

Exploring the black box of early-stage
entrepreneurial planning: Hermeneutical
insights from case research

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Statement of Originality

This is to certify that to the best of my knowledge, the content of this thesis is my own work.

This thesis has not been submitted for any degree or other purposes.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

Michael Imstepf

ACKNOWLEDGEMENT

Creating a theory-building thesis requires an entrepreneurial orientation. With the goal of innovating and creating new knowledge, the writer embarks on a journey with windy roads. Crossroads with missing signposts lay ahead and risky decisions need to be taken. The path is long and only those with a proactive mindset will complete it.

I would like to thank all people who helped, motivated and inspired me on this path.

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ABSTRACT

Entrepreneurship is important to both the economy and society and so it is in the global public interest to reduce the high failure rate of entrepreneurs. At the core of building a new venture is the process of planning how to go from the current to a future state. Empirical research seeking to answer the question of how entrepreneurs best plan has focused on measuring the impact of planning on new venture performance. Despite decades of research, the results have been very inconclusive. This does not surprise given that entrepreneurial planning and how it can be measured have never been explored in depth. Instead, many quantitative researchers have simply assumed that planning equals having a written business plan. To overcome the current inconclusiveness and ultimately to provide entrepreneurs with prescriptions as to how to best plan, we must improve our understanding of entrepreneurial planning.

This thesis addresses this gap. Different streams of literature were combined to create a theoretical framework that, in theory, would explain entrepreneurial planning. Qualitative case research was then conducted to confront these a priori constructs with empirical data. By iterating through the hermeneutical circle and continuously moving between theory and data, an improved understanding and a refined framework gradually emerged.

The refined framework highlights antecedents, issues, sequences of actions and outcomes of entrepreneurial planning as well as the role of entrepreneurs and other planners in the planning process. It showed that, for the cases studied, measuring planning in terms of having a written business plan would neither account for the many forms in which entrepreneurial planning can occur nor for planning process and process outcome as two separate dimensions. Writing a traditional business plan was found to be useful in communicating the business model to external people not familiar with the industry in which the venture was operating. However, entrepreneurs saw no other reasons to engage in such planning because the business plan framework was too generic to provide any value internally. More precisely, the cases showed that the planning requirements were industry-specific. This clearly indicates that scholars conducting future quantitative studies testing the benefits of planning need to account for these different types of planning in different contexts, possibly by establishing archetypes of new ventures.

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1 INTRODUCTION

This introductory chapter outlines the background to this research, the research problem and the associated research questions. It also introduces the methodology employed to answer these questions, and the cases studied. Finally, an outline and diagrammatic representation of the structure of this thesis is included.

1.1 Background of the thesis

By developing, evaluating and exploiting new, untried market opportunities, entrepreneurs create employment as well as wealth and are at the core of economic growth (Minniti & Lévesque, 2010, p. 312; OECD, 2011). However, starting a new venture is not an easy task. Most new businesses fail within five years (Castrogiovanni, 1996). Given the importance of entrepreneurship to both economy and society, it is of prime interest to provide entrepreneurs with the best advice as to how to turn an opportunity into a viable business. At the core of this activity is the planning of how to go from the current to a future state (Gruber, 2007). To answer the question of how entrepreneurs best plan, scholars have provided conflicting advice.

On one hand, it is believed that extensive planning implies greater business success for new ventures (Burke, Fraser, & Greene, 2010). Often it is argued that such planning increases the “capability to identify a business opportunity and devise a strategy to exploit it and/or secure resources to achieve these ends” (Burke et al., 2010, p. 394). As a result, many universities worldwide support extensive planning and the development of a business plan. In entrepreneurship classes, students are taught about the importance of having a business plan and how to write such plans. A study of the top 100 U.S. business schools found that 78 schools offered courses “devoted to understanding market research techniques, competitive analyses based on received wisdom in strategic management and financial valuation methods based on calculations of risk-adjusted expected returns” (Dew, Read, Sarasvathy, & Wiltbank, 2009, p. 287) and designed to teach students how to write a business plans (Honig, 2004, p. 258). Leading entrepreneurship educators rated the writing of a business plan as the most important feature in their entrepreneurship courses (Hills, 1988, p. 119). Moreover, many universities host business plan competitions, including Harvard, Stanford, Wharton and MIT (Honig, 2004, p. 259). But educators are not the only actors that stimulate a planning euphoria in the

entrepreneurship domain. Management consultants, governmental assistance agencies and a wide array of literature encourage entrepreneurs to develop a business plan. Hence, it does not surprise that many entrepreneurs equate new firm creation with planning extensively and writing a business plan, which leads to the creation of approximately 10 million business plans per year (Gumpert, 2002).

On the other hand, extensive planning is a very time-consuming task. New firms face very high resource constraints (Brinckmann, Grichnik, & Kapsa, 2010@26) and therefore the opportunity costs for such a laborious task are high (Gifford, 1992). Moreover, real-life stories question the value of such extensive planning. For instance, Apple Computer started as a mail order business operating out of a garage and no formal plans were developed initially. On the other hand, Fred Smith of Federal Express spent years developing and refining a business plan. The plan hinged on his primary customer, the Federal Reserve, with whom he eventually chose not to proceed. He then had to abandon the whole plan and change his entire business model. Microsoft is said to have burst into prominence not because of any great business plan but rather because Bill Gates seized an unexpected opportunity to develop the IBM PC's operating system (Castrogiovanni, 1996, p. 802). Besides Steve Jobs and Bill Gates, Michael Dell is also said to have started his business without a business plan (Karlsson & Honig, 2009, p. 28).

When scholars realised that such conceptual arguing would not provide the answer to the question of how entrepreneurs are best advised to plan, researchers decided to take a more objective approach. More precisely, scholars started to measure the impact of planning on new venture performance with quantitative methods. Surprisingly, despite decades of inquiring, the results have pointed “inconclusively to any association between business plans and venture performance” (Burke et al., 2010, p. 392) and an “intense debate” (Brinckmann et al., 2010, p. 24) still surrounds the question of how entrepreneurs are best advised to plan.

1.2 Research questions and empirical setting

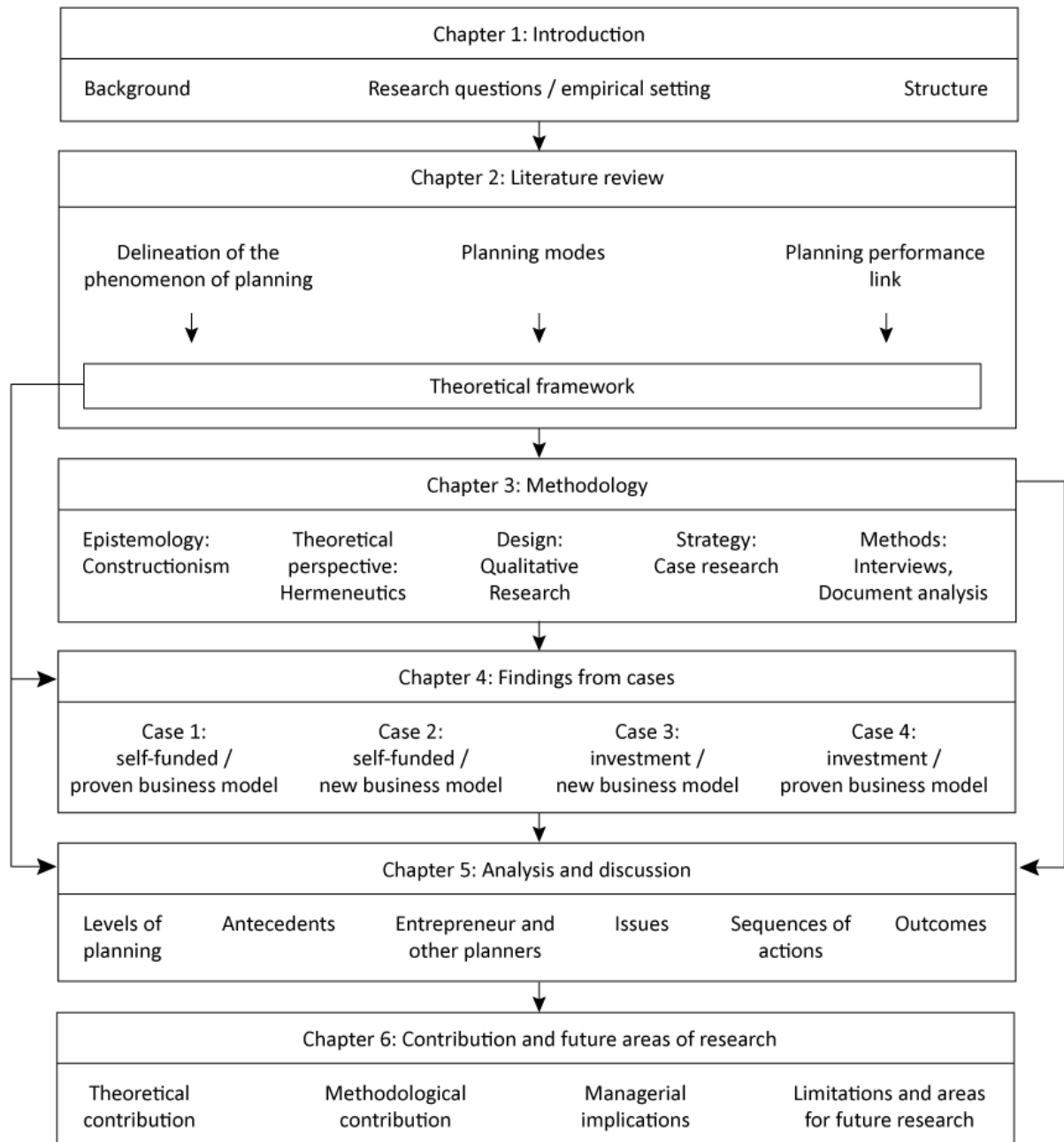
This inconclusiveness is not surprising given that theory testing has preceded theory building (Dencker, Gruber, & Shah, 2009). More precisely, empirical research in this field has almost exclusively employed survey methodology (Karlsson & Honig, 2009) measuring the planning performance relationship. The understanding of planning that underpinned these studies has been both limited (Burke et al., 2010) and based on assumptions rather than theory.

This thesis seeks to deepen our understanding of entrepreneurial planning by drawing on qualitative case research. Qualitative research is suitable for theory building and case research as the chosen research strategy is appropriate in answering questions where other methodologies struggle (Gartner & Birley, 2002) and in producing a holistic understanding (Stake, 2010, p. 48).

1.3 Structure

Figure 1 summarises the remainder of this thesis, which is organised as follows. Chapter 2 reviews four different streams of literature concerned with different aspects of entrepreneurial planning. The theory reviewed, combined with other constructs, is used to develop a theoretical framework that explains the process of entrepreneurial planning in theory. Chapter 3 outlines the methodology used in this research to confront this theoretical framework with empirical data. Chapter 4 presents the cases along the dimensions of the theoretical framework. The observations from these cases are analysed in Chapter 5 to build and develop theory. Lastly, Chapter 6 highlights academic as well as managerial contributions of this new theory and suggests areas for future research.

Figure 1: Structure of the thesis



2 LITERATURE REVIEW

Fields of academic research have looked at narrow aspects of entrepreneurial planning but none has provided a holistic picture of how entrepreneurial planning unfolds. This chapter reviews these fields and their contribution to an understanding of the process of entrepreneurial planning. At the end of this chapter, the findings of this review are integrated in a holistic framework that can then be used to develop existing theory by confronting it with empirical data.

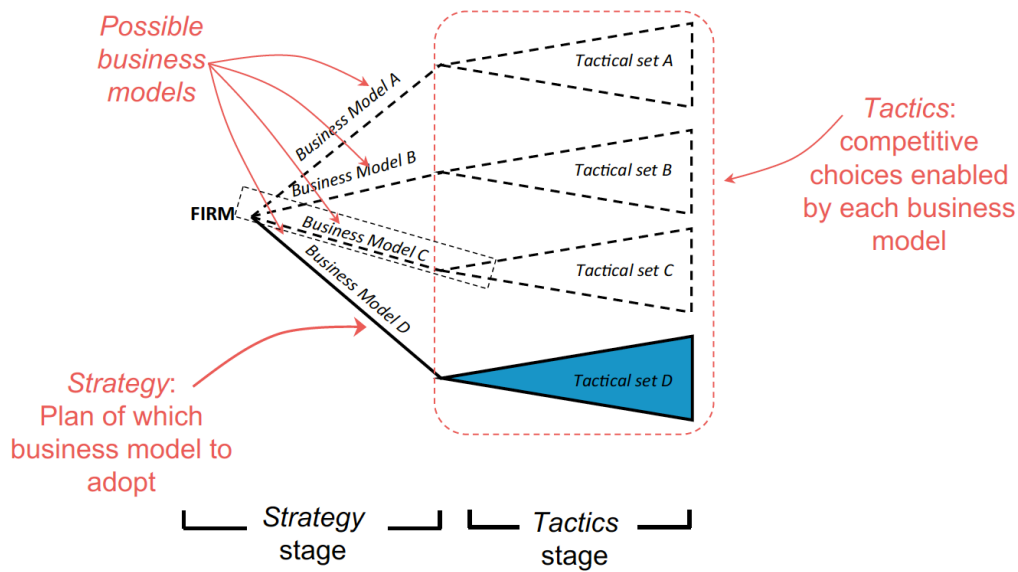
2.1 Academic fields and approaches

Scholars have approached entrepreneurial planning from various angles. One stream of research has focused on understanding the nature of entrepreneurial planning as a multidimensional construct. Entrepreneurship scholars closer to the discipline of strategic management have investigated different planning modes in which entrepreneurs operate. Lastly, scholars with a more empirical background have attempted to measure the impact of various planning approaches on new venture performance. These three streams of literature are reviewed in the following sections.

2.1.1 Delineation of the phenomenon of entrepreneurial planning

Before developing a framework to understand how entrepreneurial planning unfolds, it is important to understand what entrepreneurial planning is. Whereas strategic management scholars have studied the delineation of the phenomenon of planning in large and established firms, very little theory-generating research has been produced in the context of new ventures. One exception is Casadesus-Masanell & Ricart's (2011) conceptual framework shown in Figure 2. At the core of the authors' framework is the notion of entrepreneurial planning as a multidimensional construct with three dimensions: strategy making, business modelling and tactical planning.

Figure 2: Strategy making, business modelling and tactical planning



Note. Reprinted from Casadesus-Masanell & Ricart (2011, p. 204)

2.1.1.1 Strategy making, business modelling and tactical planning

A business model is often defined as the “logic of the firm” (Casadesus-Masanell & Ricart, 2011). In particular, Teece (2010, p. 172) reported that business models explain “how a business creates and delivers value to customers” and “outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering that value”.

The notion of strategy being the logic behind business modelling decisions is compatible with findings in very recent entrepreneurial planning literature. Mullins & Komisar (2010) reported that successful entrepreneurs do not just execute a business model, rather they “embark on a learning journey”, which may lead to a very different destination referred to as ‘Plan B’. Hence, what remains constant is strategy, or in other words, the content and processes that underpin the business model.

Casadesus-Masanell & Ricart defined the third dimension, tactical planning, as “residual choices open to a firm by virtue of the business model that it employs” (p. 202). Similar to the notion of strategies constraining the number of business models to be chosen from, the chosen business model has a limited range of tactics that can be employed. Business models of competitors often interact with each other through tactics such as price battles or marketing strategies. Tactical planning is more day-to-day planning on a lower level than business modelling or strategy

making.

2.1.1.2 Implications of the theory reviewed for this thesis

The framework presented is useful in better understanding the nature of entrepreneurial planning as a process that can unfold on several levels. Whereas the distinction between business modelling and tactical planning is easy to relate to, separating business modelling and strategy making could prove to be unpractical. Data may show that the vision is the strategy and all higher-level planning that is informed by the vision is unfolding on the level of business modelling.

To conclude, the theory presented allows for an abstract understanding of the nature of entrepreneurial planning. However, it reveals little about how entrepreneurial planning unfolds on a more concrete and detailed level.

2.1.2 Planning modes in new ventures

On a less abstract level, the planning modes presented in this section and summarised in Table 1 represent various 'logics' that underpin planning processes. These modes range from being descriptive to prescriptive and have their origin in strategic management as well as entrepreneurship literature. The first three sections review strategic management theory relevant to the entrepreneurial context. These three modes of planning – the design mode, the entrepreneurial mode and the learning mode – were established by Mintzberg et al. (2005). The next two sections discuss modes that are rooted in entrepreneurship literature: McGrath & MacMillan's (1995) discovery mode and Sarasvathy's (2009) effectuation mode. The last section reviews these modes in view of the purpose of this research.

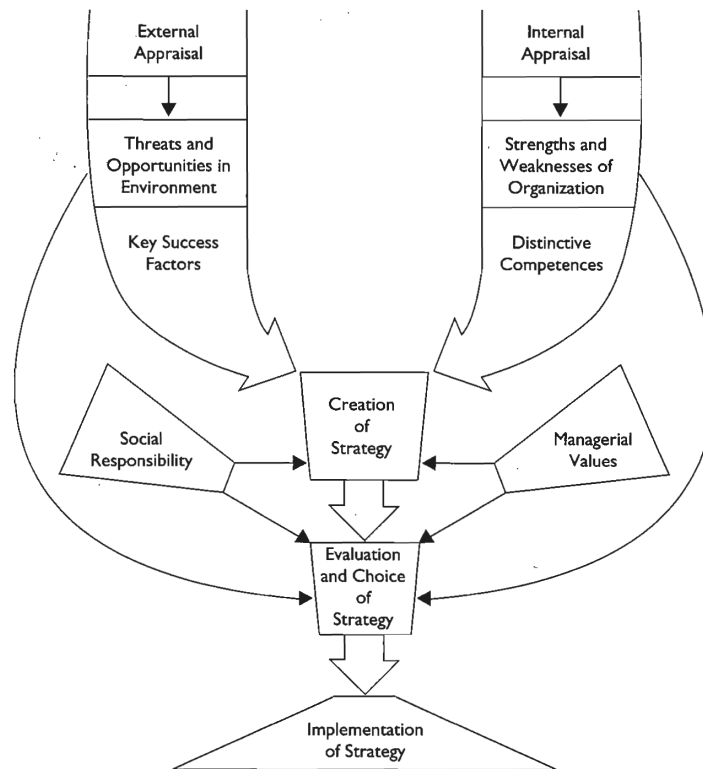
Table 1: Different modes of planning in new ventures

	Design mode	Entrepreneurial mode	Learning mode	Discovery mode	Effectuation mode
Underlying logic	rationality	intuition	incrementalism	experimentation	effectuation
Path	deliberate / plan (informal)	deliberate / plan	emergent / pattern	deliberate and emergent / plan and pattern	emergent / pattern
Planning activity	analysing, selecting among static configurations, executing	formulating (black box) and promoting vision	collective learning	testing assumptions to reduce uncertainty	doing the doable with the means available
Decision maker	entrepreneur	entrepreneur	different organisational members	entrepreneur	entrepreneur
Given process	yes	no	no	yes	no
Learning	no	partly	yes	yes	yes
Decision	top -> down	top -> down	top <-> down	top -> down	top -> down
Expected to be suitable for	non-innovative new ventures operating in stable and predictable environments and existing markets	new ventures with an experienced and visionary founder with great intuition	new ventures offering professional services	innovative new ventures operating under uncertainty	innovative new ventures operating under uncertainty
Literature	prescriptive	descriptive	descriptive	prescriptive	descriptive and prescriptive

2.1.2.1 Design mode: a process of conception

In the design mode, planning is a simple, clear and deliberate process. As shown in Figure 3, the process is one of rational decision making taking place “as a linear progression from initial aspiration to final result” (Sminia, 2009, p. 98). The formulation of plans in this mode “must not only take precedence over action but must precede it in time”(Mintzberg, 1990, p. 181). Therefore, formulation and implementation are clearly separated.

