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THE UNDERLYING RATIONALE FOR PLANNING: DO NASCENT AND YOUNG FIRMS DO WHAT THEY SAY THEY DO? (INTERACTIVE PAPER)

Christophe Garonne

Queensland University of Technology & Euromed Management, France, c.garonne@qut.edu.au

Paul Steffens

Queensland University of Technology

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≈ INTERACTIVE PAPER ≈

THE UNDERLYING RATIONALE FOR PLANNING: DO NASCENT AND YOUNG FIRMS DO WHAT THEY SAY THEY DO?

Christophe Garonne, Queensland University of Technology, Australia
& Euromed Management, France

Paul Steffens, Queensland University of Technology, Australia

Principal Topic

Previous studies investigating the relationships between business planning and performance have led to inconclusive results (Brinckmann et al., 2010; Delmar & Shane, 2003; Frese, 2009; Gruber, 2007; Honig & Karlsson, 2004).

Institutional theory argues that firms develop business plans as an answer to external and internal pressures to gain legitimization (Delmar & Shane, 2004) and funding from different stakeholders (Karlsson & Honig, 2009). Action theory suggests that planning will pave the new venture creation journey by providing milestones and a program to implement (Frese, 2009).

However, studies with an institutional perspective *imply* that nascent firms are either conforming to or looking for the benefits of these external or internal pressures (Karlsson & Honig, 2009) while action theory *assumes* that the plans will be implemented (Frese, 2009).

This paper attempts to (i) investigate if the *intended* uses of the business plans provided by nascent and young firms match their *actual* uses during their venture creation process and (ii) to examine how the types of uses of business plans impact the firms' outcomes over three years.

Method

This PSED-type study draws its data from the first three waves of the CAUSEE project where 30,105 Australian households were randomly contacted by phone using a methodology to capture emerging firms (Davidsson, Steffens, Gordon, Reynolds, 2008). This screening led to the identification of 625 nascent ventures (i.e., firms that were not operating yet) and 561 young firms (i.e., firms that have started operating less than three years earlier). These 1186 firms underwent a comprehensive phone interview with two follow-ups organised 12 months and 24 months later.

Results and Implications

This paper is expected to contribute to the entrepreneurship literature by shedding new light on the complex relationships between business planning and performance by investigating how business plans are actually used during the venture emergence process and how different uses of business plans impact the performance of nascent and young firms over time.

CONTACT: Christophe Garonne; c.garonne@qut.edu.au; (T): +61-7-3138-6633; (F): +61-7-3138-5250; Queensland University of Technology, Brisbane, QLD 4001, Australia.