DO GOOD PLANS LEAD TO GOOD PERFORMANCE? A SIX YEAR LONGITUDINAL EXAMINATION OF BUSINESS PLANNING (SUMMARY)

Benson Honig
McMaster University, bhonig@mcmaster.ca

Mikael Samuelsson
Stockholm School of Economics

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SUMMARY

DO GOOD PLANS LEAD TO GOOD PERFORMANCE? A SIX YEAR LONGITUDINAL EXAMINATION OF BUSINESS PLANNING

Benson Honig, McMaster University, Canada
Mikael Samuelsson, Stockholm School of Economics, Sweden

Principal Topic
We examine business planning longitudinally, using a comprehensive empirical study with a range of performance variables from gestation to return on investment. We ask – “How effective is business planning for entrepreneurial ventures”? Unique to the study of business planning, we examine the impact of business planning change longitudinally. Secondly, we examine the importance of study replication and data extension, analyzing a previously published SMJ paper (Delmar and Shane, 2003) using a much longer time horizon. We show the importance of data replication, extension, and the consequences of sub-set selection of data populations.

Method
We study longitudinally, the implications of planning at four points in time during a six-year period for a large sample of nascent ventures. We also examine changing a business plan after the initial formal plan was written. This data was designed to provide population estimates for business start-up efforts, and to follow a random sample of nascent activities leading to the possible emergence of new businesses by studying so called “gestation activities”. The Swedish PSED (Panel Study of Entrepreneurial Dynamics) is a longitudinal effort to provide population estimates for business start-ups and to systematically follow a large number of ventures during the nascent start-up process and beyond. We used the same analysis across all samples (e.g. in our comparison of the Shane and Delmar (2003;2004) study, and in another study conducted by Honig and Karlsson, (2004), in order to be able to compare the results.

Results and Implications
This study, encompassing six years of longitudinal data with six sub-groups, failed to show significant positive relationships between business planning and performance, when measured according to a number of dimensions (survival, job creation, sales, profit, equity, and return on investment). Further, changing a business plan had a positive impact on firm formation and survival, but had little impact on other performance measures. Each of the sub-samples analyzed, including that identified by Delmar and Shane, as well as those we indentified (serial entrepreneurs, novice entrepreneurs, high growth, and low growth) presented different relationships with the business-planning variable. No significant relationships were shown regarding business planning and measures of long-term venture level performance.

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