</td>
</tr>
<tr>
<td>(PR)</td>
<td>27</td>
<td>0.5</td>
<td>1.8</td>
</tr>
<tr>
<td>(C) = Test cost, M$</td>
<td>0.1</td>
<td>1.8</td>
<td>10</td>
</tr>
<tr>
<td>(T) = Elapsed time, months</td>
<td>1.5</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>(e) = Effectiveness ratio</td>
<td>180</td>
<td>18</td>
<td>2.3</td>
</tr>
</tbody>
</table>
Maximizing Learning from a Test Program

A test program for one critical assumption will usually provide an opportunity to collect some information about other assumptions. For example, a survey on price point can easily include questions about feature preferences. In drawing up the test plan, refer to the list of critical assumptions. This will help heighten awareness and avoid going back over the same ground later.

For simplicity, the effectiveness test illustrated in Table 2 considered only the price assumption. Because the test program could be used to evaluate other critical assumptions, such as percent who will buy, or, in the second and third test programs, cost of goods sold, the test effectiveness for those assumptions should be measured as well. As set forth in the formula, the NPV uncertainty reductions for each assumption should be summed and divided by test cost and elapsed time.

The power of CAP is that it reveals and tests assumptions in the business plan a layer at a time. Each loop of the spiral exposes and tests assumptions in more depth. Unrecognized assumptions are brought to light earlier. As all aspects of the business plan are reviewed in each loop, CAP requires a team with various functional skills working together on the plan, rather than following the traditional linear sequence of development, manufacturing, and sales involvement.

Contingency Planning

Contingency plans are options, such as an alternate way to meet the customer's need or a different use for the product. If an assumption does not hold up, there may be alternate paths a venture can take including major or minor changes in direction. An often cited example is 3M's Post-it Notes. The initial product idea was removable bookmarks; eventual success was with removable paper notes. Venture capitalists say that an ultimately successful commercial product often bears little resemblance to the original concept.

Recognition that base plan assumptions may not pan out makes the venture team alert to alternatives and serves to keep the team and management focus on learning about opportunity. Considering options is a creative act that opens a team's thinking, providing insight about how to redefine and improve an opportunity. These options should be kept in mind in planning assumptions test programs. Data about the options can often be collected at minimum cost during a test program. For example, initial customer reactions to the COLLEX product concept were positive when asked if they had a need for such a product. Later, when shown alternative products along with the proposed stand-alone device the target customers indicated a much stronger preference for a product that could be integrated into their desktop computers.

Step 4: Funding request—The plan, schedule, and resources required for carrying out the test program are presented to management.

A common assumption by both venture personnel and corporate management is that the purpose of a business plan presentation is to seek approval of the plan. It follows that the venture should then pursue the approved plan until the next budget cycle review, or until the financial results veer seriously off plan. Wrong. If the assumptions cannot be replaced by facts based on the committee's collective experience, then the committee cannot validate the venture business plan. They can provide only their judgment regarding the range of uncertainty for the assumptions.

A management review committee should limit itself to agreeing that the venture has potential within the strategic interests of the corporation, if certain assumptions prove correct.
It should approve only the plan for testing the next most critical assumptions. The next review should be held following completion of the approved test, not on some calendar date fixed by the corporate budget cycle.

In the funding request, the milestone description should be specific and measurable. It should state not only the target result, but briefly explain how to conduct the test. For example, if the third test program in the COLLEX case had been selected, the milestone statement might have said, "Prototype Beta Test Will Demonstrate Financial Feasibility." That is too general for planning or control purposes. A more measurable description would be the following:

To test market acceptance, 80 prototypes, which meet the Prototype User Specification (documented), will be placed with 40 Beta customers from the target customer base by (date) for use and evaluation. Following an 8-week trial period, the beta customers will be asked to sign purchase orders for production models. A "go" will be signaled if customers at Beta test sites find the prototype of sufficient value in their business that at least 20% of them sign a purchase order for a production model at a price of $3000/unit.

An explicit statement of the assumption to be tested helps avoid rationalization of the results after the fact. It also conditions the venture team to be more alert to gathering data on contingency options. These options should be discussed as part of the funding request.

*Step 5:* Test implementation—The set of tasks to be executed is stated explicitly, including a task list, assigned responsibilities, schedule, and intermediate progress check points.

Often, in the engineering development stage we hear the plea that a project schedule can't be done because the outcomes of next steps are too uncertain. Such a statement is a red flag that there are assumptions in the plan that need to be thoroughly aired.

*Step 6:* Venture reassessment—The integration of the new information into the business model, triggering a go, no-go, or change of plan recommendation.

Each critical assumption learning loop ends with a venture reassessment. An update of the business plan that restates the cost, performance, and market outlook is part of the reassessment. By adjusting the line item assumptions in the business model and recalculating the plan, further insight is gained about the next critical assumption. At this point the venture team must make a decision whether to continue, change direction, or stop.

To encourage objectivity and innovation, the performance of venture management teams should not be measured against "meeting plan." They should be judged by the following learning parameters: astute identification of critical assumptions, cost-effective assumption test planning, and creative response to what was learned from the assumption test.

**IMPLICATIONS FOR MANAGEMENT**

Successful implementation of the CAP process requires an adjustment in management's mental model about the way to review new business proposals and how to measure a venture team's performance. The primary mental hurdle for conventional managers is to view a venture as a set of assumptions that must be learned about, rather than a plan to be proven. With a focus on learning and a flexible approach to planning, the result will be a more innovative, winning environment and less wasted time and money. Venture development by the critical
assumption planning process is a cost-effective way to minimize losses on ideas that do not work out.

However demanding the CAP process may be for a venture team to execute, its value is significant, both for the venture team and the managers to whom they answer. It is through the iterations of assumption analysis and venture reassessment that learning occurs for the business team, resulting in less costly development. Even more broadly, CAP represents a worthwhile discipline for all business managers. By habitually challenging assumptions, seeking cost-effective ways to test them and learning to systematically develop contingency plans, they will become better business managers.

REFERENCES


