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ENTREPRENEURIAL DISCOVERIES OR BUSINESS MODELS AS THE BASIS FOR VENTURE PLANNING

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Principal Topic
Does planning lead to more successful new ventures? Delmar and Shane (2003) found a positive correlation whereas Karlsson and Honig (2004) found no correlation. We consider how each of these studies could be tapping into valid explanations; provided that is, that they take into account the business model that is actually implemented.

We view a discovery as an initial insight about the existence of a possible opportunity that fits with an entrepreneur’s prior, specific knowledge (Fiet, 2008). In contrast, a business model describes a company’s logic for creating value (Ghaziani & Ventresca, 2005). It spells out how a company makes money by specifying where it is positioned on a value chain.

We question in this research, which has a greater influence on a venture’s profitability, its initial discovery or its business model? Whether a business plan was based on a discovery or an actual, in-use business model could be a key predictor of whether a venture will be profitable and survive.

Method
We interviewed 12 repeated successful entrepreneurs, each of whom had launched three or more profitable ventures without a failure, all of which were still operating, sold, or merged into another venture. Their success controlled for luck-based results that could be misleading about planning. We developed the findings into a phenomenological study, which compared and contrasted their responses along dimensions required to test three hypotheses related to the research question.

Results
The interviews show that repeatedly successful entrepreneurs use planning to design their in-use business models. For them, knowing how to capitalize on a discovery is inseparably connected to the discovery itself. Some of them planned formally whereas others planned informally; all of the entrepreneurs, however, emphasized the business model in the planning process much more than the initial discovery. The consistent use of business models in the planning process by repeatedly successful entrepreneurs showed their importance. The interviews show that regardless of whether an entrepreneur used formal planning or informal planning techniques, ventures based on in-use business models were profitable.

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