A CLOSER LOOK AT BUSINESS PLANNING: EARLY STAGE OUTCOME EFFECTS OF HOW IT IS PREPARED AND USED (INTERACTIVE PAPER)

Per Davidsson
Queensland University of Technology

Benson Honig
McMaster University, bhonig@mcmaster.ca
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Per Davidsson, Queensland University of Technology, Australia
Benson Honig, McMaster University, Canada

Principal Topic

Business planning continues to play a central role in entrepreneurship education and counseling. Plans are frequently the evaluated output of entrepreneurial courses, and a required input into counseling and funding decisions (Burke, Fraser & Greene, 2009; Honig, 2004). However, despite the ubiquity of plans and planning, empirical research on the benefits of planning is both limited, and results obtained so far are mixed.

The widespread use of business planning in combination with the mixed theoretical and empirical support for its effect suggest research is needed that looks deeper into the quality of plans and how they are used. In this study we longitudinally examine use vs. non-use; degree of formalizations; and revision of plans among nascent firms. We relate these to outcomes after 12 months.

Method

This paper is part of the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE; Davidsson et al., 2008). A screener interview of adults in 30,105 randomly selected Australian households identified 625 Nascent Firms. Initial data collection took place from July 2007 to March 2008 with a follow-up 12 months later. Eligibility was determined by three questions assessing involvement in independent business start-ups, corporate venturing, and established business ownership. We controlled for venture type and certain aspirations (growth focus; non-local).

Results and Implications

Our initial results indicate a negative influence of planning on becoming operational, coded as 6 out of the past 12 months’ revenue surplus. In some analyses, upgrading to a formal plan between wave 1 and 2 also resulted in a negative effect on becoming operational. However, in certain circumstances, we found that of those that initially planned, revising their plan was positively related to becoming operational.

Reaching an operational stage is not proof that a venture will cover all its start-up costs and eventually yield a surplus, however, this research has important implications for both theory and practice. We show that the naïve belief in the positive effects of planning may be unwarranted, indicating that we need to develop a much better understanding of how and if business planning is beneficial at various stages of development.

CONTACT: Benson Honig; bhonig@mcmaster.ca; (T): 905-525-9140; (F): 905-521-8995; 1280 Main Street, W. Hamilton, Ontario, Canada L8S4M4.