Figure 3: The design mode of planning



Note. Reprinted from Mintzberg (1994, p. 37)

For the formulation part, the design mode emerged with a specific, prescriptive framework in mind, the SWOT model (Farjoun, 2002). In this model, strategy is constructed by matching environmental opportunities and threats with the firm's internal resources and distinctive competencies, all in the light of the firm's goals and objectives (Andrews, 1971). This approach assists decision makers in producing a strategy and business model that exploits environmental opportunities and defends environmental threats as well as takes advantage of the firm's strengths and neutralises its weaknesses (Barney, 1997).

The design mode underpins the traditional business plan framework promoted by many educators, government agents and textbook writers (Honig, 2004). This popularity is not surprising given that in this mode the complex process of planning is simplified and therefore easier to teach and understand. Moreover, in this mode, formulation is separated from implementation and therefore the formulation part can be taught in class completely isolated from implementation.

While these features make the design school suitable for teaching, critics have quite rightly

pointed out that since the design school emerged in 1957, this school has not adapted to reflect new findings in strategy and planning research, which were very well summarised in Farjoun's (2002) article. Planning in this mode becomes a selection among static configurations and has been described as linear, unidirectional and fragmented (Farjoun, 2002). There is no feedback, learning or interaction involved, plans are expected to "come out of the design process fully developed" (Mintzberg, 1994, p. 39). This is in sharp contrast with Mintzberg's (1994) notion of the co-existence of both deliberate and emergent planning. When starting an innovative new venture and when, as a consequence, being exposed to uncertain environments, feedback loops are particularly crucial. Proponents of this mode of planning have also been criticised for their assumptions about directionality, which implies that structure always follows strategy and not the other way around.

2.1.2.2 Entrepreneurial mode: a visionary process

Similar to the design mode, in the entrepreneurial mode, planning is centralised. However, in this mode, the focus is on the informal and implicit vision of the leader rather than on a well-formulated plan. Instead of engaging in analytical planning activities, in this mode "a strong leader takes bold, risky actions" (Hart, 1992, p. 330) guided by his or her intuition, which can neither be fully articulated nor understood. Whereas the entrepreneur's intuition provides a sense of deliberate direction, the details are planned in an emergent manner 'en route'.

The entrepreneurial mode also differs in the sense that it mainly provides descriptions as to how planning unfolds rather than giving prescriptions as to how entrepreneurs should plan. As a consequence, critics have predominantly put forward valid arguments as to why the entrepreneurial mode does not explain planning. For instance, it has been argued that if planning occurs inside the visionary's head and is linked to someone's experience and intuition then it occurs semiconsciously at best and will remain a black box forever. In addition, in this view other decision makers are ignored, which leads to the illusion that the success of a new venture merely depends on one person. This implies that the venture can only remain successful for the time the founder is managing it, which would be problematic.

2.1.2.3 Learning mode: an emergent process

The learning mode as a largely descriptive perspective on the phenomenon of planning emerged to explain planning that was neither intended nor centralised. Some advocates of the learning

mode estimated that less than ten per cent of intended plans actually become realised. Instead, they have argued that planning is mainly an emergent pattern arising out of many little decisions organisational members take. The environmental complexity and uncertainty new ventures face, coupled with the diffusion of knowledge occurring inside the organisation, precludes deliberate control and therefore planning becomes a process of learning. Rather than taking the role of an omnipotent leader, the entrepreneur pays close attention to successful patterns that emerge out of this collective action. These patterns are sometimes then transformed into deliberate, and even formalised, plans.

Critics, who have taken a more prescriptive stance, have argued that the lack of intended planning can leave the new venture with no plan at all. “Muddling through”, “purposeless” and “anti-strategic” were words mentioned in this context (Mintzberg et al., 2005, p. 224). In addition, the notion of incrementalism associated with this mode was said to lead to inefficiencies such as there being features of a product that no one has ever decided on.

2.1.2.4 Discovery mode: a process of experimenting

The discovery mode holds concepts of both the design and the learning mode. Similar to the design mode, it maintains that planning is a rational and centralised process. At the same time, it draws heavily on the concept of learning. In a recent article, McGrath (2010, p. 258) pointed out that “the goal of a discovery-driven plan is [...] to learn as much as possible at the lowest possible cost”. More precisely, in this mode, uncertainty is reduced by identifying, articulating and testing assumptions that underlie the business model. The prescriptive framework the authors promote includes: a “reverse income statement” to test the amount of revenue required to build a viable business; instructions how to benchmark against competitors and potential market demand; a “pro forma operations specs”, in which assumptions about the operations are specified; a “key assumption checklist”; and a “milestone planning chart” designed to test the assumptions at each stage of venture development. According to the authors, this framework allows entrepreneurs to test business models and iterate through them without having to spend much investment or time.

Whereas the specifics of the framework seem to be more suitable for new business units in established firms, two other authors took the concept of discovery-driven planning and applied it specifically to the context of new ventures. In their highly prescriptive framework ‘Getting to Plan B’, Mullins & Komisar (2010) give very clear instructions as to how to test assumptions or

‘leaps of faith’, as they call them. The authors encouraged entrepreneurs to translate these leaps of faiths into testable hypotheses that would prove or refute each leap of faith as depicted in Figure 4. An assigned metric is used to measure the outcome. To illustrate this, an example of a leap of faith is the assumption that customers are willing to pay for a particular service. A testable hypothesis could be that ten people sign up to this service within one week. The associated metric is customer count.

Figure 4: A quantitative approach to testing assumptions

A DASHBOARD FOR JOHNNY’S LEMONADE STAND

Hypotheses	Metrics	Actual period 1	Actual period 2	Actual period 3	Insights obtained, course corrections needed
Leap of faith 1: Commuters will stop and buy a refreshing drink					
Hypothesis 1: At least 10 customers per day	Customer count	2 customers	No one stopped in the rain	6 customers	High pricing deters sales, they look, don’t buy; no point in setting up if it rains; seems like demand is somewhat less than Johnny thought.

Note. Reprinted from Mullins & Komisar (2010, p. 4)

The authors listed five areas in which leaps of faith need be articulated and tested in a quantitative manner: revenue, gross margin, operations, working capital and investment. Surprisingly, other, non-financial aspects of the business model that make assumptions as to how to create and deliver value to customers were not addressed in their prescriptive framework.

2.1.2.5 Effectuation mode: a process of doing

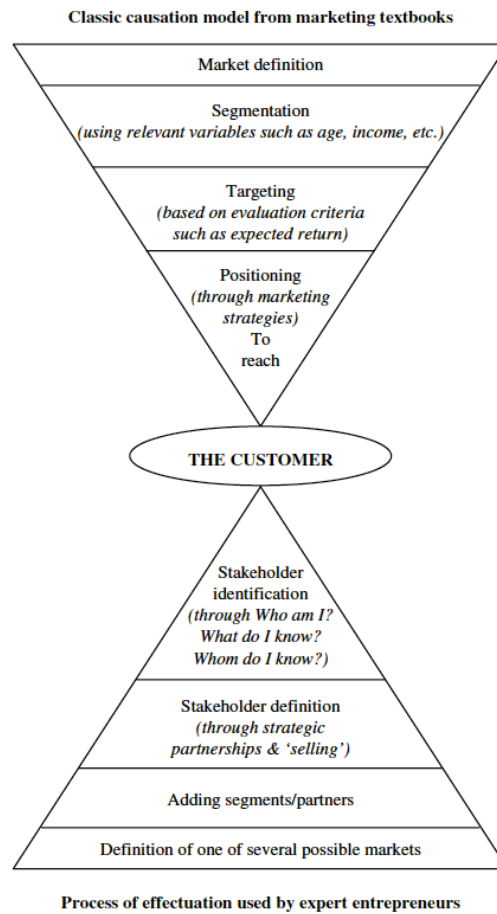
In their comprehensive and ground-breaking research, Dew, Read, Sarasvathy & Wiltbank (2009) found that successful entrepreneurs “invert” the principles of the design school. The researchers first asked MBA students to think aloud while solving decision-making problems associated with the task of creating a new venture. Not surprisingly, the MBA students approached business planning following the design school methods they were taught. For instance, they “picked target segments based on predictive information given to them and followed textbook procedures in arriving at decisions on how to capture the target segments” (Dew et al., 2009, p. 288). On a more abstract level, the students followed what the authors referred to as “casual logic”. In this logic, the students started with developing goals based on predictions. Contingencies were avoided or hedged to make the predictions as accurate as possible. Then, means and casual paths to implement predetermined goals were chosen. The

process of planning in this logic was driven by decision making and choosing between existing options. Positioning was key. The key question was “What are the means needed to achieve my goals?”

Surprisingly, when examining how expert entrepreneurs tackled the same decision-making problems, the authors found that these entrepreneurs ‘inverted casual logic’ and did the opposite. Whereas the students started with a goal and then selected the means they needed to achieve this goal, the entrepreneurs started with the means they had without any bigger picture or vision in mind. They focused on small problems they could fix with these means and did not engage in analytical activities such as calculating the overall odds of their efforts resulting in a successful new venture. All they knew at that point was that they probably could fix this problem and by doing something they would make a difference, which raises the odds of being successful to some unknown degree. In the process of “doing the doable”, goals gradually emerged.

Figure 5 illustrates this in more practical terms. The MBA students started with the end state they desired to achieve. Using their analytical skills and tools, they then engaged in market definition, segmentation, targeting and positioning to finally reach the customer. On the other hand, expert entrepreneurs met people with problems. They asked themselves whether, with the means they had, they could solve this problem. As they were solving problems, they met more people with similar or different problems they could solve. They kept innovating and started to partner up with other people. Market segments became clearer and so did the often new and unanticipated market they found themselves operating in. Similarly, when it came to financial planning, instead of calculating future cash flows or returns on investment, expert entrepreneurs focused on the ‘downside’ and how much they could afford to lose.

Figure 5: Marketing in the design mode and in the effectuation mode



Note. Reprinted from Sarasvathy (2009, p. 39)

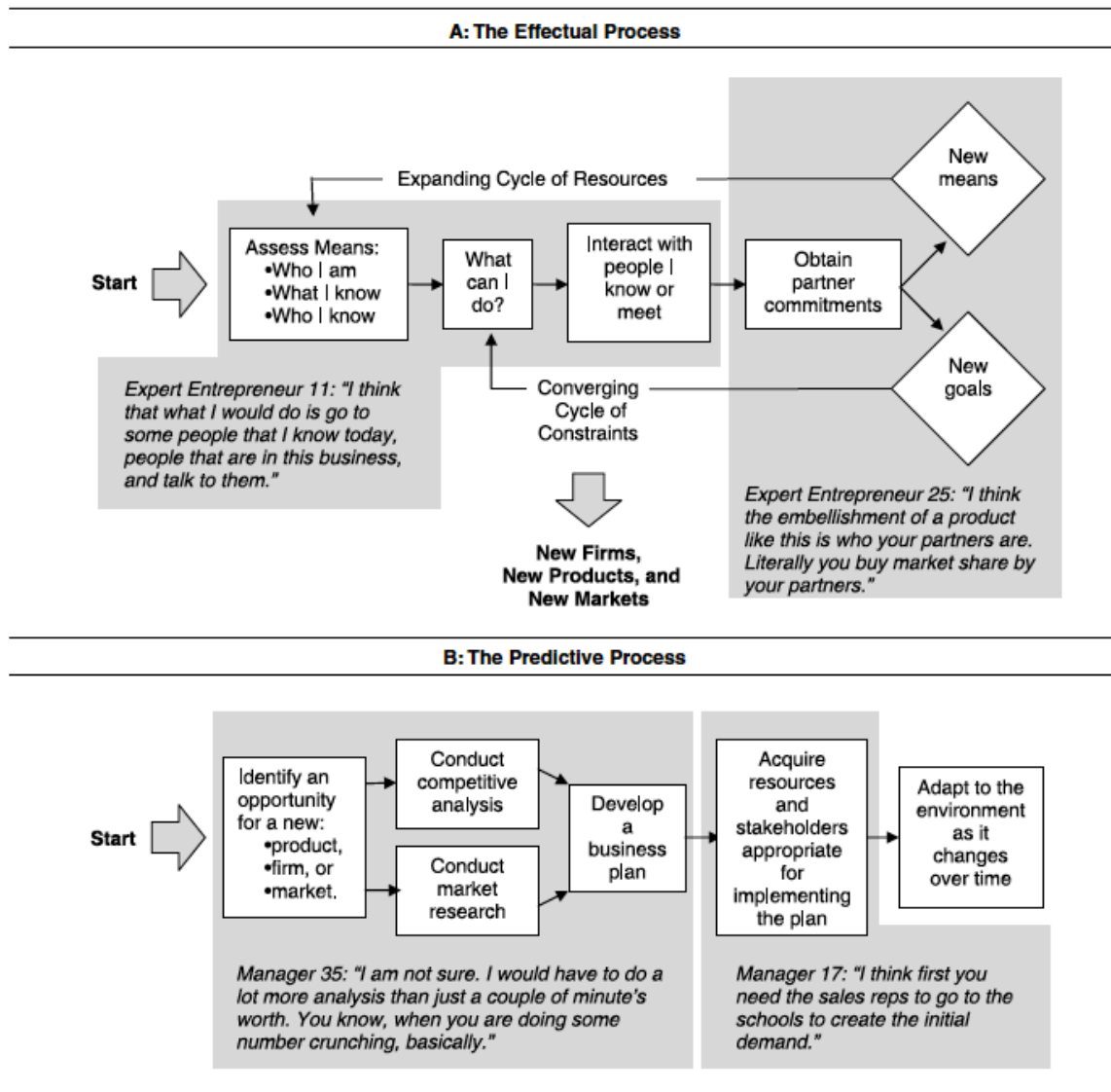
The authors called this modus operandi ‘effectual logic’. They argued that entrepreneurs operate in this logic because they are facing three types of uncertainty – (1) Knightian uncertainty or the problem of unknown probability distributions and even outcomes, which make it impossible to predict outcomes, (2) goal ambiguity or the problem that preferences are neither given nor well ordered and (3) isotropy or the problem of not knowing which elements of the environments they should pay attention to and which to ignore. According to the authors, given these uncertainties, it did not make sense to start the planning with predicting the future. Rather, entrepreneurs operating in the logic of effectuation started with the means they had as shown in Figure 6. Or in the authors’ words, the entrepreneurs proceed “outward from means and causes to new effects and unanticipated ends” (Dew et al., 2009, p. 288) and “emphasis [...] is on creating something new with existing means rather than discovering new ways to achieve given goals” (Sarasvathy, 2009, p. 5). It is casual reasoning reversed as depicted in Figure 7 outlining more detailed decision-making processes in both modes.

Figure 6: Casual versus effectual logic



Note. Adapted from Sarasvathy (2009)

Figure 7: Casual versus effectual cycle



Note. Reprinted from Read et al. (2009, p. 4)

To conclude, casual logic and effectual logic were presented as a dichotomy. Nevertheless, as the authors acknowledged, in the real world entrepreneurs operate in both logics, usually with a tendency towards effectual logic. This is paralleled by another study, which found that both processes are likely to be at work to some extent when planning (Read et al., 2009, p. 4).

2.1.2.6 Implications of the theory reviewed for this thesis

The planning modes presented provide great insights into the ‘logics’ that underpin planning processes. Some theories reviewed even made suggestions how the rough outlines of the planning process could look like. However, many questions remain open. For instance, can entrepreneurs plan in various modes simultaneously? Are these modes tied to certain planning issues or antecedents such as the context the venture is operating in? How does the process look like in detail and what are the outcomes of the process? Fortunately, the planning mode theory provides the foundation needed for a more detailed examination of these and other questions expected to lead to a better understanding of entrepreneurial planning.

2.1.3 Measuring the planning performance relationship

Whereas the literature presented above has mainly been descriptive, entrepreneurship scholars have also given prescriptions as to whether entrepreneurs should plan or not. In order to produce such prescriptions, researchers have measured the impact of planning on new venture performance. Appendix B lists the independent and dependent variable as well as the result, context and dataset of all quantitative studies that were conducted in this field and published in top journals since the year 2000. Surprisingly, as a whole, the results are most inconclusive indicating a positive as well as a negative and in some cases even no relationship between planning and new venture performance.

Those who found a positive relationship have put forward conceptual arguments explaining how planning benefits new ventures. On the other hand, in studies indicating a negative relationship, the drawbacks of planning were outlined. The first section discusses these arguments. The second section is concerned with moderators of the planning performance relationship that were introduced to overcome the aforementioned inconclusiveness. The last section reviews how such theory testing has contributed to an understanding of entrepreneurial planning.

2.1.3.1 Arguments for and against planning

Many scholars measuring the impact of planning on new venture performance presented conceptual arguments supporting their empirical findings. These scholars can be put into two camps: pro and contra planning. The following reviews the arguments of these two camps. In addition, a comprehensive list of arguments put forward is provided in Appendix A.

2.1.3.1.1 Benefits of planning

The benefits of planning can be put into two categories.

