OF THOSE WHO PLAN: A META-ANALYSIS OF THE RELATIONSHIP BETWEEN HUMAN CAPITAL AND BUSINESS PLANNING (SUMMARY)

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SUMMARY

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Summary

Our paper investigates who engages in business planning. We investigate how prior work experience and education shape an individual's disposition toward business planning, the type of business planning undertaken and contextual factors that moderate the relationships. In doing so, our study fosters our understanding of the role business planning fulfills in the entrepreneurship process.

Literature

Our work brings together contemporary literature in entrepreneurship on the use of business planning, with classic work from Becker (1964) on human capital. Following human capital theory, we develop hypotheses regarding effects of different dimensions of human capital on business planning and their comparative effect strengths as well as contextual moderators. We specifically focus on effects of education, general experience and domain-specific entrepreneurial experience. We further perform a similar unpacking on the concept of business planning, distinguishing between the aspects of having a formal plan, and engaging in the process of planning. Furthermore, we build expectations around temporal and geographical factors that may moderate our model.

Data

We test our hypotheses against a sample of 8,095 SMEs described in 31 different data spanning 20 different countries. We use meta-analysis to evaluate our hypotheses and leverage the variation in our dataset to examine our moderating hypotheses.

Results

We find a positive effect of education and work experience on planning. Strikingly our analyses reveal a non-significant relationship between entrepreneurial experience and business planning. Examining the aspects of planning, we find a non-significant relationship of human capital and having a formal business plan, while human capital is significantly related with the planning process. Regarding moderation effects, we found no significant change in the human capital - business planning relationship over a 30+ year time span. However, cultural uncertainty avoidance shows a significant moderation effect where the relationship is stronger in high uncertainty avoiding cultures.

Implications

Our results offer important implications for three areas. We depict who engages in business planning, we further our understanding how work contexts shape the disposition to plan. To the human capital literature, we add that in the entrepreneurial setting, individual human capital is connected with the process of planning, and not necessarily the outcome of having a formal plan. This suggests useful development in the core theory about whether human capital is more generally connected with processes than with more artefactual elements such as a formal business plan.

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