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BUSINESS PLANNING FOR NASCENT ENTREPRENEURS UNDER ENVIRONMENTAL UNCERTAINTY (INTERACTIVE PAPER)

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INTERACTIVE PAPER

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Principal Topic

Extensive literature recommends that entrepreneurs engage in business planning in the process of venture formation (Fry and Stoner, 1985; Mancuso, 1985; Henderson, 1988). While a number of studies have demonstrated that nascent entrepreneurs who plan are more persistent (Delmar & Shane, 2004; Gartner & Liao, 2006; Honig & Karlsson, 2004) studies have not demonstrated a relationship between persistence and success, with some scholars questioning the practice (Bhide, 2000; Gumpert, 2002). A research gap exists regarding why new organizations write plans. An institutional perspective of business planning emerged as an alternative to the rational choice account (i.e., Honig & Karlsson, 2004).

Methods/Key Propositions

We followed a random sample of nascent activities by studying gestation activities (PSED). 446 nascent entrepreneurs completed an initial phone sample (Gartner, Shaver, Carter & Reynolds, 2004:459). Follow up studies were at 12 and 24 months. We analyzed four equations, the first examining the controls, and the remainder our hypotheses related to institutional and economic factors moderated by environmental uncertainty. We followed the method developed by Hosmer & Lemeshow (1989) using maximum likelihood estimators to give logistic probabilities.

Results and Implications

Increasing environmental uncertainty was found to decrease the influence of coercive forces on entrepreneurs who plan. Entrepreneurs who ask for funding, in increasingly competitive circumstances, are more likely to plan than those asking for funding in less competitive circumstances. Finally, those entrepreneurs who asked for money and were exposed to increasing operational uncertainty were more likely to plan than those not so exposed. Regarding competitive uncertainty, nascent who perceived their competitive environment to be more uncertain, and who asked financial institutions for loans, were more likely to plan than those who did not. Lastly, those who perceived higher operational uncertainty, and who asked for funding, had a greater likelihood of planning. Thus, nascent who ask for funding, facing increasing competitive or operational uncertainty, are more likely to plan – while those facing increasing financial uncertainty and asking for funding, are less likely to plan. In sum, our study demonstrates the importance of environmental uncertainty in understanding the impact of institutional forces on planning behavior.

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