

---

# Should entrepreneurs plan or just storm the castle? A meta-analysis on contextual factors impacting the business planning-performance relationship in small firms

**Jan Brinckmann** Loyola University of Chicago, USA

**Dietmar Grichnik** WHU Otto Belsheim School of Management, Germany

**Diana Kapsa** Witten Herdecke University, Germany

**Source:** *Journal of Business Venturing* (2010), 25(1): 24-40.

### ABSTRACT:

Entrepreneurship research engages in an intense debate about the value of business planning. Prior empirical findings have been fragmented and contradictory. This study contributes insights to the business planning discussion by following an evidence-based research approach. We conduct a meta-analysis on the business planning-performance relationship and specifically focus on contextual factors moderating the relationship. Results indicate that planning is beneficial, yet contextual factors such as newness of the firms and the cultural environment of firms significantly impact the relationship. Based on this evidence, we propose a concomitant and dynamic approach that combines planning and learning.

### KEY FINDINGS:

Key finding from this study are:

- A positive relationship was found between business planning and performance particularly for established firms rather than new ones.
- Planning in new firms is made complex by a lack of information and high environmental uncertainty.
- In countries where managers have a high level of uncertainty avoidance, business planning has a reduced impact on performance.
- Objective, as opposed to subjective measures of performance have a significantly positive moderating effect on the planning-performance relationship.
- Firm performance is augmented by both the output of planning (e.g. business plans) and the process of planning (e.g. planning meetings).
- Longitudinal analysis is a superior method of researching business planning than cross-sectional studies.

### IMPLICATIONS FOR MANAGERS:

- Established small firms with known product-market environments and less environmental uncertainty are likely to gain the greatest benefits from formal business planning.
- Start-up ventures and entrepreneurial firms with high environmental uncertainty are best served by basic business planning, flexibility and adaptive learning.
- Once the quality of market or operational information improves the benefits of business planning are likely to increase.
- Care should be taken in adopting a "process mindset" whereby planning is the first step and implementation follows.
- Formal, sophisticated planning processes (e.g. planning meetings, tools) do enhance performance.