HOW MUCH PRE-LAUNCH AND POST-LAUNCH PLANNING TAKES PLACE AND HOW MUCH DIFFERENCE DOES IT MAKE? (SUMMARY)

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SUMMARY

HOW MUCH PRE-LAUNCH AND POST-LAUNCH PLANNING TAKES PLACE AND HOW MUCH DIFFERENCE DOES IT MAKE?

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Principal Topic

There are differing opinions in the academic literature regarding the value of pre and post-launch planning. The planning school argues that a formal approach to planning, including the writing of a business plan, leads to superior performance. An opposing view argues that learning should be emphasized over planning, and that planning actually has downsides, including a reluctance to deviate from the plan even in light of evidence that the plan may not be working (Mullins & Komisar, 2009).

This study looks at how much pre-launch and post-launch planning takes place in startup firms, and the difference that it makes. Also of interest is the degree to which entrepreneurs iterate their plans after their businesses are launched.

Method

The study follows a grounded research methodology (Miles & Huberman, 1994) involving in-depth interviews with the founders of 20 entrepreneurs firms. The subjects are from a cross-section of industries, and are situated in two medium-sized Midwestern cities. None of the firms were more than four years old at the time of the data collection. The founders were interviewed relative to the planning that took place prior to and after their firms were launched.

Results and Implications

The study provided little evidence that substantial planning takes place prior to the launch of a venture. A portion of the subjects in the study wrote business plans, but did so primarily to seek funding or to comply with the requirements of a competition (such as a Mayor’s award for outstanding entrepreneurial startups). An interesting side-note is those that wrote business plans to obtain funding or win an award, found that that the process of writing the plan was valuable, but the plan didn’t help as much as they thought it would, particularly in the case of trying to attract funding. More complex ventures were more apt to write business plans that less complex ones. The study provided mixed evidence regarding post-launch planning. While the subjects in the study were clearly in-tune to the importance of financial planning (i.e., budgeting and accounting), the formality and extent of more strategic type planning was inconsistent across ventures. All ventures iterate to varying degrees.

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