First, a written business plan is assumed to help new ventures increase the level of new resources. Such a plan can make the new venture appear structured, well planned as well as established (Karlsson & Honig, 2009). Hence, it can legitimate new, unproven businesses to advisors or potential managers and facilitate the acquisition of major clients as well as convince potential suppliers (Delmar & Shane, 2004; Lange, Mollov, Pearlmutter, Singh, & Bygrave, 2007; Zimmerman & Zeitz, 2002). More importantly, such a plan may facilitate the acquisition of resources by providing “a screening function for financiers” (Burke et al., 2010, p. 395).

Second, going through the process of writing a business plan is said to enhance the efficacy of existing resources. Burke et al. (2010) suggested that a written business plan raises entrepreneurial capabilities and “can make a positive impact on new venture performance by increasing the capability to identify a business opportunity and devise a strategy to exploit it and/or secure resources to achieve these ends” (p. 394). Moreover, such a plan “may actually support improvisational activities by enhancing entrepreneurial decision making” (p. 406), may improve “managerial capabilities to learn and introduce new routines” (p. 406) and finally “can highlight the difficulty of predicting market uncertainties and hence actually prime entrepreneurs to think and respond more effectively” (p. 394). Other studies that looked at the benefits of planning as a process found that planning helps identify goals to accomplish (Liao & Gartner, 2006), turn these goals into concrete operational steps and attain these steps (Delmar & Shane, 2003). In addition, planning is said to enhance the analysis of complex activities (Shane & Delmar, 2004), enable quicker decision making than through trial-and-error learning (Delmar & Shane, 2003) and encourage entrepreneurs to use tools that prevent time-consuming bottlenecks due to bad planning,

2.1.3.1.2 Drawbacks of planning

Given that writing a business plan is a very time-consuming task of 200 hours or more (Lange et al., 2007, p. 238), the opportunity costs for writing such a plan are high. Opponents of writing a business plan argue that the costs of writing such a plan are higher than the benefits and that entrepreneurs benefit more from relying on their intuition (Delmar & Shane, 2003). In particular, such planning was said to lead to lengthy decision processes (Gruber, 2007), hinder flexibility and agility (Dencker et al., 2009), create a false illusion of control (Dencker et al., 2009) and stifle creativity (Gruber, 2007).

2.1.3.2 Moderators of the planning performance relationship

To overcome the inconclusive results produced by studies measuring the impact of planning on performance, scholars have introduced moderators. The following presents the most important of these moderators. A more comprehensive list of all moderators used since 2000 is provided in Appendix C.

2.1.3.2.1 Environmental uncertainty

Gruber (2007) reported that extensive marketing planning was more beneficial under less environmental uncertainty. His findings indicated a negative moderating effect of uncertainty on the planning performance relationship. This view was shared by Bhide (2000, p. 59) who argued that “entrepreneurs cannot expect, in uncertain businesses, to gather reliable data on potential demand and competition”. Other scholars found contrasting empirical evidence. Burke et al. (2010, p. 406) reported that particularly in more uncertain contexts, a written business plan appears to be important because it enhances entrepreneurial decision making and has benefits “in terms of improving the managerial capabilities to learn and introduce new routines”. These opposed results do not surprise considering that previous studies have not accounted for the fact that environmental uncertainty is a very vague term and can mean many things. Given that environmental uncertainty is the moderator most often used, it is important to investigate this issue in more detail.

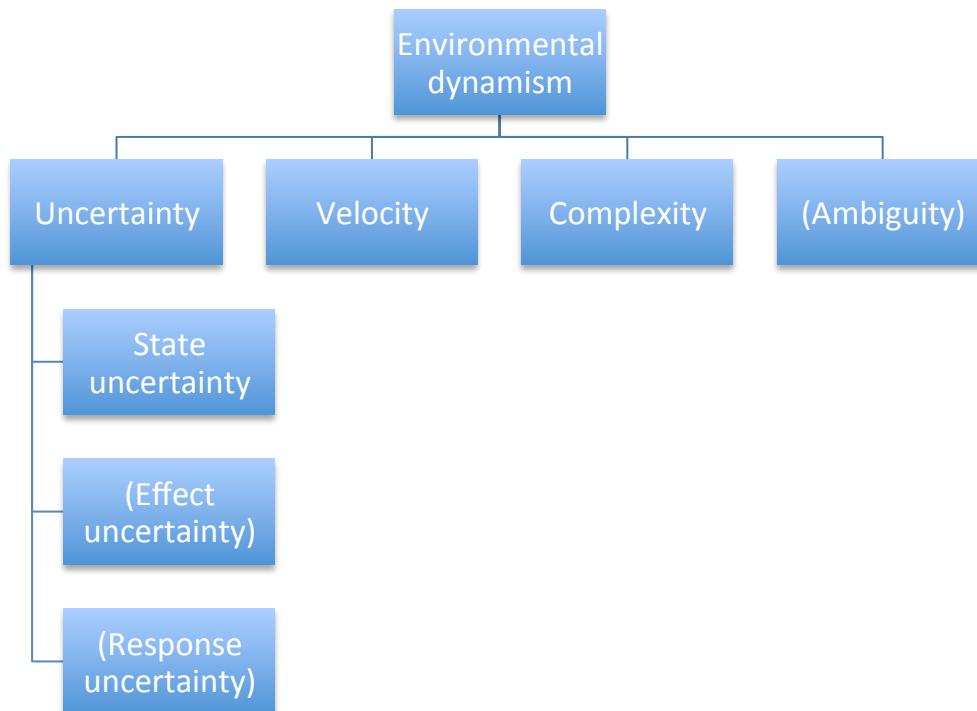
Milliken (1987), a strategic management scholar, wrote a comprehensive conceptual paper entirely devoted to the concept of environmental uncertainty. He suggested that environmental uncertainty has three dimensions – state, effect and response uncertainty. Matthews (1995, p. 35ff), who built on his research, summarised Milliken’s findings:

State uncertainty refers to the inability to understand or to predict the state of the environment [...] Effect uncertainty refers to uncertainty over what the consequences of environmental changes will be on the organization. [...] Finally, response uncertainty relates to organizational response options.

When applying these dimensions to the context of new ventures, only one of these three dimensions is assumed to be of real relevance. Because of the relative simplicity of such firms, one would assume that it is rather easy to estimate how a given change will affect the organisation (effect uncertainty) and what options entrepreneurs have to respond to this change (response uncertainty). In contrast, the inability to predict futures states of the environment is likely to have a significant impact on the benefit of planning, particularly in the context of innovative new ventures introducing novelty to a market.

Such environmental uncertainty should not be confused with environmental dynamism. Instead, as shown in Figure 8 and elaborated by Davis, Eisenhardt & Bingham (2009), environmental uncertainty is one of several dimensions of environmental dynamism. The other dimensions are velocity, complexity and ambiguity. Velocity is “the speed or rate at which new opportunities emerge” (p. 420), which, particularly for certain types of new ventures such as Internet startups, is expected to have an influence on planning of the same magnitude as state uncertainty. Similarly, complexity, “the number of opportunity contingencies that must [be] addressed successfully” (p. 420), can impact planning in certain industries characterised by many scientific, regulatory, safety or commercial requirements. Lastly, ambiguity or the “lack of clarity, such that it is difficult to interpret or distinguish opportunities” (p. 420) is, relatively to other dimensions, expected to have less impact on the planning process.

Figure 8: Uncertainty as one of four dimensions of environmental dynamism



To conclude, the moderating effects of environmental uncertainty have pointed in very different directions. This section sought to establish a better understanding of the various dimensions of environmental uncertainty and make predictions as to which of these dimensions are expected to impact entrepreneurial planning significantly.

2.1.3.2.2 Newness of the firm

The stage of development of the venture is the second most popular moderator. Emerging firms face relatively big trade-offs when allocating limited resources to planning instead of investing these resources in other value-creating activities (Brinckmann et al., 2010, p. 36). Nevertheless, it was found that the newness of a firm has a positive moderating impact on the planning performance relationship (Brinckmann et al., 2010). For instance, Shane & Delmar (2004, p. 781) showed that “new ventures are less likely to be terminated if the entrepreneurs complete business plans before initiating marketing and promotion and before talking to customers”. Gruber (2007, p. 801) reported that new firm creation is a “complex and fuzzy task” and planning “helps entrepreneurs to stretch cognitive limitations and to manage greater amounts of information”. Moreover, in emerging firms, the time span between planning and feedback is much shorter and more transparent, which is said to allow for more efficient planning (Delmar & Shane, 2003; Gruber, 2007; Locke & Latham, 1980). Lastly, it was argued that planning is

very useful for entrepreneurs because it facilitates a better understanding of the relationship between intention, action and performance (Gruber, 2007; Matthews & Scott, 1995) and it helps set out milestones as well as develop the actions to be taken to reach those milestones in a timely manner (Block & MacMillan, 1985; Gruber, 2007).

In summary, academic evidence has suggested that the newer the firm, the more it benefits from planning. This highlights the importance of studying entrepreneurial planning over time.

2.1.3.2.3 Formal output

As a third moderator, the formal output of the planning process was identified in one of the few studies that made a clear distinction between planning as a process and business plan as a formal output of this process. Empirical evidence suggested that having a written business plan had a positive moderating effect on performance (Brinckmann et al., 2010). Several authors have suggested conceptual arguments supporting this effect. Shane & Delmar (2004) wrote that such a plan improves the entrepreneur's effort to gather and analyse information from customers. However, this might not apply to all types of new ventures. As described above, entrepreneurs introducing novelty are often exposed to state uncertainty and particularly when creating new markets, such information cannot be obtained. In addition, Brinckmann et al. (2010) pointed out that a business plan helps entrepreneurs communicate information about their business. This is supported by other studies in which it was found that a written plan helps increase credibility to various stakeholders and investors (Burke et al., 2010; Delmar & Shane, 2004; Karlsson & Honig, 2009; Lange et al., 2007, p. 251; Zimmerman & Zeitz, 2002).

To conclude, empirical evidence has suggested that formal planning outperforms informal planning. Distinguishing between planning as a process and business plan as a formal output of this process is an important step forward in resolving the inconclusiveness surrounding the question of whether entrepreneurs should plan or not.

2.1.3.2.4 Pre-entry knowledge

Knowledge of business activity and management experience gained in the entrepreneur's past were also found to moderate the planning performance relationship. According to Dencker, Gruber & Shah (2009, p. 531), such knowledge and experience has a positive impact on the effectiveness of planning for two reasons. First, founders with more knowledge and experience were said to be better at identifying relevant planning issues and processing information due to

their understanding of the industry. Second, because they are familiar with planning practices, they are more efficient at planning in general. Bhide (2000) paralleled this view and highlighted that previous experience leads to more accurate planning, which in turn leads to better performance.

Burke et al. (2010, p. 401) rejected these claims with their research in which they stated that pre-entry knowledge had a negative moderating effect on the planning performance link. Their sample suggested that “unemployed entrepreneurs are more likely to write business plans”, which led the authors to the conclusion that “low human capital individuals derive greater benefits from writing business plans”. It should be noted that the latter statement is merely a conclusion and not tested against empirical data.

Further investigation of how pre-entry knowledge affects planning is expected to contribute to an understanding of entrepreneurial planning and whether and how it affects planning.

2.1.3.2.5 The need for external finance

As outlined above, a written plan is often assumed to facilitate the acquisition of resources by providing “a screening function for financiers” (Burke et al., 2010, p. 395) and by legitimating the business to external people. Therefore, scholars have argued that if external finance is required for a new venture to succeed, engaging in planning should increase the likelihood of success. Surprisingly, contrasting empirical evidence revealed that the actual content of business plans does not inform the decisions made by U.S.-based venture capitalists. Hence in the U.S., business plans were said to “not play an important role in VC opportunity screening” (Kirsch, Goldfarb, & Gera, 2009, p. 510). This finding was paralleled by a Swedish qualitative, in-depth study which found that in the cases studied, “neither the bank nor the external capital provider seemed to use the business plan for deciding whether to finance the company or not” (Karlsson & Honig, 2009, p. 41). Hence, in contrast to Burke et al.’s (2010) findings, it was concluded that “writing a business plan was only marginally important for the resource acquisition of the studied firms” (Karlsson & Honig, 2009, p. 41). Given these conflicting views, further attention to the question of how the need for finance affects planning is required.

2.1.3.2.6 Capital constraints

Lastly, Bhide (2000) noted that capital constraints moderate the planning performance relationship. Entrepreneurs with less capital struggle to afford “truly objective, statistically

significant data”. Hence, planning under capital constraints is said to be less accurate and therefore capital constraints are expected to have a negative moderating effect on the planning performance link. This negative effect is challenged by the argument that a formal business plan as an outcome of the planning process increases the likelihood of obtaining capital (see section 2.1.3.2.3). Consequently, formal planning could actually help overcome capital constraints and lead to more accurate planning. The question of how entrepreneurs plan under capital constraints is certainly an interesting one and needs to be investigated in more detail.

2.1.3.3 Implications of the theory reviewed for this study

The inconclusive results of studies testing the impact of planning on performance and the conflicting explanations developed as to why planning is good or bad validate the need for theory-building studies in this area. The methodology employed by such studies raises various interesting questions. For instance, instead of measuring planning in terms of having a written plan, do we need to develop a more nuanced understanding of planning? And, as another example, do we need to better distinguish between planning processes and the outcome of such processes?

The moderators reviewed represent a quantitative approach to retrieve a more holistic understanding of entrepreneurial planning. However, such an approach is not suitable for providing “complete explanations of complex phenomenon such as strategy processes” (Hutzschenreuter & Kleindienst, 2006, p. 695). Nevertheless, as indicated in the individual sections, these moderators make interesting propositions and point to issues that upon further investigation are likely to result in an improved understanding of entrepreneurial planning.

2.1.4 Conclusion for academic fields concerned with entrepreneurial planning

This section presented academic fields and approaches that have contributed to an understanding of entrepreneurial planning. Academics have provided a delineation of the phenomenon of entrepreneurial planning, which have helped better understand what entrepreneurial planning is and how it can occur on multiple levels. The planning modes presented helped understand possible ‘logics’ in which planning processes unfold and raised the question of whether entrepreneurs can operate in several logics simultaneously. In addition, the inconclusive results of studies measuring the impact of planning on new venture performance pointed towards a need to establish a more nuanced understanding of planning and a better distinction of planning

processes and documents as outcomes of these planning processes. In addition, the moderators listed by authors of such studies highlighted important issues that are required to be investigated before further testing the effects of such moderators.

The following section combines these insights from various fragmented streams of literature to produce a more holistic and theoretical understanding of entrepreneurial planning.

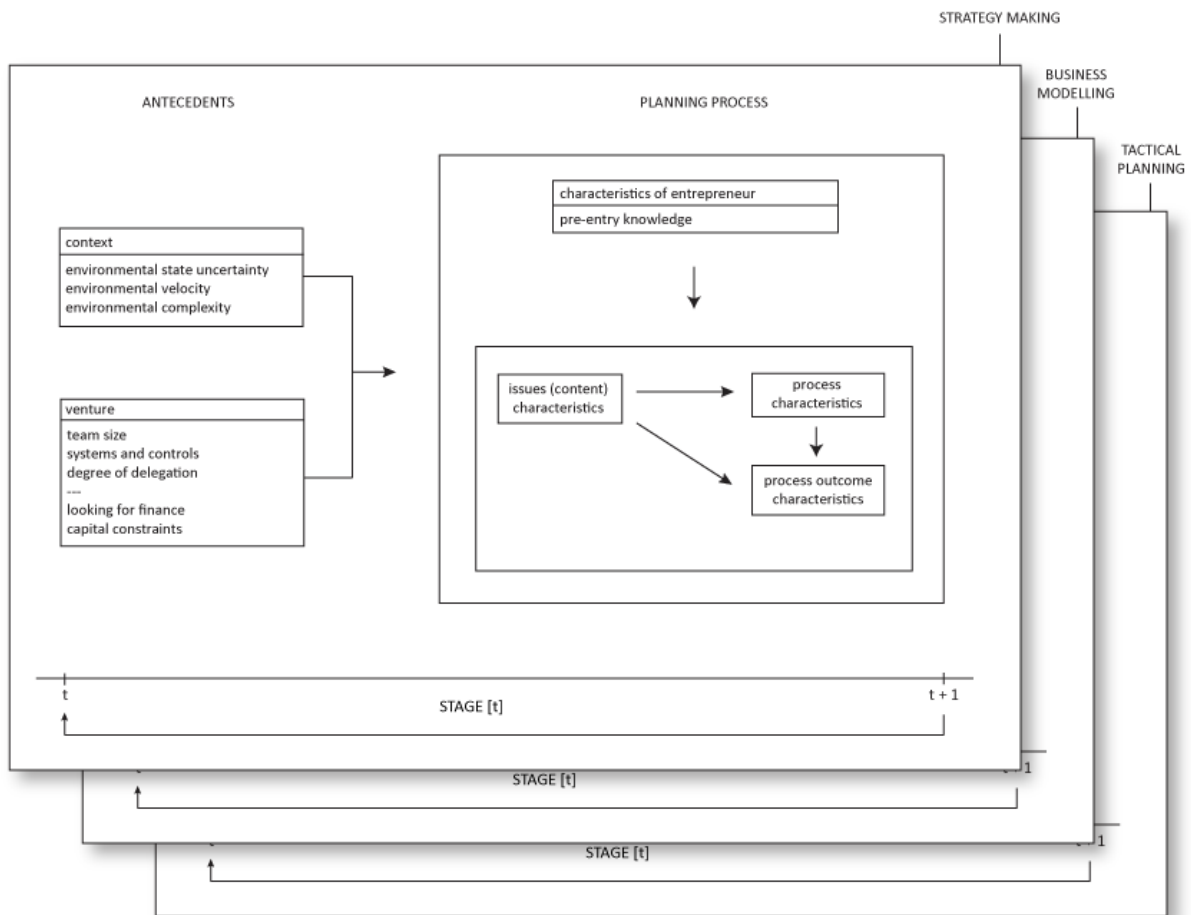
2.2 Developing a theoretical framework

Based on the theory reviewed above and other concepts, a theoretical framework was developed. This framework was not expected to explain planning in new ventures. Rather, it is the combination of important a priori constructs that revealed a vague and preliminary understanding of the phenomenon studied. Its purpose was to guide data collection and analysis. This data was then used to further develop the framework until a good fit between theory and empirical data was found. The following two sections discuss how the two parts of this theoretical framework were constructed.

