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LINKING A MULTIDIMENSIONAL BUSINESS PLANNING APPROACH TO VENTURE SALES (SUMMARY)

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SUMMARY

LINKING A MULTIDIMENSIONAL BUSINESS PLANNING APPROACH TO VENTURE SALES

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Principal Topic

Despite calls for a multidimensional view of business planning, most entrepreneurship research has treated planning as dichotomous—considering “planners” versus “non-planners.” We develop and test a model comprised of domain business planning and venture sales using four planning domains (i.e., financial planning, market planning, customer planning, technology planning). When considering the “form” of business planning, research has distinguished among a “process” of business planning (i.e. cognitive effort or learning activity) versus the “outcome” of business planning (i.e. written plan). We focus on the process form of planning in terms of effort rather than the existence of a formal written plan. We use the criterion of early venture sales because startups often have not yet reached profitability, and sales are important for generating cash flow, gaining legitimacy, and increasing the chance of survival.

Method

To identify a sample of founders, we draw from technology incubators in the Midwestern and Mid-Atlantic regions of the United States. Founders were identified that met two criteria: (1) founder of a technology-based venture and (2) established the venture within the last five years. In total, 639 total founders were recommended for inclusion in the study, 465 of whom ultimately responded to the survey, resulting in a response rate of 73%. Of this sample, we removed those responses that did not contain fully completed information, resulting in 356 completed surveys. We developed new measures to examine multiple functional domains of business planning.

Results and Implications

Findings, utilizing OLS regression, indicate financial planning positively impacts year 1 and year 2 sales. Findings also suggest both customer planning and market planning affect venture sales. However, our results suggest a counterintuitive finding—while customer planning positively impacts early sales, market planning is negatively associated with early sales. We do not identify a relationship among technology planning and sales. Despite research efforts that have attempted to clarify linkages among business planning and entrepreneurship, the results have often been debated. This has arisen, in part, because research on planning often draws on a dichotomous conceptualization. The functional domain perspective offers a finer-grained approach to consider planning and its implications for venture development.

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