

Are Planners Doers? Pre-Venture Planning and the Start-Up Behaviors of Entrepreneurs

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There are conflicting views on whether the process of pre-venture planning is beneficial to the success of starting new ventures. Some researchers suggest that pre-venture planning enables entrepreneurs to surface their assumptions about factors leading to success, reduces delays in implementing critical activities, and helps them communicate their vision to others. Others suggest, however, that planning is a distraction from the real work of creating and building a new enterprise. Establishing the value of pre-venture planning may be important to nascent entrepreneurs.

Consequently, this study explores the relationship of business planning to the general activity levels of nascent entrepreneurs. It examines whether pre-venture planning appears to spur nascent entrepreneurs to engage in other venture creation activities, as engaging in planning may be the catalyst in taking further steps toward creating a business.

Overall Findings

The activity of business planning, and the level of formality of the business plan (i.e. whether the plan is written, informally written, or existing only in thought) does not, as a main effect, influence the rate at which entrepreneurs engage in more activities, their tendency to concentrate activities in a short period of time, or the overall timing of other startup activities. Early planning, however, appears to be an impetus for early action.

Highlights

- Nascent entrepreneurs tend to show a spurt of activities when they have a formal business plan which is completed early in the start-up process. In contrast, nascent entrepreneurs seem to have a steady pace of start-up activities when they complete a formal business plan at a later stage in the venture creation process.
- There is a significant effect regarding the timing of business planning (early or late in the start-up process) on start-up activities.
- Entrepreneurs who engage in business planning significantly influence the rate of start-up activities; they are likely to accomplish more start-up activities in a given period of time than entrepreneurs who do not plan. Also, entrepreneurs who complete a formal plan early are more likely to concentrate their start-up efforts early in the start-up process, rather than later.
- Nascent entrepreneurs who generated informal or unwritten plans late in the start-up process are significantly more likely to complete start-up activities late in the start-up process and to concentrate them near the end of the process.

Scope and Methodology

The researchers used the Panel Study of Entrepreneurial Dynamics (PSED) longitudinal data set to analyze the effects of business planning with respect to the venture creation process. The PSED data set is a multi-year sample of nascent entrepre-

neurs in the process of starting businesses who were interviewed in 1998 and 2000. This data set provides information on the proportion and characteristics of the adult population in the United States involved in the entrepreneurial process. Regression models were used to test the relationship between business planning and the venture creation process. The model controlled for education, years of industry experience, years of managerial experience, high-tech sector, start-up team, opportunity search, and opportunity recognition.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

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