IF, WHEN AND FOR HOW LONG SHOULD FORMAL PLANNERS PLAN THEIR NASCENT VENTURE (SUMMARY)

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Recommended Citation
Greene, Francis and Hopp, Christian (2015) "IF, WHEN AND FOR HOW LONG SHOULD FORMAL PLANNERS PLAN THEIR NASCENT VENTURE (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 35 : Iss. 3 , Article 9.
Available at: https://digitalknowledge.babson.edu/fer/vol35/iss3/9

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THE ENTREPRENEUR AND CHARACTERISTICS

SUMMARY

IF, WHEN AND FOR HOW LONG SHOULD FORMAL PLANNERS PLAN THEIR NASCENT VENTURE

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Principal Topic

Despite recent theoretical and empirical advances highlighting the importance of examining the temporally embedded nature of performance, one under explored area of entrepreneurship research is that we know little about when, for how long and even if business planning actually speeds venture outcomes. Does formal planning actually quicken venture creation? Are planners more likely to ‘fail fast’? Scholars also know little about when should planning be done: is business planning best done before, alongside or after other start up activities? Finally, how long should nascent entrepreneurs spend planning: at what point does analysis of a business opportunity end up paralyzing venture creation and disbandment outcomes?

Methods

Using the dedicated PSED II panel data on nascent entrepreneurship, we use propensity score matching to control for endogeneity in the planning-performance relationship. This is important because entrepreneurial (e.g. prior education, entrepreneurial experience) and venture (e.g. competitive and innovative milieu) characteristics impact not only on the decision to plan (selection effects) but also on the venture outcomes (performance effects). Propensity score matching allows us to ‘balance out’ differences between entrepreneurial characteristics and business contexts, reducing “the problem of unfair comparison” (Li, 2013: 214) which allows us to provide a reliable and robust estimate of the impacts of plan timing effects on venture creation.

Results and Implications

Our key result is that formal business planning speeds venture viability: the hazard rate for formal planners is higher than for non-planners, indicating that formal planners are more likely to create a viable venture faster than those who rely on informal planning. However, formal planners are less likely to disband. The efficacy of formal planning is also contingent on when and for how long such planning was conducted: formal planners were more likely to achieve a viable venture if they planned just prior to or after conducting the bulk of their start up activities. The results also show that those that take less than two months to plan are more likely to realize a viable venture but planning longer than that has no benefits.

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