2.2.1 Processes of entrepreneurial planning

Strategic management research laid the very foundation of the first part of this framework – the processes of entrepreneurial planning summarised in Figure 9. Hutzschenreuter & Kleindienst (2006), two strategic management scholars, developed comprehensive theory that explains the process of strategy making in established firms. The authors clearly separated antecedents, planners, planning issues, planning process and planning outcomes. The theoretical framework developed in this section builds on this theory and translates it to the entrepreneurial context.

Figure 9: A priori theoretical framework



A further inspiration of the first part of this framework were the planning modes – the design mode, the entrepreneurial mode, the learning mode and the effectuation mode – listed in section 2.1.2. Each mode promotes a particular view of what the planning process could look like. For instance, all modes except the learning mode implied that the entrepreneur is the key planner. This confirmed the importance of having the entrepreneur at the heart of the planning process. At the same time, the notion of decentralised planning that may occur once the venture grows, as suggested by proponents of the learning mode, was accounted for by studying decision making over time. Moreover, in some modes, reoccurring planning issues were specified and prescribed. The framework was designed to explore the fit between such theory and planning issues that arose in the cases studied. Of similar interest was the confrontation of process characteristics established in theory with empirical data from the cases.

The three levels of planning – strategy making, business modelling and tactical planning – discussed in section 2.1.1 also informed this framework. Of particular interest when applying

these three levels of planning to the framework was the question of whether a distinction between strategy making and business modelling can be made in practice and if so, how the two concepts relate to each other. Data was also expected to reveal whether concepts from strategic management associated with strategy making could be transferred to the levels of business modelling as well as tactical planning.

Life cycle literature and Churchill & Lewis' (1983) classic article in particular provided further inspiration for antecedents such as size of team, systems and controls, and degree of delegation, all of which can be described as venture characteristics.

Lastly, the framework was inspired by the moderators listed in section 2.1.3.2: environmental dynamism, formal output, newness of the firm, pre-entry knowledge, the need for external finance and capital constraints. Although no relationships or moderating effects were measured, this thesis was driven by a desire to understand how and why certain factors affect planning. The following explains how these moderators were translated into the framework. First, those dimensions of environmental dynamism relevant to the context of new ventures were included as antecedents. Second, the moderator of formal output inspired to explore the outcome characteristics of the planning process. Third, the moderator of newness was also accounted for. In the literature, newness has been used to distinguish between new and established small firms. This research 'controls' for new ventures but the concept of time was relevant nevertheless. Planning was studied as a dynamic construct and therefore explored over a period of time divided into 'stages', which should allow for cross-case comparison. Fourth, the moderator of pre-entry knowledge was added as a characteristic of the entrepreneur. Lastly, the need for external finance and capital constraints were one of several venture characteristics expected to shape the planning process as an antecedent.

2.2.2 Planning archetypes of new ventures

These moderators also inspired to create archetypes of new ventures. Quantitative researchers have used moderators to account for different contexts in which planning unfolds. As outlined in section 2.1.3.2, the introduction of such moderators has done little in resolving the inconclusiveness of studies measuring the planning performance relationship. This does not surprise given that moderators cannot compensate for very diverse samples. According to Miller (2011), "combining apples and oranges and running linear models would still obscure reality if one did not know exactly which (of many) potential moderators mattered" (p. 885). Instead, "it

is useful to distinguish among different types of organizations, to describe each type richly in order to have a sufficiently fine-grained understanding of context, and then to look at relationships among the variables within types” (pp. 885-886). Quantitative researchers have termed this the ‘configurational approach’ (D. Miller & Friesen, 1984). Hutzschenreuter & Kleindienst (2006), who did a very comprehensive review on strategy process research in the context of strategic management, confirmed the usefulness of such an approach. In particular, they found that “the benefit of configurational research may be seen in its potential to offer more useful and complete explanations of complex phenomenon such as strategy processes”. In addition, they expressed that they “anticipate future work to rely more heavily on configurational theory and research than that provided by simple bivariate descriptions” (p. 695). Empirical evidence has shown that a ‘configurational approach’ is particularly suitable when studying entrepreneurial strategy making (Dess, Lumpkin, & Covin, 1997, p. 677).

Therefore, this section seeks to leverage the knowledge that led to these moderators and use archetypes instead of moderators to account for different contexts of entrepreneurial planning. By creating combinations of all moderators reviewed in this research, one could establish dozens of archetypes of new ventures. Nevertheless, when establishing archetypes, there is always a trade-off between the number of archetypes and practicability. Therefore, in this thesis, only the most important moderators inform the development of archetypes. Appendix C lists three moderators that were mentioned by more than one study: environmental uncertainty, newness of the firm and the need for finance. The following reviews whether and how these moderators are suitable dimensions in the task of establishing archetypes.

Environmental uncertainty or state uncertainty, as described in section 2.1.3.2.1, is the moderator most often mentioned. It is often measured in terms of innovativeness of the new venture because the introduction of novelty is the major cause for uncertainty in this context and innovativeness is something that can easily be measured. Such innovativeness is usually associated with a novel product or service. However, as business model innovation literature suggests, innovation can also occur in other aspects of the business model such as the profit formula, the key resources or the key processes (Christensen, 1997). Hence, the dichotomy of executing a proven and existing business model versus introducing a new business model, which may or may not include a new product or service, was used here to establish archetypes.

The second most widely used moderator is newness of the firm. This might surprise given that

Appendix C – as a reflection of the context of this thesis – only lists studies that focused entirely on new ventures and therefore ‘controlled’ for newness. Nevertheless, some scholars have acknowledged that planning is a dynamic rather than a static phenomenon. The moderator of newness was an attempt to reflect this relationship between time and planning. The methodology of this thesis allowed for a much deeper understanding of how time and planning are related. By implementing a time axis into the theoretical framework depicted in Figure 9, close attention was paid to how and why planning evolves and how such development affects the venture and subsequent planning. From this point of view and when taking into consideration that this thesis only looks at new ventures, it would make little sense to create archetypes based on time. Consequently, the moderator of newness did not inform the archetypes developed here.

Lastly, the need for finance was mentioned by some studies. As outlined in section 2.1.3.2.5, formal plans are often used to communicate a business model and establish legitimacy. Therefore, the need for finance is very likely to impose certain planning requirements on the entrepreneur. Hence, the need for external finance also informed the archetypes established.

Figure 10: Archetypes of planning in new ventures

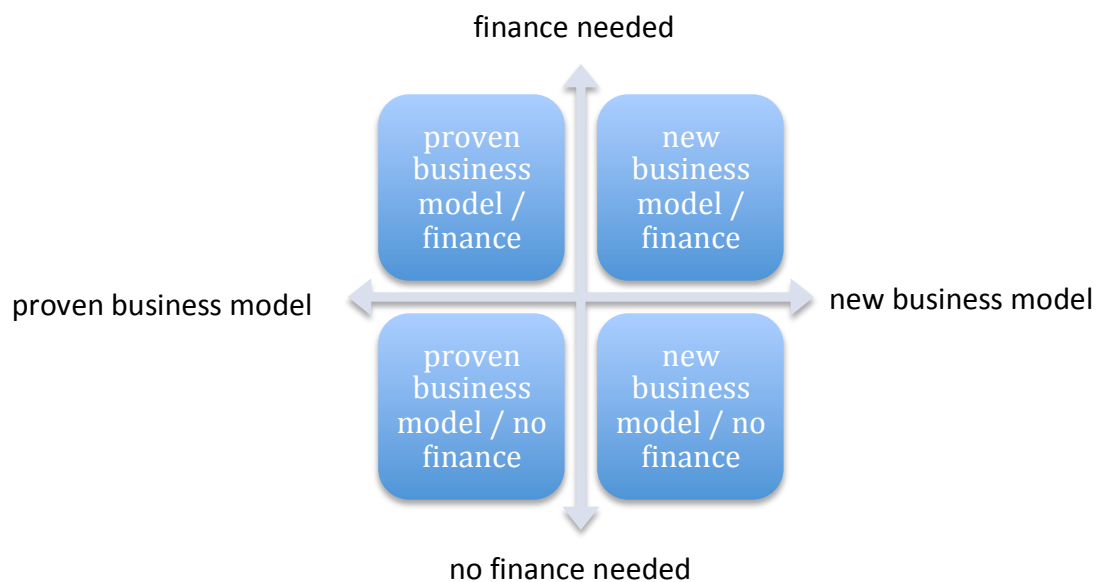


Figure 10 shows the four archetypes established based on the two dimensions mentioned. It is assumed that planning unfolds in very different ways for each of these archetypes. Consequently, these archetypes were used to select the cases of this study.

2.2.3 Summary of the theoretical framework

By combining fragmented theories, a holistic framework shown in Figure 9 was developed to guide this research. Whereas the archetypes developed were used to select cases, the suggested antecedents, issues, sequences of actions and outcomes of entrepreneurial planning as well as the role of characteristics of entrepreneurs in the planning process informed the research questions and underpinned data collection as well as analysis.

2.3 Conclusion to the literature review

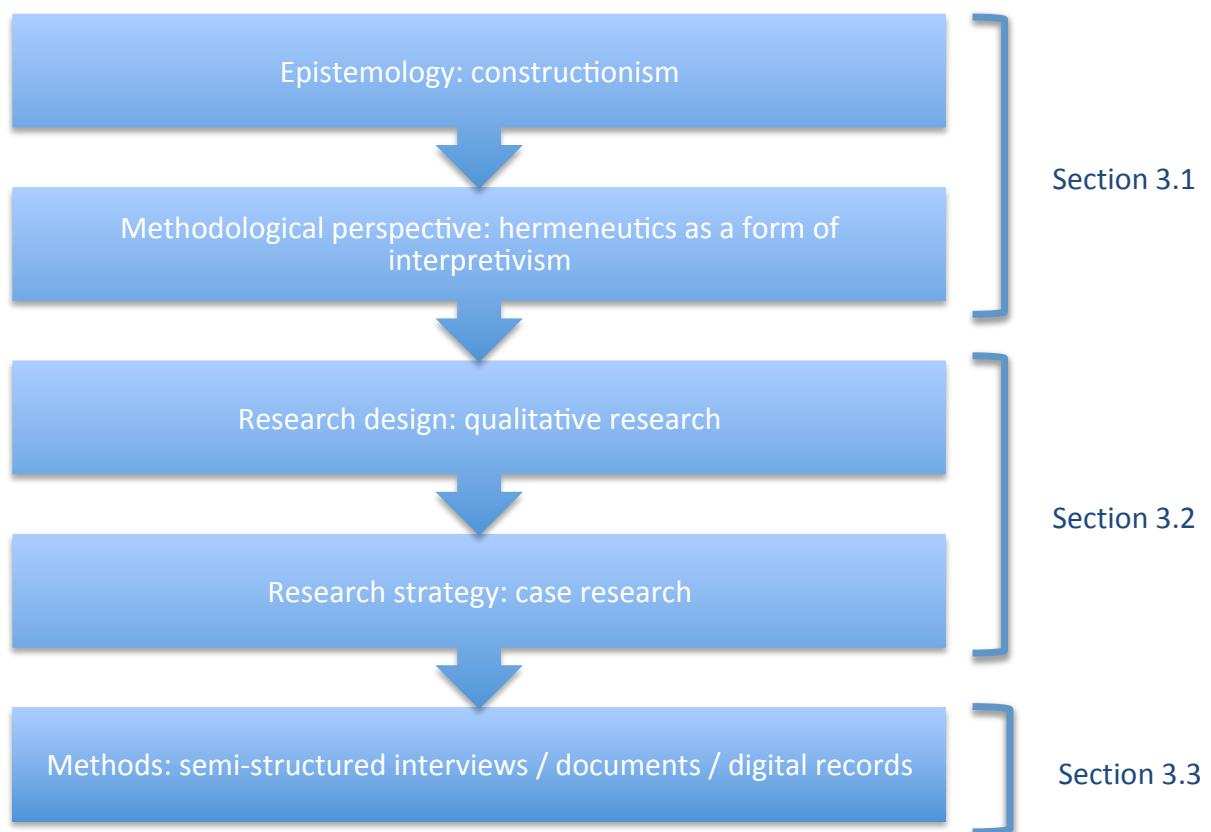
Entrepreneurial planning has been researched for decades. Narrow streams of literature studying such planning from different angles have provided important insights into entrepreneurial planning. Therefore, it made sense to review these findings and combine them into one holistic framework. However, most of the a priori constructs informing this framework are either of conceptual nature or studies testing these constructs have been inconclusive. Therefore, the theory generated in this research needs to be confronted with empirical data. Such confrontation is expected to enrich theory and provide a more accurate picture of how entrepreneurial planning unfolds. The following section discusses the methodology used to confront the theory developed in this chapter with data from the real world.

3 METHODOLOGY

Chapter 2 combined constructs from previous literature to produce a framework that explains entrepreneurial planning in theory. This theory by itself is incomplete and needs to be refined by confronting it with data from the real world. The methodology appropriate for this process is presented in this chapter.

As shown in Figure 11, this chapter can be divided into five parts that inform one another. The first part outlines why constructionism is the epistemological stance aligning best with the purpose of this research. Hermeneutics as the suitable methodological perspective for the task of confronting theory with data is outlined in the second part. The third part explains why qualitative research is the appropriate design in this theory-building study. How case research as the chosen research strategy allows for a holistic understanding of the phenomenon studied is discussed in the fourth part. Lastly, the fifth part provides a detailed examination of the methods used.

Figure 11: Approach to research



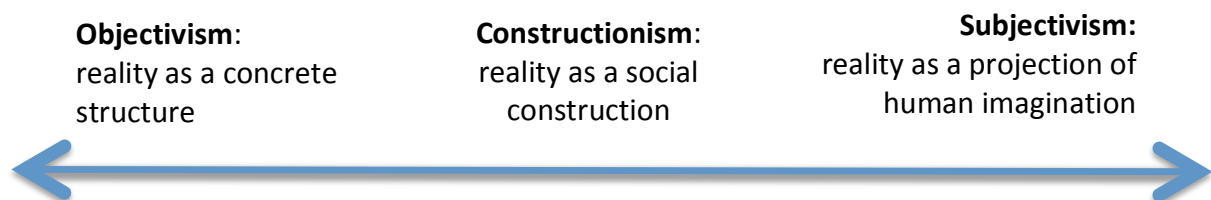
3.1 Epistemological stance and methodological perspective

As highlighted in section 2.1.3, most empirical research studying entrepreneurial planning has been conducted from an objectivist stance and a positivist perspective. Despite three decades of such research, results have been very inconclusive. To overcome this inconclusiveness, the first section reviews various epistemological stances and explains why constructivism is the appropriate epistemology to advance our understanding of entrepreneurial planning. In a similar vein, the second section introduces hermeneutics as the methodological perspective suitable for confronting the theory developed in Chapter 2 with data.

3.1.1 Constructionism as the epistemological stance

As shown in Figure 12, in social sciences, the epistemological assumptions can be considered along a continuum between objectivist and subjectivist approaches (Jaspers, 1956; Morgan & Smircich, 1980, p. 492). The following three sections introduce the basic concepts that underpin the two opposites and the middle of this spectrum. The last section reviews these stances in view of the purpose of this research and outlines how a constructionist stance can contribute to an improved understanding of entrepreneurial planning.

Figure 12: The subjectivist objectivist continuum



Note. Adapted from Morgan & Smircich (1980, p. 492)

3.1.1.1 Objectivism

An objectivist epistemological stance, which assumes that reality “exists in objects independently of any consciousness”, is often informed by the “ontological notion asserting that realities exist outside the mind” (Crotty, 1998, p. 8). Consequently, the objectivist stance maintains that the world consists of objects that carry their context-free meaning intrinsically and humans merely discover this meaning (Crotty, 1998; Seymour, 2006). Because knowledge and the truth are to be found in objects and not in the human mind, objectivist researchers prioritise the study of

attributes of such objects and see the social world as a “hard, external, objective reality” (Burrell & Morgan, 1979, p. 3).

For instance, objectivist researchers could be interested in studying a business plan by analysing the number of pages, the table of contents, the role of the author, the date the plan was produced and whether the new venture had received funding. These are all hard facts and whoever measures these facts will produce the same results. In other words, there is a “real’ reality” (Guba & Lincoln, 2005, p. 193) out there and the researcher discovers “how things really are [...] [and] how things really work” (Crotty, 1998, p. 10).

As a result, the researcher is detached from reality. The rhetoric of such research is formal and the voice of the researcher is a “voice from nowhere” reporting facts (Guba & Lincoln, 2005, p. 209). Because the researcher is merely reporting facts, his or her contribution is expected to be unbiased (Crotty, 1998). Quality criteria are rigour, internal and external validity, reliability and objectivity (Guba & Lincoln, 2005).

3.1.1.2 Subjectivism

On the other side of the continuum are subjectivist researchers. Interestingly enough, a subjectivist epistemological stance does not necessarily reject the ontological assumptions of objectivist researchers (Crotty, 1998; Guba & Lincoln, 2005). Most researchers do not challenge the notion that things existed outside the human mind before the evolution of human species. However, they ask what kind of world there was before conscious beings engaged with it. Many will argue that an intelligible world of meaning only arises when meaning-making beings make sense of it (Crotty, 1998).

Subjectivist researchers are interested in understanding how individuals create, modify and interpret meaning (Burrell & Morgan, 1979; Perren & Grant, 2002). Therefore, they prioritise the subject over the object, by focusing, for example, on consciousness, experience, ego, self and psyche (Seymour, 2006). It is the subject that imposes meaning on the object (Crotty, 1998) and reality is a projection of human imagination (Morgan & Smircich, 1980). There are no objects with intrinsic meaning, we cannot know things as they really are in themselves. Without consciousness or the human mind, no meaning would exist.

Researchers of this stance study what our synthesising cognition makes of the things (Seymour, 2006). They acknowledge that they themselves impose meaning on that being studied and bring

their own bias to the research. Hence, subjectivist researchers express both their own voice and the voice of their participants in their research. Because there is neither an objective truth to be uncovered nor generalisable results, the quality criteria shown in Appendix D are very different from those of objectivist research.

3.1.1.3 Constructionism

In between the two ends of the subjectivist and dualist continuum lies constructionism. Constructionism is distinct from both the objectivist view in which reality exists independent of consciousness and to the subjectivist view in which reality is merely a projection of human imagination. Instead, “truth, or meaning, comes into existence in and out of our engagement with the realities in our world” (Crotty, 1998, p. 8). Individuals construct such meaning as they interact with one another and with objects. Hence, it is through action and interaction that we construct meaning locally and specifically, bound by context and time. Important here is the understanding that in this view “meaning is not discovered, but constructed [...] [and] different people may construct meaning in different ways, even in relation to the same phenomenon” (Crotty, 1998, p. 8).

