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## BUSINESS PLANNING, IDEA CHANGE, FLEXIBILITY AND PERFORMANCE: THE BEST OF BOTH WORLDS? (INTERACTIVE PAPER)

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## ≈ INTERACTIVE PAPER ≈

**BUSINESS PLANNING, IDEA CHANGE, FLEXIBILITY AND PERFORMANCE: THE BEST OF BOTH WORLDS?**

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**Principal Topic**

The relationships between business planning and performance have divided the entrepreneurship research community for decades (Brinckmann et al, 2010). One side of this debate is the assumption that business plans may lock the firm in a specific direction early on, impede the firm to adapt to the changing market conditions (Dencker et al., 2009) and eventually, cause escalation of commitments by introducing rigidity (Vesper, 1993). Conversely, feedback received from the production and presentation of business plans may also lead the firm to take corrective actions. However, the mechanisms underlying the relationships between changes in business ideas, business plans and the performance of nascent firms are still largely unknown.

While too many business idea changes may confuse stakeholders, exhaust the firm's resources and hinder the undergoing legitimization process, some flexibility during the early stages of the venture may be beneficial to cope with the uncertainties surrounding new venture creation (Knight, 1921; March, 1982; Stinchcombe, 1965; Weick, 1979). Previous research has emphasized adaptability and flexibility as key success factors through effectual logic and interaction with the market (Sarasvathy, 2001; 2007) or improvisation and trial-and-error (Miner et al, 2001). However, those studies did not specifically investigate the role of business planning.

Our objective is to reconcile those seemingly opposing views (flexibility versus rigidity) by undertaking a more fine-grained analysis at the relationships between business planning and changes in business ideas on a large longitudinal sample of nascent firms.

**Method**

This PSED-type study draws its data from the first three waves of the CAUSEE project where 30,105 Australian households were randomly contacted by phone using a methodology to capture emerging firms (Davidsson, Steffens, Gordon, Reynolds, 2008). This screening led to the identification of 625 nascent ventures (i.e., firms that were not operating yet). These firms underwent comprehensive phone interview with two follow-ups organised 12 months and 24 months later.

**Results and Implications**

This paper is expected to contribute to the entrepreneurship and strategic literatures on business planning by untangling the relationships between flexibility, planning and performance during the early stages of the venture creation process.

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