ARE PLANNERS DOERS? PRE-VENTURE PLANNING AND THE START-UP BEHAVIORS OF ENTREPRENEURS IN THE PSED (SUMMARY)

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SUMMARY

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Principal Topic

This study examines how three dimensions of the business planning process (presence, formality, and timing) affects the venture creation process, overall. The dimensions of the business planning process we focus on are: presence (whether a business plan has been completed), formality (whether the business plan is written down), and timing (when the business plan was completed in the business creation process). We measure the venture creation process by examining the rate of entrepreneurial activities undertaken in a given period of time; the concentration of these activities (how closely activities are undertaken in relationship to each other); and the timing of these activities (the degree to which activities tend to cluster early or late in the time span of the event history). In general terms then, this study explores whether and when business planning might be an impetus towards entrepreneurial action.

Method

Data for this study were obtained from the Panel Study of Entrepreneurial Dynamics (PSED). With the missing data for our dependent and independent variables, our final data set has 451 cases for the analysis of the effects of doing a business plan or not, and 304 cases for the analysis of the effects of planning timing and formality. Hypotheses are tested in a series of hierarchical regression models with concentration, rate and timing of gestation process as dependent variables and the three planning variables (and the interaction between formality and timing) as independent variables. Control variables include education, years of industry experience, years of managerial experience, sector, startup team, and opportunity search and opportunity recognition.

Results and Implications

Completing a business plan early, and, more specifically, completing a formal business plan early, appears to lead to engaging in more startup activities, and to concentrating these behaviors early in the startup process. Early formal planners are doers. We believe that the evidence continues to mount indicating that engaging in business planning has significant benefits that appear to encourage action and success at getting into business. Business planning matters!

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