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DOES BUSINESS PLANNING HELP NASCENT ENTREPRENEURS? A SIX YEAR LONGITUDINAL INVESTIGATION OF NASCENT BUSINESS PLANNING AND ITS RELATION TO VENTURE PERFORMANCE (SUMMARY)

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SUMMARY

DOES BUSINESS PLANNING HELP NASCENT ENTREPRENEURS? A SIX YEAR LONGITUDINAL INVESTIGATION OF NASCENT BUSINESS PLANNING AND ITS RELATION TO VENTURE PERFORMANCE

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Principal Topic

While a number of studies have demonstrated that nascent entrepreneurs who complete business plans are more persistent than those who do not plan (Delmar & Shane, 2004; Gartner & Liao, 2006; Samuelsson, 2004) studies have not been able to demonstrate a relationship between persistence and success. Assumptions (generally untested), purport that business plans assist individuals in making better decisions or that they help with organizational performance. Surprisingly, the limited research conducted so far evaluating the utility of business plans in entrepreneurial environments has failed to produce clear findings (Stone & Brush, 1996). Yet, despite a feeble empirical record, business plan production seems to be a “taken for granted” activity more common to traditions and ritual (Meyer & Rowan, 1977) than to competition and efficiency. Our objective in this study is to systematically examine, over a full six year period, the affects and frequency of business planning activities.

Method

The study of emerging organizations is important, but difficult to observe. This research was therefore uniquely designed to provide population estimates for business start-up efforts, and to follow a random sample of nascent activities. We maintain that this data is unique world-wide, as we followed a random sample of nascent business start-ups from conception for six full years. Response rates for eligible cases in the successive waves were 90.5% (6 months), 91.9% (12 months), 87.2% (24 months), 98.5% (18 months), and 86% (6 years - 230 respondents out of 267 eligible respondents).

Results and Implications

We found that institutions play a significant role in the life of the entrepreneur and the social forms new firms take. The second major finding element of this study, related to the relationship between planning and performance. Our analyses show conclusively that planning at the start of a nascent venture fails to lead to performance improvements. In sum, this study provides conclusive evidence that early stage planning is misguided, but provides important evidence to support the impact and utility of later stage planning on long term success. Our findings should be relevant to a broad range of scholars, practitioners, and policy actors.

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