Hence, similar to subjectivism, in constructionism reality cannot exist without consciousness. At the same time, constructionist researchers take objects seriously. Even though these objects may not carry any intrinsic meaning, it is through the interaction with objects that we construct meaning. Therefore, objects shape meaning. As a result, constructionism brings together objectivism and subjectivism (Crotty, 1998).

Because there is no objective reality, constructionism accounts for multiple ways of making sense of a phenomenon. The focus is on the interaction of human beings with objects and other human beings. As a result, the voice of the researcher is that of “a facilitator of multivoice reconstruction” (Guba & Lincoln, 2005, p. 196). The view on bias and the approach to establish trustworthy research are similar to subjectivism.

3.1.1.4 Review of the epistemological stances in the light of this research

For this research, to be seen in the context in which they arise neither a purely objectivist nor a purely subjectivist stance is appropriate. An objectivist stance conflicts with the purpose of this research for various reasons.

First, this thesis is concerned with how entrepreneurs take an idea, form it into an opportunity and engage in planning to build a viable business around this opportunity. This is in contrast with an objectivist perspective, which assumes that opportunities pre-exist in the world independently of anyone and entrepreneurs merely discover and exploit them. Rather, it is assumed in this thesis that “opportunities are made, not found” (Ardichvili, Cardozo, & Ray, 2003, p. 113) and that entrepreneurs ‘fabricate’ opportunities from the realities of their life and value systems (Sarasvathy, 2009, p. xiii). This process is not following a clear or identifiable path to solution (Styles & Seymour, 2006, p. 131) and therefore challenges objectivist assumptions as to how planning occurs.

Second, this research seeks to understand the planning that occurs when entrepreneurs introduce novelty to a market. “All innovation begins with creative ideas” (Amabile, Conti, Coon, Lazenby, & Herron, 1996, p. 1154) and producing creative ideas is a heuristic rather than an algorithmic process (Amabile, 1996). The concepts of intuition, creativity and novelty are not accounted for in the objectivist worldview consisting of “patterns of observations [...] [and] classifications of kinds and classes of previously known observable events” (Seymour, 2006, p. 141). Therefore, “novelty cannot be understood within a lawful framework” (Seymour, 2006, p. 141).

Lastly, ignoring the subject and focusing on objects such as formal plans reveals little about planning because planning is a social phenomenon. Nevertheless, even if we were only interested in plans, in order to understand a plan we would need to know the context in which these plans arise. Similarly, objectifying the subject, the planning entrepreneur, as seen in the ‘trait approach’ (Gartner, 1988) is unlikely to shed light on the black box of entrepreneurial planning as a process involving social action. Instead, “subjective data are necessary when the primary focus of research is the intentions of entrepreneurs” (Smith, Gannon, & Sapienza, 1989, p. 46).

In a similar vein but for fewer reasons, a purely subjectivist stance is not ideal either. First, some objective attributes of planning artefacts are relevant to this research and therefore should not be ignored. Second, the subjectivist conceptualisation does little to explore the critical social aspects of planning (Carsrud & Krueger, 1995; Seymour, 2006). This is not to say that subjective perceptions of individuals should be ignored in this thesis but rather that these perceptions need to be seen in the context in which they arise, including the interactions individuals have.

Consequently, much better suited is a constructionist stance. The epistemological assumptions underpinning this perspective are aligned with the goal of the thesis. For instance, a

constructionist approach allows us to see planning as a phenomenon “contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context” (Crotty, 1998, p. 42). Such an approach is expected to reveal why entrepreneurs plan a certain way with particular attention to certain antecedents listed in the theoretical framework presented in Chapter 2. In addition, by taking into consideration both the subject and the object, we can study the entrepreneur as the planner and formal artefacts as outcomes of the planning process.

3.1.2 Methodological perspective: hermeneutics as a form of interpretivism

Most constructionist studies draw on interpretivism. The first section explains why this research is no different. The second section discusses how interpretivism can be divided into several disciplines and why, amongst these options, hermeneutics is the methodological perspective that aligns best with this research.

3.1.2.1 Interpretivism as a mean to explain human and social reality

Most business research is informed by positivism, a theoretical perspective rooted in objectivism. As outlined in section 2.1.3, a positivist stance has also underpinned many studies examining entrepreneurial planning. Whereas such positivist science is concerned with gathering empirical data through direct experience to measure the given, interpretivism “emerged in contradistinction to positivism in attempts to understand and explain human and social reality” (Crotty, 1998, p. 66). It was conceived in the belief that humans cannot be studied using a positivist approach. The idea of a value-free, detached observer measuring empirical regularities and universal features of societies with quantitative methods was rejected. Instead, proponents of the interpretivist approach argued that in order to understand individuals and societies, we need to look for “culturally derived and historically situated interpretations of the social life-world” (Crotty, 1998, p. 67). Such an approach allows for deep insight into “the complex world of lived experience from the point of view of those who live it” (Schwandt, 1994, p. 118) and is very compatible with constructionism. The interpreting researcher “documents the [participant’s] point of view and translates it into a form that is intelligible to readers” (Neuman, 1997, p. 72). Hence, he or she acts as a vehicle by which meaning is created (Andrade, 2009; Cavana, Delahaye, & Sekaran, 2001). It is through quality arguments rather than through statistical precision that the interpretivist researcher comes to conclusions (Andrade, 2009). Because

interpretivists interpret and are subject to their bias, “no construction is or can be incontrovertibly right” and researchers “must rely on persuasiveness and utility rather than proof in arguing position” (Guba & Lincoln, 1994, p. 108).

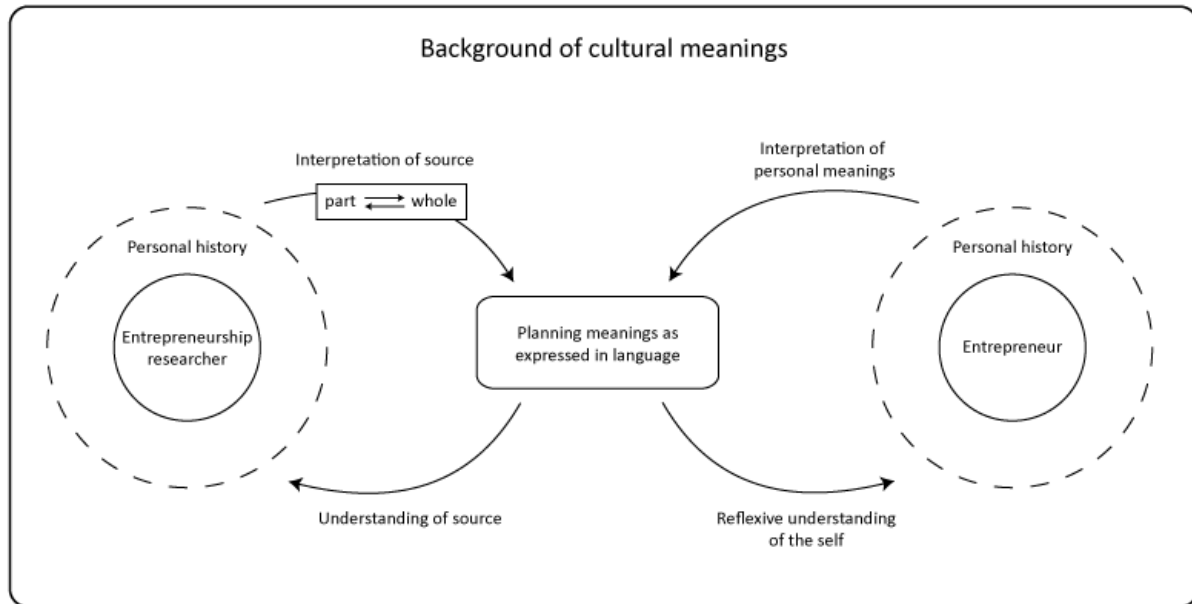
3.1.2.2 Hermeneutics as the chosen form of interpreting

This interpretivist approach has appeared historically in many guises. Crotty (1998) lists the three main streams: symbolic interactionism, phenomenology and hermeneutics. This thesis applies a hermeneutical perspective. The term hermeneutics became popular in the seventeenth century when it represented guidelines for scholars in the practice of exegesis, the interpretation of biblical and other sacred texts. It was recognised that in order to understand extracts of such texts, both the context in which these words were written and the text as a whole needed to be considered when analysing passages. Later, hermeneutics was extended to other sources that were based on language, such as human actions including interviews, conversations, events and situations. This extension was made in the belief that language shapes the situations we find ourselves in, the events that affect us and the actions we carry out (Arnold & Fischer, 1994; Thompson, Pollio, & Locander, 1994). Because the researcher and the informant are embedded in a cultural background, they can interchange meaning through language, “the universal medium in which understanding occurs” (Gadamer, 1989, p. 389).

A hermeneutical approach matches the type of sources that are most likely to reveal insights: written documents such as formal plans, interviews and digital records documenting the growing ventures. In addition, the hermeneutical cycle shown in Figure 13 is most suitable for the task of confronting the theoretical framework developed in Chapter 2 with empirical data. This approach allows theory to be refined by matching it with data in an iterative process until a good fit is found. Such creating of meaning occurs on two dimensions (Thompson et al., 1994). First, interpretation and re-interpretation is conducted by moving back and forth between small parts of a source and the whole understanding of the phenomenon developed. Specific elements are to be revisited and reinterpreted as this understanding progresses. Second, the interpreter uses a priori constructs such as the theoretical framework developed and his or her preconceptions to understand the source. Therefore, other than in positivist research, the researcher serves as an instrument (McCracken, 1988) and prejudice is seen as a necessity in developing understanding and connecting to that being interpreted. This initial understanding is often referred to as the researcher’s horizon. As researchers develop their (pre-)understanding, their horizon moves closer

to the discerned horizon of the source that is being interpreted until researchers are fully capable of accounting for the sense of the source. When this ‘fusion of horizons’ occurs, the interpreter integrates or even encompasses the discerned horizon of the source.

Figure 13: The hermeneutical cycle and the fusion of horizons



Note. Adapted from Thompson et al. (1994, p. 434)

3.2 Research design, research strategy and trustworthiness

Whereas the previous section discussed the philosophical underpinnings of this research, this section is concerned with the scientific principles underlying the organisation of the inquiry of this research. The following three sections discuss different aspects that need to be addressed. The first section explains why qualitative research is the appropriate design in this theory-building study. How case research as the chosen research strategy allows for a holistic understanding of the phenomenon studied is discussed in the second section. Lastly, the third section outlines the measures taken to ensure that this thesis is worthy of trust.

3.2.1 Qualitative research as the research design

Research designs can be considered along a continuum ranging from qualitative to quantitative approaches with mixed methods in the middle. Like all business research, entrepreneurship was originally dominated by strictly scientific research designs employing quantitative techniques to gather and analyse data. Recently, however, even popular, quantitative researchers have started to

see the benefits of qualitative research in this domain. Danny Miller (2011), the creator of the construct of entrepreneurial orientation, which has been used in many quantitative studies to measure entrepreneurship, explains: “entrepreneurship is a complex process defined in part by context and purpose and conditioned by many factors [...] [and] it is therefore best studied up close, at least some of the time”. This is the case with this study. As outlined in section 2.1.3, quantitative researchers have struggled to study planning with quantitative methods. Therefore, before further testing vague theories with such methods, theory in the form of a better understanding of entrepreneurial planning needs to be built.

Qualitative research is the preferred mode of such theory building because it often employs open-ended questions, which facilitate understanding. In addition, a qualitative design is likely to “lead to serendipitous findings” (Miles & Huberman, 1994, p. 1) or “unanticipated events” (Gephart & Rynes, 2004, p. 455), which “help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks” (Miles & Huberman, 1994, p. 1) by iterating through the hermeneutic circle depicted in Figure 13. More specifically, a qualitative approach suits the purpose of this research, which is to understand how planning in entrepreneurial new ventures unfolds in reality. Such an approach allows to focus “on naturally occurring, ordinary events in natural settings, so that we have a strong handle on what ‘real life’ is like” (Miles & Huberman, 1994, p. 10). This understanding is enabled by collecting, analysing and representing data in the form of words rather than numbers (Miles & Huberman, 1994). Words provide thick and rich descriptions, which allow for a holistic and personal understanding (Stake, 2010). In addition, “with qualitative data one can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations” (Miles & Huberman, 1994, p. 1) due to an “emphasis on situational details unfolding over time” (Gephart & Rynes, 2004, p. 455). This data is expected to reveal how entrepreneurs plan differently at different stages as they develop their idea and build a viable business around it.

Hutzschenreuter & Kleindienst (2006, p. 698ff), two strategic management scholars who provided a most comprehensive review of literature on strategy process research, echoed this. They concluded the following:

From a methodological point of view, these concepts [explaining strategy process] require longitudinal research, action science, sequence modeling, ethnographic approach, and case histories [...]. In this regard, the reductionist approach of testing

hypotheses, commonly used in linkage-exploring studies, however, is not suitable. The exploration of complex systems such as organizations or strategy processes unfolding within an organizational context as a whole cannot be studied using linear or approximated linear systems. For such systems, it is extremely difficult to find the specific causes of specific effects. Hence, instead of looking for causes and effects, it is necessary to look for patterns and their systematic implications. Thus, we assume future research should conduct further field studies in different settings to validate the models presented.

Qualitative research also reflects the epistemological stance of this thesis because “qualitative researchers stress the socially constructed nature of reality” (Denzin & Lincoln, 2005, p. 10). Whereas “quantitative studies emphasize the measurement and analysis of causal relationships between variables”, qualitative research can provide “answers to questions that stress how social experience is created and given meaning” (Denzin & Lincoln, 2005, p. 10). Such research is also compatible with the theoretical perspective of this thesis as it “involves an interpretive [...] approach to the world” designed “to make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln, 2005, p. 3).

3.2.2 Case research as the research strategy

Qualitative research can be conducted in many ways, and case research is one of them. Whereas qualitative research refers to the overall design of the research, case research is the research strategy chosen. More precisely, in this research, a case study is defined as “a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world” (Piekkari, Welch, & Paavilainen, 2009, p. 569). The most important part of this definition is the naturalistic and holistic strategy of enquiry, as opposed to a laboratory approach (Piekkari et al., 2009).

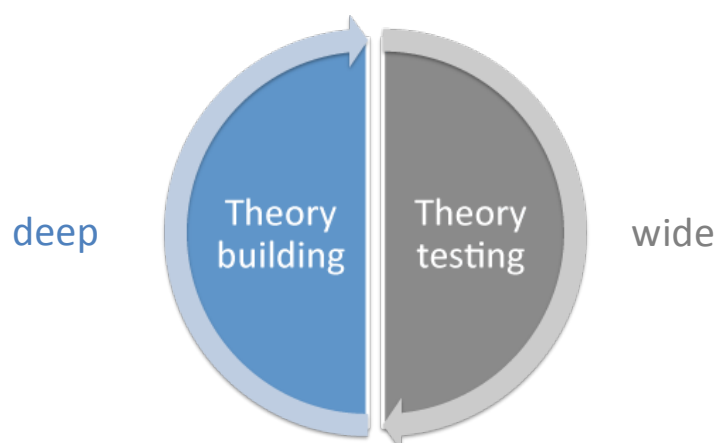
Such research aligns well with the purpose of this research. According to Pettigrew (1997, p. 338ff), case research enables the study of “a sequence of individual and collective events, actions, and activities unfolding over time in context” and “thereby is able to describe and account for how some entity or issue develops and changes over time” as well as how such sequences link to outcomes. Moreover, the case approach as a research strategy is particularly relevant in the context of new ventures, in which it is important to understand behaviours of entrepreneurs (Ireland, Reutzell, & Webb, 2005; Partanen, Miller, Westerlund, Rajala, & Rajala, 2008).

Strategic management scholars who reviewed the majority of studies on strategy process confirm that case research is suitable for collecting data on strategy processes (Hutzschenreuter & Kleindienst, 2006).

3.2.2.1 Various forms of case research and their epistemological underpinnings

Because case research can come in a variety of definitions and forms, it is necessary to further clarify the particular approach taken in this study. Preferences for particular approaches depend on the discipline, time period, context of the research, philosophical underpinnings and the scope and purpose of the research (Piekkari et al., 2009). Most entrepreneurship case research is located on the objectivist end of the subjectivist objectivist continuum (Grant & Perren, 2002) shown in Figure 13. The main authority on objectivist case research is Yin (2009). Known for his scientific approach, he uses case studies to deductively test theory. Consequently, he has a preference for a rigorous, predefined design of the study (Piekkari et al., 2009). Access to personal meanings and richness of data are not his focus (Platt, 1992). Generalisability is achieved through multiple experiments known as replication logic. Eisenhardt (2002), the other objectivist authority, builds on Yin but has a slightly different approach. Eisenhardt sees case research as the theory-building part in the theory-building and theory-testing circle depicted in Figure 14.

Figure 14: Theory-building and theory-testing circle



Therefore, in her view, case studies act as a bridge “from rich qualitative evidence to mainstream deductive research” (Eisenhardt & Graebner, 2007, p. 25). Correspondingly, Eisenhardt acknowledges the importance of a partially emergent design. This is in sharp contrast with Yin’s

approach. He (2009) clearly states that if the research shifts, “you should simply start over again, with a new design” (p. 52) because “the main purpose of the design is to help avoid the situation in which the evidence does not address the initial research questions” (p. 27). Despite this embrace of emergent designs, Eisenhardt’s approach is far from subjectivist case research because according to her, “well-done theory building from cases is surprisingly ‘objective,’” and “the data provide the discipline that mathematics does in formal analytic modeling” (p. 25). Subjectivist case researchers, on the other hand, label Eisenhardt’s attempt to generate theory with objectivist means as paradoxical. These critics claim that data from such ‘hybrid’ research data will “be rather ‘thin,’ focusing on surface data rather than deeper social dynamics” and miss the context. Instead, subjectivist researchers promote holistic, single case studies with rich and thick data that tell good stories rather than create constructs (Dyer & Wilkins, 1991, pp. 613-615). In addition, it is argued that multiple case studies based on the above mentioned replication logic are not even suited for theory testing because the sample size does not allow for generalisation.

