

To plan or not to plan is not the right question

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(PhysOrg.com) -- New research from the Bettany Centre for Entrepreneurial Performance & Economics at Cranfield School of Management and the Centre for SMEs at Warwick Business School has revealed that having the right business plan for a new venture can mean the difference between success and failure.

The research looked at a group of over 400 British start-ups, half of which did use a business plan and half that didn't and monitored them over a three year period. Those with a business plan grew almost one-third faster in employment terms and were considerably larger than those without a business plan.

This is the first time that a clear difference between entrepreneurs who have a business plan and those who don't has been found.

The research which looks in depth at the numerous effects business planning can have on the performance of new ventures, such as development, growth and profit, also examined which business contexts experience the most (or least) effect from writing a business plan.

The most successful use of business planning was found amongst previously unemployed people embarking on a new venture for the first time. This group was followed by those with more innovative ventures, and then those embarking on portfolio ventures. The three groups all revealed a greater need for detail compared to other groups such as serial entrepreneurs, suggesting the detail needed in a business plan is

significant in establishing a successful new business.

Professor Andrew Burke, Director of Cranfield's Bettany Centre who co-authored the research with Stuart Fraser and Francis Greene (both of Warwick's Centre for SMEs) commented: "Our research over the past three years has analysed the impact of writing a business plan prior to start-up on new venture performance. Our investigation is the first of its kind to examine the multiple effects of business plans. This approach allows the impacts of business plans to be separated from selection effects due to differences in the profile and business context of ventures that are more or less likely to write a business plan.

"The outcome is not as simple as saying that having a business plan is essential. Success is also a matter of how you come to your plans and how you implement them. If you look at the most successful new ventures, what they typically do is test the product in the market first with a pilot launch. This then acts as market research that can be incorporated into a business plan. A famous example includes the manufacturer and supplier of luxury hotel branded toiletries, Pacific Direct. Prior to writing a [business plan](#) the founder started by knocking on doors of leading hotels in order to test the demand for their products.

"It is important to appreciate that the entrepreneurs are often misled to believe that planning and 'just do it' approaches are mutually exclusive. The truth is that most successful businesses take the best out of both approaches to business start-up. But it is very evident in the companies that we looked at for this research that the growth benefits from having business plans are large and positive."

Provided by Cranfield University

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