A problem for most studies of business planning is that they typically capture only general planning behaviors and broad measures of organizational performance, and so are unable to look closely at the specific effect planning may have in response to particular surprise events. This study looks more closely at the planning-performance relationship by examining pre-planned and improvised responses to specific unexpected events. I examine whether improvised behaviors allow new ventures to compensate for incomplete planning, and suggest that this has been an unexamined contingency that may contribute to the mixed findings for planning in young companies.

I hypothesize that (1) responses that show a high level of pre-planned behaviors will have a significant and positive impact on outcomes, (2) responses that show a high level of improvisation will have a significant and positive impact on outcomes, and (3) responses that are a mixture of pre-planned and improvised behaviors will have a significant and negative impact on outcomes.

Method

My sample is based on a study of over 160 surprise events drawn from interviews with over 30 technology-based firms. Using in-depth semi-structured interviews, I collected information regarding the surprise and the level of planning and improvisation observed in the response to it from company founders. Control variables included age, size, strategic importance of the surprise response and founder experience.

Results and Implications

The scale of planning-improvisation was significant only when the squared term was entered in the model, indicating that higher levels of either pre-planned or improvised behaviors provided a better outcome than mixed-modes of action.

This study moves beyond generalities and directly testing the effectiveness of planned or improvised actions in regard to specific incidents taking place in new ventures. Secondly, while studies have examined the level of planning on performance, few if any studies have simultaneously looked for and measured other behaviors such as improvisation and done so in a way that evaluates them as actions of the entrepreneur rather than as character traits. Finally, this study suggests that highly creative and deliberate improvisation may compensate for lower levels of planning, but that ad-hoc improvisations intended to fill in the gaps of poorly made plans do not offer similar benefits.

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