3.2.2.2 Constructionist case research

The approach to case research taken in this thesis is between the two extremes of the subjectivist/objectivist continuum. In line with the philosophical underpinnings, the theoretical perspective and the research design, this approach is inspired by Stake (2005), a constructionist and interpretivist case researcher. He dismisses neither single case studies nor multiple case studies. However, in his view, multiple case studies, or collective case studies as he terms it, are not undertaken to achieve generalisability but rather to obtain “better understanding, and perhaps better theorizing” in specific research settings (p. 446). He explicitly reminds the researcher that whereas balance and variety are important things to consider, the “opportunity to learn is often more important” and therefore single case studies are by no means inferior to multiple case studies (p. 446). Stake pays particular attention to context and urges researchers to place their ‘ever-reflective’, interpreting intellect “into the thick of what is going on” (p. 449).

A constructionist case study has a few features worth discussing here. First, it consists of several components and the researcher needs to make a decision as to which of these components he or she wants to study. Certain components lie within the boundaries of the case whereas others lie outside. Conducting research inside the boundaries can reveal activities such as the approach to planning taken by entrepreneurs. Because situation often shapes activity, it is also important to look at elements outside the boundaries to understand the context in which action arises. This

can, for instance, reveal antecedents of entrepreneurial planning. A visual representation of each case and its boundaries as well as its context is provided in section 3.3.2. Second, when writing up a multiple case study, the researcher faces a trade-off between theory and empirical richness. Researchers on the objectivist side such as Eisenhardt (2007, p. 29) recommend that “the overarching frame of the paper is the theory, and each part of the theory is demonstrated by evidence from at least some of the cases”. In a constructionist study, thick and rich descriptions are favoured instead. This is accomplished by “articulating a theorized story line, or a particular kind of plot that relates the field and academic worlds” (Golden-Biddle & Locke, 2007, p. 26). Third, a constructionist case researcher quotes participants to illustrate a point they make, to demonstrate the difference and similarity in views, to provide the language of participants and to show how these participants make sense of the world (Corden & Sainsbury, 2006). Fourth, the writer has to choose whether to use active or passive voice. Given that revealing the researcher’s bias contributes to good qualitative research, it makes sense to use active voice throughout the subsequent chapters. Fifth, through a close interaction with that being studied, the researcher becomes a ‘passionate participant’ (Andrade, 2009; Guba & Lincoln, 1994). Whereas positivist scientists see the inclusion of the researcher’s bias as flawed, interpretivists appreciate such involvement because it provides an opportunity to get deep insights and the sort of understanding constructionist researchers are seeking. Lastly, Stake (2006) mentions three criteria that define a good case selection: (i) a selection of cases relevant to the phenomenon studied, (ii) a selection of cases providing diversity across contexts and (iii) a selection of cases allowing for learning about complexity and context. Section 3.3.2 addresses how these criteria were met in this research.

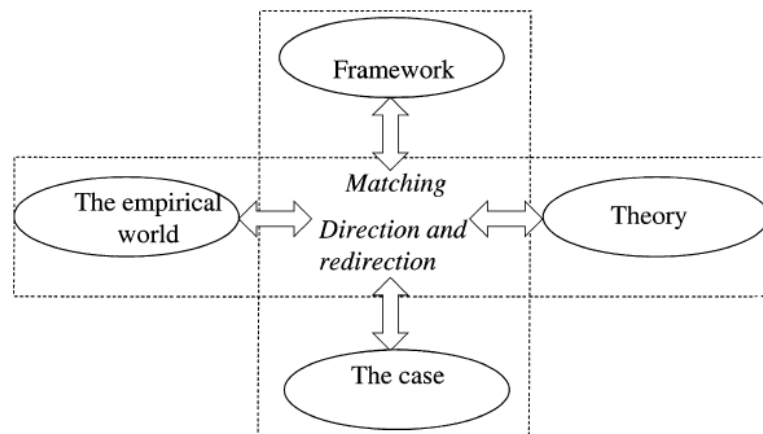
3.2.2.3 Systematic combining: a framework for case research

Dubois & Gadde (2002) provided a framework for case research that aligns with the methodology outlined in this chapter.

The framework of ‘systematic combining’ is based on the concept of abduction as opposed to induction or deduction. Abduction is a term coined by Charles Peirce, who argued that “discovery rests primarily on abductive reasoning” (Van Maanen, Sorensen, & Mitchell, 2007, p. 1149). Other than in grounded theory, a researcher with an abductive approach does not start his or her study with data. Instead, existing theory is taken and refined in “a continuous movement between an empirical world and a model world” (Dubois & Gadde, 2002, p. 554). This

movement is guided by an intertwined as opposed to a linear process and informed by the belief that “theory cannot be understood without empirical observation and vice versa” (Dubois & Gadde, 2002, p. 555). As shown in Figure 15, two processes guide research that is informed by this concept: matching theory and reality as well as direction and redirection.

Figure 15: Systematic combining as an abductive approach to case research



Note. Reprinted from Dubois & Gadde (2002, p. 555)

Matching theory and reality is the process of going backwards and forwards between theoretical framework, data sources and data analysis. All research, even grounded theory, starts with some theory we consciously or unconsciously carry with us. Dubois & Gadde encourage researchers to explicitly develop theory and a framework before collecting data. As the researchers learn from the data they collect, they then return to these a priori constructs to refine them. The refined concepts inform future data collection and so forth. This is in line with the core idea of iterating through the hermeneutical circle to develop understanding.

Of equal importance in developing this understanding is the second process, the directing and redirecting. As the researcher gains insights, he or she might discover new dimensions of the research problem. This can inspire the researcher to alter the theoretical framework, the methodology and the case selection. Contrary to some people’s expectations, all these three elements are neither loose nor completely emergent. Rather, they are pre-structured and evolving. This idea of evolving theory and methodology is in contrast to the traditional structure of articles and theses. In this structure, theory, methods, data and findings are kept separate and isolated from one another, which reflects the linear process of theory testing. Although the number of alternative designs in journals is increasing, authors of such studies often still follow the

traditional structure when writing up their research because it is such well-established practice. This thesis is no different. Nevertheless, there are a few things that can be done to account for the abductive approach taken here (Dubois, 2007). For instance, the casing process and how the researcher’s understanding of the case evolved are made explicit. Moreover, the reasons for redirecting the thesis and how it affected subsequent decisions are mentioned. Lastly, reinterpretations that took place in the course of the research are revealed to the reader.

3.2.3 Establishing trustworthiness in this study

Trustworthiness is the measure of the quality of research and therefore an important issue to discuss. For those readers interested in detailed information, Appendix D highlights how trustworthiness can be measured in qualitative research. Building on this, Appendix E outlines means to establish such trustworthiness. The remainder of this section focuses on the specific measures taken in this research to ensure that this thesis is worthy of trust. Equally important, measures outside the scope of this research that cannot be met are also discussed. Each of the following paragraphs corresponds to one criterion listed in the second column of Table 2.

Table 2: Measures taken to achieve trustworthiness in this research

Interpretivist criterion Miles & Huberman (1994, p. 277ff)	Measures taken or not taken
<p><i>Authenticity:</i> “Do the findings of the study make sense? Are they credible to the people we study and to our readers? Do we have an authentic portrait of what we were looking at?”</p>	<p>(Prolonged engagement) Persistent observation Triangulation Peer debriefing Member checks Discrepant information</p>
<p><i>Fittingness:</i> “Are they [the conclusions] transferable to other contexts? Do they ‘fit’?”</p>	<p>Thick descriptions Purposive selecting</p>
<p><i>Dependability:</i> “The underlying issue here is whether the process of the study is consistent, reasonably stable over time and across researchers and methods. [...] Have things been done with reasonable care?”</p>	<p>Dependability audit</p>
<p><i>Confirmability:</i> Intersubjective agreement</p>	<p>Confirmability audit Clarify researcher’s bias</p>
<p><i>Application:</i> The potential of the study to do something</p>	<p>Produce actionable findings</p>

To address the first criterion of prolonged engagement, the time constraints of this thesis did not allow for spending extensive time in each of the ventures studied. One exception was the case of Spreets. I worked for Spreets as a part-time graphic and web design freelancer from June 2010, four months after launch, until I decided to include Spreets in this research in August 2011. Although I mostly worked from home, I received a deep understanding of the company and the issues that emerged as it grew. In addition, at the time of writing I had been involved in the entrepreneurial technology scene in Sydney for two years, which facilitated the sourcing of cases. Spending this amount of time around entrepreneurs made me understand how entrepreneurs 'tick' and the planning approaches Internet startups favour. These and other observations equipped me with knowledge that helped develop theory when iterating through the hermeneutical cycle.

Persistent observation or focusing on few issues and going deep were central to this research. The theoretical framework that underpins this research as well as the interview questions were designed to gather detailed insights into specific issues. The same applied to follow-up interviews or interviews with different informants within the same case. In such interviews, the focus was on very specific questions.

The concepts of triangulation and 'multiple lines of sight' (Berg, 2004, p. 5) also informed the design of this thesis. Where possible, multiple informants were interviewed. In addition, for each case, different sources were collected and analysed.

Peer debriefing, the process of having 'disinterested peers' looking at the truth value of the findings, was only partly conducted. Preliminary findings were presented at several annual progress reports in front of other scholars, who provided feedback. In addition, my supervisor, who cannot be considered a 'disinterested peer' in a narrow sense, gave comprehensive feedback on the conclusions drawn.

Member checks were performed during interviews by probing as well as by feeding back statements and also after the interview by sending informants the write-up of their case and asking them to point out any inaccuracies.

Where it made sense, negative or discrepant information running counter to the themes and revealing different perspectives was included in the data analysis and presentation.

Thick descriptions that illustrate the context in which action or behaviour arose were provided. In particular, cases were described in depth and informants were cited whenever the informant's voice was expected to help the consumer of this thesis understand the issues at hand as well as the conclusions drawn.

'Purposive selecting' was sought through careful selection of cases, participants and documents to ensure variety and a new understanding of the phenomenon studied. Section 3.3.2 discusses the topic of case selection in more detail. In addition, where possible, informants including co-founders, investors and incubators were purposefully selected to obtain different perspectives. However, access to all informants that were expected to have interesting information was not possible in all cases.

Several people contributed to a dependability audit. Professors and fellow postgraduate researchers of the same faculty gave great input every time I presented my thesis at the annual progress reports. In addition, I received feedback on the design of the thesis through informal talks and email exchanges with peers I met at the University of Sydney as well as at conferences. My supervisors also constantly reviewed this research.

As mentioned in section 3.2.3, neutrality was not sought in this research. Therefore, a confirmability audit was not conducted. Instead, Appendix F clarifies the bias that, I as the researcher, bring to this study. This clarification goes beyond confirmability or neutrality. It equips the consumer of this thesis with more context, which is expected to enhance the reader's understanding when interpreting the findings. However, the full bias that I bring to this research cannot be provided for two reasons. First, researchers are not consciously aware of their full bias. Second, the space given only allows for a summary.

This links to the last measure of achieving trustworthiness in this research, the creation of actionable findings. A detailed overview of the contribution of the findings is given in Chapter 6.

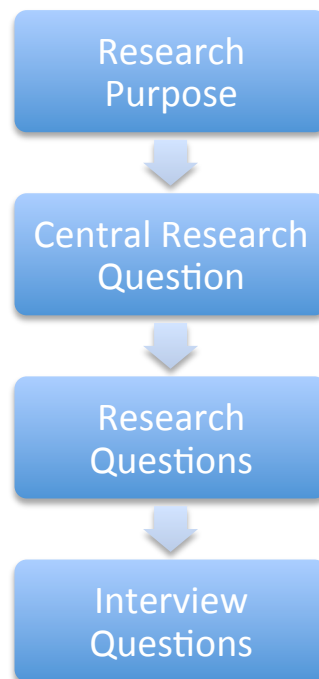
3.3 Methods

This last section describes the procedures used in this thesis to gather and analyse data. It is divided into four sections. The first section is concerned with the how interview questions were developed before collecting data. Details about the collection of data are presented in the second section. The third section illustrates how this data was analysed. Lastly, data presentation is discussed in the fourth section.

3.3.1 Developing interview questions

As Wengraf (2001) described in his compendium on semi-structured depth interviewing, good planning is essential because the outcome of an interview can never be expected to be significantly better than the questions asked. The following addresses a few questions shown in Figure 16 that helped shape the interview questions.

Figure 16: Preparing interview questions



Note. Adapted from Wengraf (2001, p. 157)

As mentioned in Chapter 1, the ultimate purpose of this research is to produce theory that, combined with efforts from other scholars, can be used to reduce the high failure rate of entrepreneurs. To build such theory, this thesis addressed the central research question of how entrepreneurial planning unfolds. To produce more specific research questions, a theoretical framework was developed in Chapter 2. As shown in Table 3, the research questions were aimed at understanding the individual parts of this framework. In the interviews, I encouraged participants to explain me how their venture developed over time and how they approached planning. I started with asking “How did you come up with this business idea?” and moved along time by asking “What happened next?”. The following interview questions were used to probe where necessary:

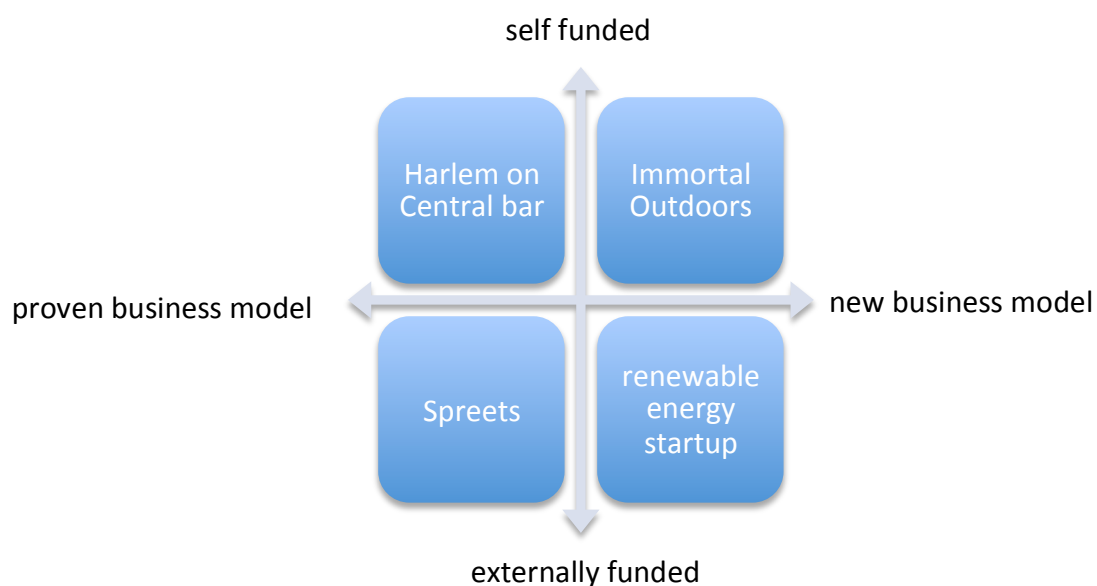
Table 3: Research questions and interview questions used for probing

Research question: Understanding...	Interview question
Antecedents	What required/inspired you to do XYZ when planning? Who did you talk to outside the company, what was discussed and how did these conversations benefit you?
Characteristics of the entrepreneur	Before becoming involved in this venture, how much did you know about the industry and planning and how do you think this affected your contribution to this business?
Planning issues	What sort of issues kept you awake at night?
Sequences of actions	How did you address this particular issue?
Outcomes of the planning process	Did you produce any documents in this process?

3.3.2 Collecting data

Based on the archetypes developed in section 2.2.2, four Sydney-based cases (see Figure 17) and one pilot case were selected. The following four sections discuss the rationale behind case selection and how data was collected for each case. A more general description as to how interviews were conducted is provided in the last section.

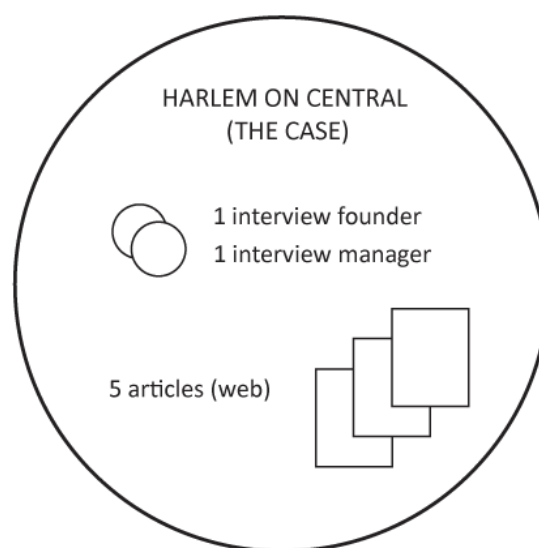
Figure 17: Archetypes of planning in new ventures



3.3.2.1.1 Case 1: Harlem on Central Bar

The first case was Harlem on Central, a bar in a beach town suburb of Sydney. The two entrepreneurs who built the bar did not receive any investment. In addition, the business model of bars was well proven. The bar opened in November 2011, five months before I conducted the interviews. As shown in Figure 18, to study this case, I first collected various online documents that explained the business. I then interviewed one of the owners and five days later I conducted a follow-up interview with one of the managers.

Figure 18: Data collection for Harlem on Central



3.3.2.1.2 Case 2: Immortal Outdoors

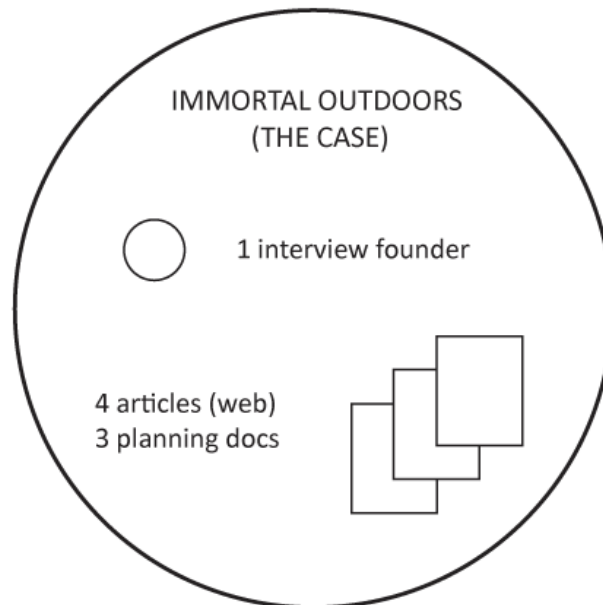
Immortal Outdoors is an innovative business taking guidebooks online. The business model was unproven and Shane, the founder, had no intention to receive investment:

I'm really different to most people in the startup community and it still confuses me a little bit. But everyone's so focused on having their idea, and pitching their idea, and getting investors. It's like that's success. You've got to get an investor whereas I've come from this... I just make stuff and it makes me money, and then I leverage up. And I really like that. I'd much rather make a profitable business that works under its own steam than me to get investment.

