BUSINESS PLANNING IN EMERGING FIRMS: DO NASCENT AND YOUNG FIRMS USE BUSINESS PLANNING DIFFERENTLY? (SUMMARY)

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SUMMARY

BUSINESS PLANNING IN EMERGING FIRMS: DO NASCENT AND YOUNG FIRMS USE BUSINESS PLANNING DIFFERENTLY?

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Principal Topic

Previous research suggested that due to the uncertainties surrounding the venture creation process, planning activities may be more valuable for already operating firms than for emerging ventures (McGrath and MacMillan, 1995).

Business planning may serve different purposes during the early stages of the venture development process. Early planning during the nascent stage may be used to marshal the resources toward the achievement of preliminary goals (Locke and Latham, 2000), to gain external legitimization and funding (Karlsson & Honig, 2009; Stinchcombe, 1965). Planning may reduce the risk of future failure by facilitating the decision making process of launching -or not- the venture (Chwolka & Raith, 2011) by analysing the opportunity and its market potential (Boyd, 1991; Delmar & Shane, 2003). In later stages, planning may have a more internal role and may act as a strategic implementation tool (Brews & Hunt, 1999).

However, if the reasons why ventures should engage (Frese, 2009) –or not- (Honig, 2004) in business planning have been investigated quite extensively (Brinckmann et al., 2010), how business plans are actually used over time by new ventures at different stages of their development and how these uses impact the performance of the firms are still unclear.

Methods & Key propositions

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 are not operating yet) and 561 young firms (i.e., firms that have started operating less than three years earlier) that were willing to participate in the study. Comprehensive phone interviews were conducted with these 1186 ventures. Likewise, two comprehensive follow-ups were organised 12 months and 24 months later where 80% of the eligible cases of the previous wave completed the interview.

Results and Implications

This paper is expected to contribute to the literature on business planning by analysing quantitatively its relationships with the stages of venture development and how it impacts the activities and performance of nascent and young firms overtime. In addition, we expect to increase the understanding of the venture creation process by analysing those questions on a large longitudinal sample of randomly selected emerging ventures.

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