For this case I only conducted one interview. Before meeting up with Shane, I went on Google to learn more about Shane's past and to get a better understanding of his business. During the

interview, Shane introduced me to the NEIS curriculum and allowed me to take pictures of various documents he was given by the lecturer. Moreover, he showed me other planning documents he used. These sources are summarised in Figure 19.

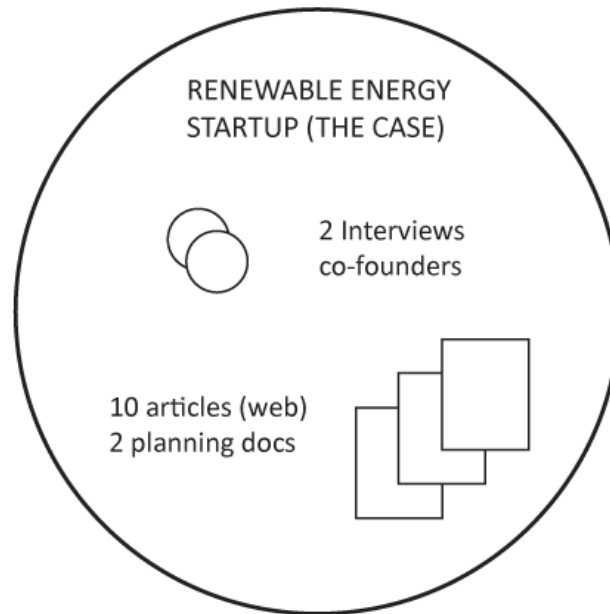
Figure 19: Data collection for Immortal Outdoors



3.3.2.1.3 Case 3: Renewable energy startup

For the third case, a renewable energy startup with a novel business model, the co-founders chose to remain anonymous. In this startup, many years of research were needed to develop new technology. This resulted in several rounds of investment to pay for the high upfront costs. Before interviewing the first co-founder, I did some online research and collected a smaller number of documents explaining the business as well as the background of the co-founders. I then conducted an interview with the first co-founder. As I was writing up the case description, more questions emerged and I arranged an interview with the second co-founder to clarify these issues and to triangulate. During these interviews the co-founders shared two planning documents with me. All data sources are summarised in Figure 20.

Figure 20: Data collection for renewable energy startup



3.3.2.1.4 Case 4: Spreets

Spreets, a collective buying platform, introduced an existing business model to the Australian and New Zealand market. The business received one round of investment shortly after launch.

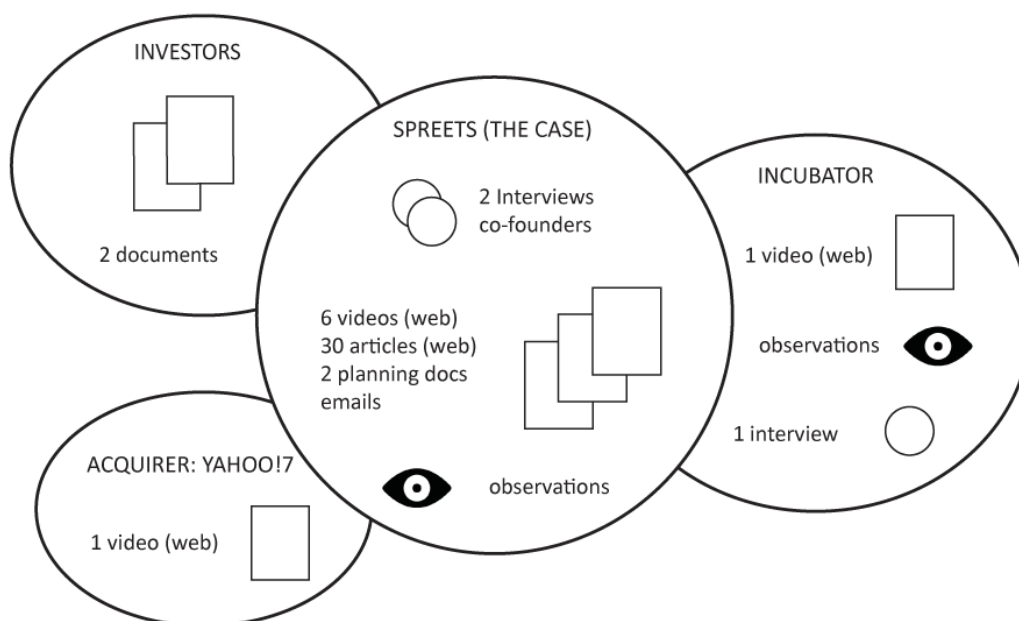
The data collected and fed into the hermeneutic circle came from various sources as shown in Figure 21. I conducted one interview with each of the two co-founders to get multiple perspectives and to triangulate. The observations I gathered as a contractor for Spreets helped me understand the issues discussed in the interview. Moreover, both co-founders showed me planning documents they used. Prior to the interviews, I collected all relevant data I could find on the Internet. Because the entrepreneurs exited with a \$40 million deal in less than one year after launch, Spreets received a fair amount of attention from the media. The information gathered and published together with emails I received from my time working there as a subcontractor helped me develop a detailed timeline. In addition, I looked up people on LinkedIn.com to understand their background. Most interesting were the many videos I found of the co-founders speaking about how Spreets managed to become so successful. This already gave some indications as to how the entrepreneurs planned.

I also collected data about Pollenizer, Spreets' incubator. Before conducting this study, I was already exposed to the planning approach Pollenizer promotes. When Spreets was still operating out of Pollenizer's office, I spent some time there in my past role as a contractor for Spreets.

Moreover, I attended a few talks given by key people at Pollenizer and I spoke to other entrepreneurs that were incubated by Pollenizer. When conducting this research, I found an interview with Mick Liubinskas, one of the two co-founders at Pollenizer, that summarised Pollenizer’s promoted planning mode very well. To get a second perspective, I interviewed the other co-founder Phil Morle, who was the person at Pollenizer most closely involved with Spreets.

Additional data included a press release of Yahoo!7 in the form of a video. Unfortunately, Spreets’ investors were not available for an interview. The only relevant information I could find were two online documents outlining the investors’ backgrounds.

Figure 21: Data collection for Spreets case



3.3.2.2 Conducting interviews

The interviews and follow-up interviews lasted between 15 and 120 minutes, depending on the role of the person interviewed and the amount of data already collected for that particular case. Interviews were recorded and notes were taken during the interview. In the first few minutes I usually engaged in some informal talking to take the interviewees’ mind off the hectic day. Then questions more relevant to this research were asked. The first question was always a very broad and open-ended one such as “how did you come up with the idea of starting this business?”

Already in the first interview, I became aware of the power of not interrupting the interviewee. Not only did the things the interviewee said naturally in his or her flow of speak provide answers to questions I had not even asked but this technique also produced data for emergent themes. Once the interviewee stopped talking, I either started to probe or to ask questions that had not been answered. To ensure that I covered all issues, I brought a table with me that mapped stages and other a priori themes. As shown in Figure 22, this table included data that I collected prior to the interview either online or by interviewing others within that particular case. I used the empty boxes to tick off the issues discussed. When the interview came to an end, I made sure I did not turn off the voice recorder until leaving the building because as I heard from other researchers, it is not uncommon for the interviewee to express some interesting final thoughts after the official part of the interview.

Figure 22: Table used for the first interview with Spreets

	idea in SV	Xmas party?	launch 4 Feb	inv 26 June?	talking acq. Nov	acq 20 Jan
	nascent idea	actively pursuing idea	launching	scaling	pre-acq.	post-acq.
Team	1	1			45 (at acquisition)	1st June: 76
Systems						
Delegation						
Finance						
Capital constraints						
Issues						
inc / inv / acq		Pollenizer	Hommels, Jung		Yahoo7	
Process						
Outcome						
Knowledge						

3.3.3 Data analysis

Interview transcript and other documents were imported into NVivo. After importing, I started coding using a priori themes that were based on the framework developed in Chapter 2. More codes were added in search for correspondence and patters. As the codebook grew, it needed to be consistently maintained, which is fairly easy to accomplish with NVivo. In addition, while coding, I wrote up the case descriptions. As suggested by the hermeneutical cycle, each section I wrote I had to revisit many times to include new findings and to account for different perspectives from different informants.

3.3.4 Data presentation

Presenting data was harder than anticipated and I had to change the structure of each case description many times to make it read well. Each structure starts with an introduction to the venture, which helps the reader better understand what follows. The remainder is composed of a theorised time line. Time was divided into stages and each section is devoted to one stage. For each stage, more contextual information is provided in the first section. The other sections highlight observations related to the theoretical framework and observations of emergent nature. As suggested when addressing the issue of trustworthiness in section 3.2.3, the informants' voice was included in the case description. Furthermore, wherever it made sense, visuals were used to facilitate the understanding of complex issues.

3.4 Conclusions to the methodology

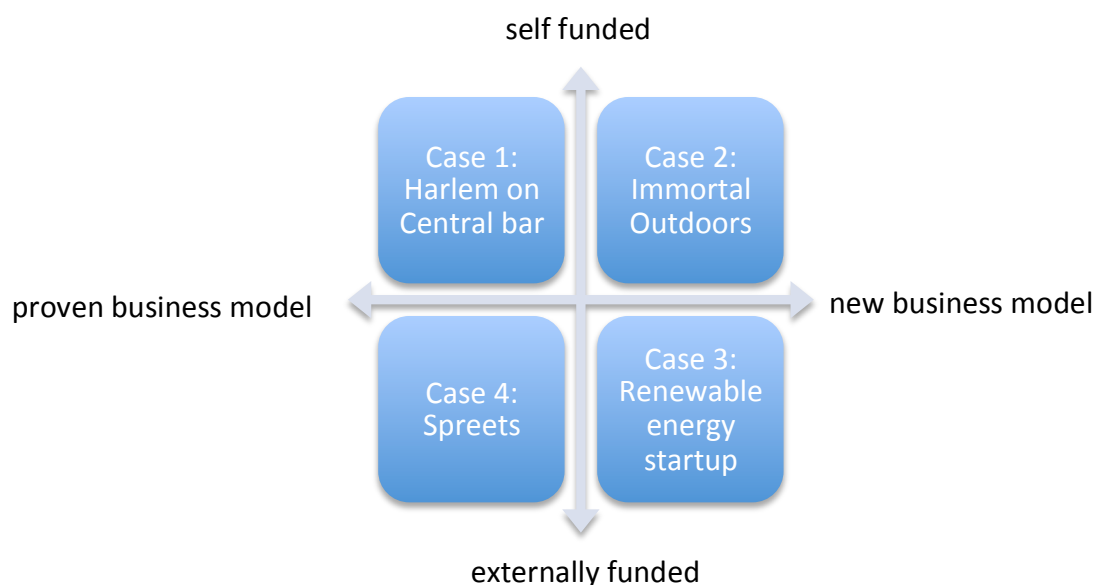
This chapter outlined the methodology appropriate for advancing our understanding of entrepreneurial planning. The constructionist epistemological stance chosen allows us to study entrepreneurs engaging in planning as subjects, outcomes of this planning process as objects and social contexts which may shape the planning process. To refine the theoretical framework presented in Chapter 2 with data from the real world, a hermeneutical approach was chosen. Hermeneutical research matches the type of sources – formal plans, other documents and interviews – that are most likely to reveal insights into the phenomenon studied. In addition, the hermeneutical circle is built to iterate between theory and data to develop theory until a good fit is found. With respect to the research strategy, qualitative case research was selected. This enabled the building of new theory and a holistic understanding of entrepreneurial planning by studying it in its natural setting. The last section presented how the selection of cases, as well as the collection and analysis of data, is grounded in theory and followed clear procedures. In addition, the section outlined the structure of the next chapter in which data is presented in the form of case descriptions.

4 FINDINGS FROM THE CASES STUDIED

This chapter embeds the reader within the rich context of the cases studied (see Figure 23) before analysis and findings are presented in the following chapter. Each case starts with a short description of the venture. The subsequent sections within that case represent periods of times or stages. For each stage, atheoretical descriptions of the relevant context as well as antecedents, processes and outcomes of entrepreneurial planning are described.

As the reader will notice, not all cases were conducted with equal depth for various reasons. First, not all ventures had gone through the same amount of stages. In addition, the level of access to data varied from case to case. Lastly, some ventures required more planning than others, resulting in longer descriptions. For the sake of readability, the cases in this chapter are presented in order of complexity, starting with the shortest and least complex case.

Figure 23: Selected cases

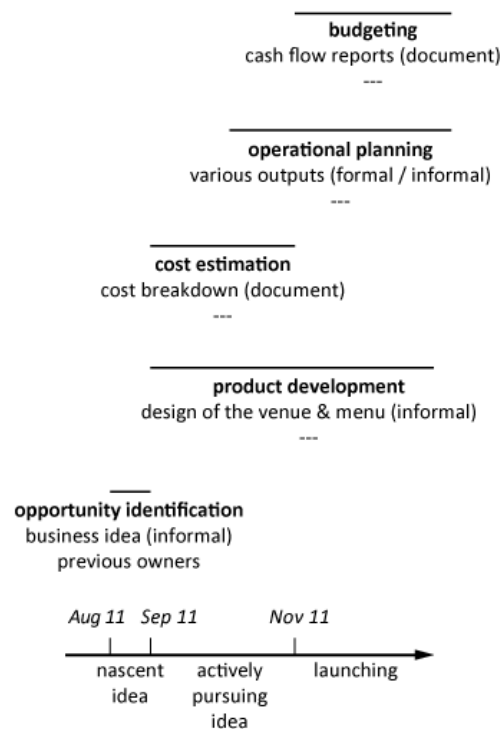


4.1 Case 1: Self-funded startup with proven business model

Harlem on Central is a bar in Manly, a beach town suburb of Sydney. It is run by Kieran Bailey and Adam Clark, two serial entrepreneurs in the hospitality industry. Manly and its surrounding suburbs maintain a strong mainstream pub culture, to which Harlem on Central with its unique theme somewhat runs counter. More precisely, it is a dark, sleek and elegant 1920s-style bar with

distinct furniture. The bar opened in November 2011, four months before I interviewed Kieran, one of the two owners, and Davide Zanardo, one of the managers. The following sections discuss the outcome of these interviews along three stages: nascent idea, actively pursuing idea and launching. A summary of planning issues, outcomes and external people involved across stages is provided in Figure 24.

Figure 24: Harlem: Planning issues, outcomes and external people involved



Note. For each planning issue, the first line represents the issue, the second line the outcome and the third line the external people involved.

4.1.1 Nascent idea

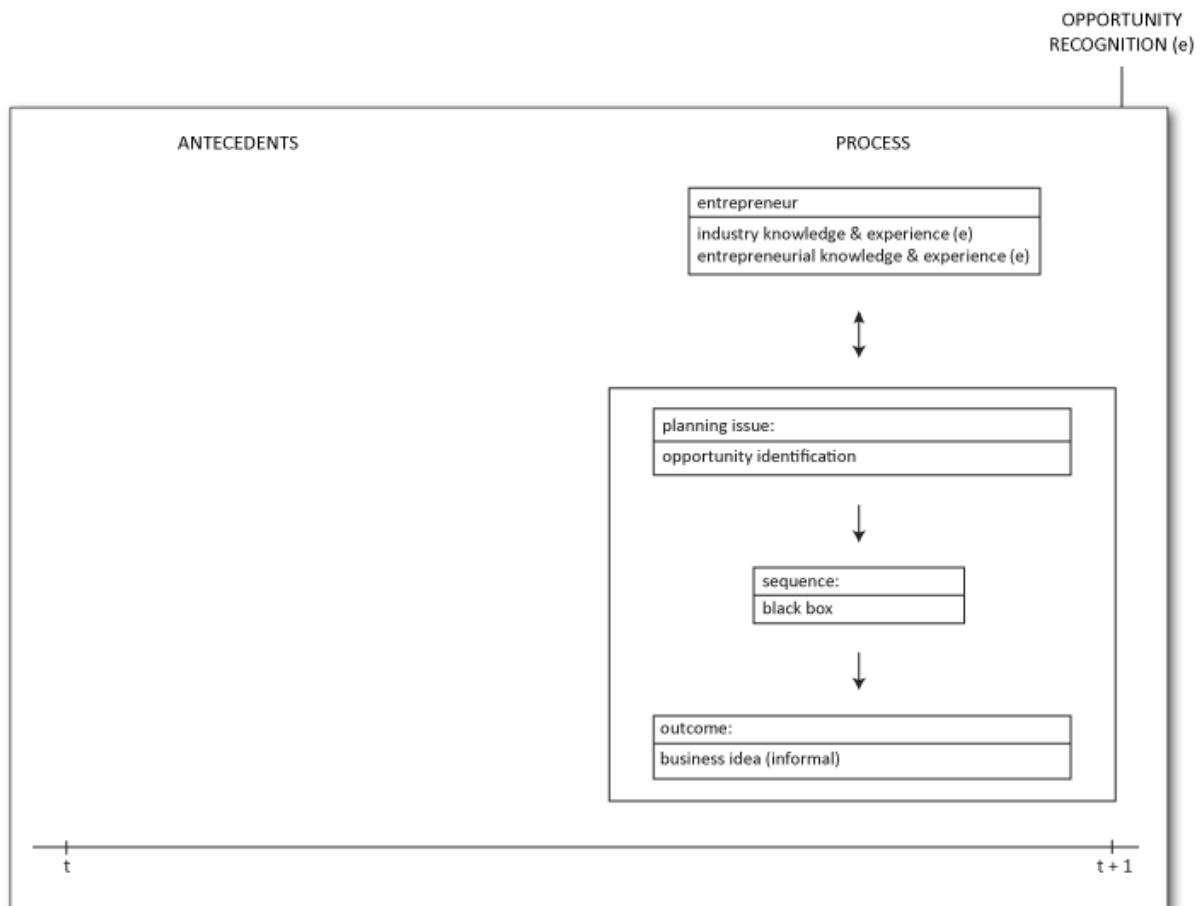
4.1.1.1 Contextual information

The Harlem on Central bar in Manly was Kieran Bailey’s brainchild. Kieran grew up in Birmingham, England. At the age of 18, Kieran started his career as bartender. He worked in some of the better-known bars both in his hometown and in London. He then became Brand Development Manager for Campari, Diageo, Smirnoff and other brands. In 2006, Kieran moved to Australia. His initial plan was to find work as a Brand Development Manager. In the course of seeking work, he made some interesting observations about the differences between the industry in London and Australia:

Tried to continue the brand work while I recognised that Australia as a marketplace wasn't ready for the level of brand work [...]. Everything was still very slow, very just driven by the big drinks companies. No kind of boutique approach to anything. It wasn't about style. It was more volume and quantity as opposed to style and substance.

Therefore, Kieran skipped his initial plan and started to work as a manager of a venue in Manly called 'Henry Afrikas'. While managing Henry Afrikas, he opened another, smaller bar, 'Miss Marleys', with his new business partner, Adam Clarke. In the process of opening this bar, the three owners of Henry Afrikas decided to go out of business in May 2010. Kieran and Adam took over Henry Afrikas and renamed it 'Sugar Lounge'. While owning and managing two bars, the two business partners built up a relationship with a woman who owned the venue that later became Harlem on Central. The woman and her husband who owned the previous venue – 'Frankies Number' – decided to sell the business. Kieran and Adam bought it and started their third bar, named Harlem on Central, in Manly. At the same time the two entrepreneurs opened a small restaurant next door. The following section elaborates in more detail how the process depicted in Figure 25 unfolded.

Figure 25: Harlem: Planning process at stage of nascent idea



Note. Emergent constructs are marked with '(e)'.

4.1.1.2 Planning process

When working hard to establish Sugarlounge and Miss Marleys, Kieran and Adam had no plans to open another bar. However, when they found out that the owners of Frankies Number decided to go out of business, they saw an opportunity and took it. Because of their connections and their experience in starting new bars, Kieran and Adam knew that they could build another bar and make it profitable:

In regards to legalities and licensing and that kind of thing, the reason why we've done business in Manly now in four occasions is because we know the system, we know the people, we understand the hurdles.

Hence, without going into the depths of cognitive psychology and opportunity recognition processes, it can be said that industry knowledge and entrepreneurial experience had an impact

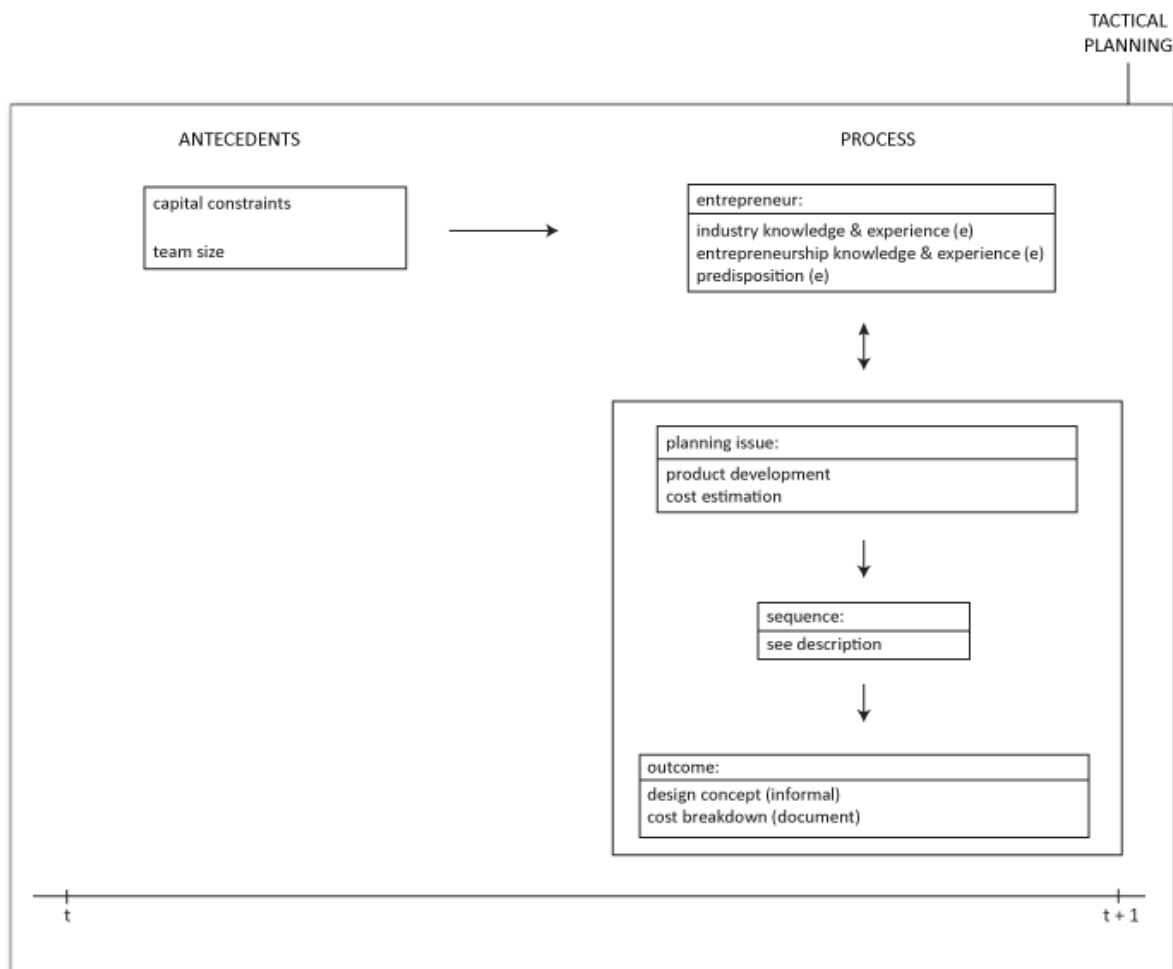
on the opportunity evaluation process.

4.1.2 Actively pursuing idea

4.1.2.1 Contextual information

While managing the other venues, Kieran and Adam built the interior of the bar. Most of the work they did themselves and they often worked until three o'clock in the morning. The challenge was to build something distinctive with attention to detail and at the same time launch as soon as possible in order to have revenue coming in. The following section provides a more detailed report (see also Figure 26).

Figure 26: Harlem: Antecedents and process at the stage of pursuing idea



Note. Emergent constructs are marked with '(e)'.

4.1.2.2 Antecedent and planning process

Business modelling was not required because of the owners' past experience in setting up bars. Instead, Kieran and Adam first focused on creating a "concept" for the venue. This concept evolved around the design of the bar and the menu, which on a more abstract level could be referred to as the product. The knowledge Kieran gained working in the industry helped him in this process:

Yeah, the thing with working for lots of numerous drinks companies in lots of nice bars everyday of your life, you see concepts, you see ideas, you see things you like so, you know, when I walk into a space, I've got concepts in my head and I think that this concept will work in this space, you know? [...] I said to Adam what about Harlem? And he was like yeah, because about twelve months ago prior to that, we discussed about a concept called Harlem, of kind of modern American dude food if you like [...] bourbon, whiskey, scotch, gin. [...] There was a Harlem in London that I used to go to, so we knew roughly what the space looked like, so when we had to get into design, conception, planning, the only thing we had to work out was what era of Harlem. We're gonna go 1920s or 1970s, '80s, more grungy warehouse feel because we had two different looks.

The process of designing the venue did not result in any formal document. However, a "mood board" was used:

We figured out in our head. We did a little bit of a mood board, so we just collated, some images, put them onto a board then we're looking at types of colour scheme, type of furniture, etc., drapery, you know, and all that kind of thing.

In addition, a very rough cost estimation was produced:

We thought, we'd cost it out, cost of labour and raw materials and etc. Furniture and accessories was a little bit harder because we just didn't really know what rare pockets of lime wood would be required so you know, extra lamps or side tables or stuff like that. So we had what we thought we need to just open, and we always knew that there's gonna be, have to be contingency funds for finer detail, and I suppose, yeah we wrote down some things on a rough scale. Nothing precise, nothing that we'd probably go back to now and say this is what we forecasted for,

with a final structure to it.

Experience in the industry, capital constraints and the fact that only two people were involved in building the venue led to a less rigorous budgeting process:

But when you're that close, finger on the pulse, [...] if you don't know the industry, you don't what you're looking for [...]. And if you've got loads of money, then you probably have that [a rigorous budget]. You probably have someone do it and give you a proper work it out and cost breakdown. When you're the only operator, and [...] you're gonna be doing the work yourself, if something pops up, you need it [such as a piece of furniture], you need it. You're gonna get it.

This is closely linked to the owners' preferences for a more experimental approach to planning:

We had an idea of what we're looking for, but we didn't really do a floor plan per se until we had more of the furniture and more of the look and feel, because when we do a floor plan we also have to distinguish how much of the space is for dining, how much is just for lounging and drinking. So it was hard to do the floor plan until we really had a true perspective of what we were gonna try [...] We bought way more furniture than what is here now, we sent half of it back, because, like the chair you're sitting in, you know, we had three of them. Where would we have put three of them? [...]

Main challenge is cash flow [...]. We bit into half the budget, smashed up a few walls and graffitied, tagged, and bought some second-hand leather couches. And as the concept developed we realised [...] that [it] requires finer detail [...]. So we probably spent close to 80 to \$90,000 more on the fit out than what we wanted and what that really amounts to is probably 50 to 75% overspend.

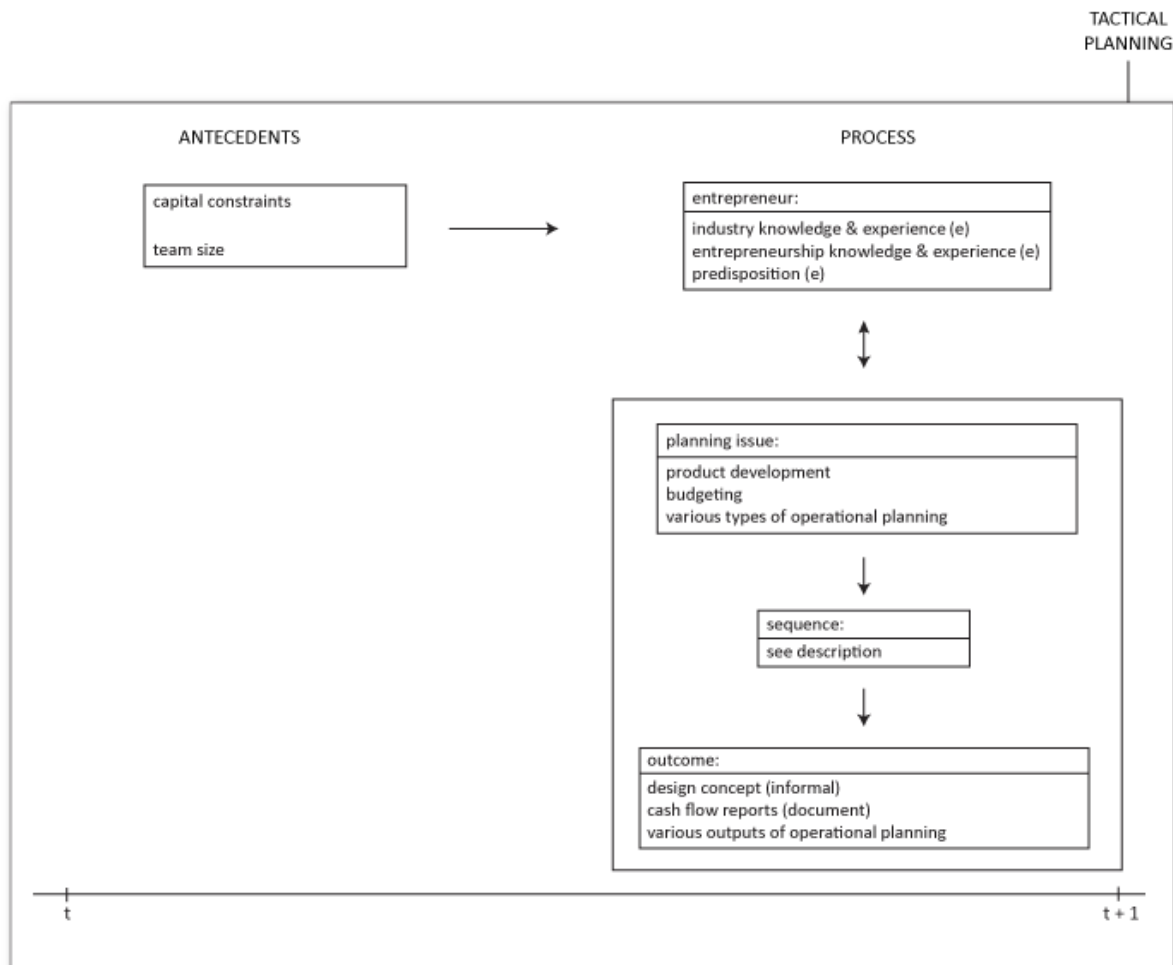
4.1.3 Launching

4.1.3.1 Contextual information

The bar owners assumed the process of building the bar would take 8 weeks from when they started to actively work on it. Despite the hard work they put in, it took 14 weeks to build it and the bar opened in November 2011. Kieran reported that the extra time they spent on refining the

details of the interior was worth the delay because part of the value proposition was to offer a unique space. Since Kieran and Adam owned other bars, this delay was not a problem for the staff because they could work at other venues while Kieran and Adam were finishing Harlem on Central. The antecedents and planning process relevant to this stage and visualised in Figure 27 are elaborated in the following section.

Figure 27: Harlem: Antecedents and planning process at the stage of launching



Note. Emergent constructs are marked with '(e)'.

4.1.3.2 Antecedent and planning process

Designing the interior and the menu was an “ever-evolving thing” and remained a planning issue after launch.

In regard to budgeting and monitoring cash flow, Kieran found that establishing a new bar in Manly takes time, resulting in a net loss at the beginning. Because he and his business partners

ran other bars in Manly, they could afford such a loss. They kept an eye on the numbers but they did not create a formal cash flow statement or forecast with clear-cut goals. Rather, Kieran stressed the importance of allowing for a bit of experimenting:

With this, come to scrutinise the books, saying we're looking at something that's been open for three and a half months, and be over analytical; it might alter the way we do things. We might start making these knee-jerk reactions and saying it's not working, this isn't working, etcetera. And I think that it's gonna be given a proper time.

Kieran also made some interesting comments on his predisposition. He spoke about the importance of gut feeling and being open to change, which, amongst other factors, led to a more hands-on approach to building the business:

As for sticking to a plan and, you know, saying "Well, this is what we had said we're going to do, so it's what we gotta do." No way, there's no rules to that. You gotta change with the feeling.

Lastly, Davide Zanardo, one of the managers, explained the more day-to-day planning that was required after launch. This included the organisation of staff training twice a week, usually once a week just between managers and other staff and another time every week with an external person such as a brand ambassador of a beverage company. One manager was responsible for ordering food and drinks in accordance with the budget given, a task for which he produced a list. Another manager took care of the roster, which was of informal nature due to the small team size. Entertainment was another frequent planning task, which, for instance, involved hiring DJs and making sure that entertainment costs were within the scope of the budget.

4.2 Case 2: Self-funded startup with unproven business model

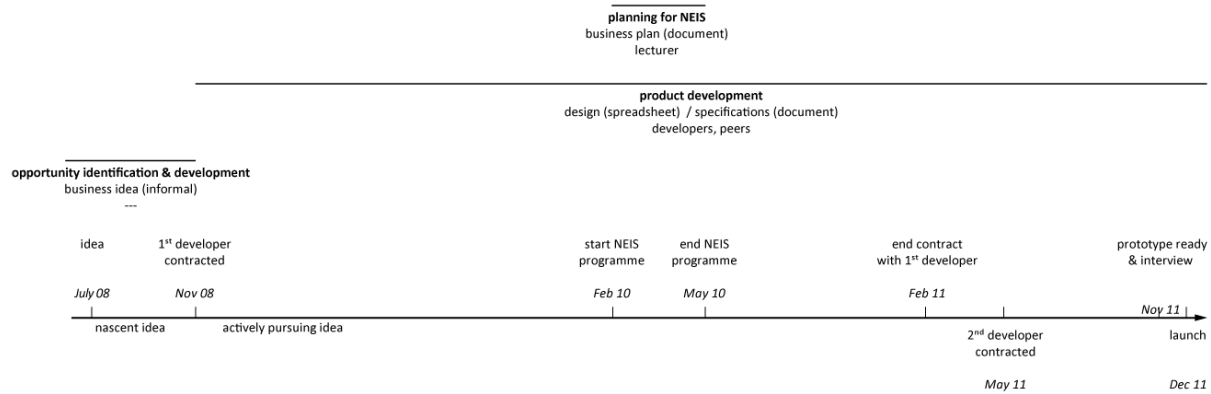
Shane Greenup started Immortal Outdoors. As a canyoning enthusiast he was frustrated with the lack of good guidebooks available on this topic. This inspired him to build a platform that allows users to create, browse and read online guide articles of various types of outdoor activities. The novelty lies in the implementation of a map interface through which users co-create and browse these reports (see Figure 28). I interviewed Shane shortly before launch. Therefore, only two stages were applicable: nascent idea and actively pursuing idea. These two stages are discussed in the following sections. A summary of planning issues, outcomes and external people involved in

the process is provided in Figure 29.

Figure 28: Immortal Outdoors website

The screenshot displays the Immortal Outdoors website interface. At the top, the logo 'IMMORTAL OUTDOORS' is on the left, followed by navigation links for 'ARTICLES', 'FORUM', and 'MEMBERS'. A search bar and 'Login / Register' links are on the right. The main heading is 'Mapping The Outdoors'. Below this is a map of a region with 'Bungonia Recreation Area' highlighted. A sidebar on the left lists 'ARTICLE TYPES' with checkboxes for 'General Outdoor', 'Bicycle and Vehicle', 'Climbing and Caving', 'Water', 'Winter Sports', and 'Extreme Sports'. Below these are 'Outdoor Recreation Events' and 'Outdoor Organisations', along with a '+ Create New Article' button. The map includes labels for 'Windellama', 'Oallen', 'Nerriga', and 'St George'. Below the map are six content boxes: 'Recently Completed Articles' (Punchbowl cave, Signature cave, Dogleg cave), 'Popular Articles This Month' (Little Capertee Campground, December 24, Injury and Fatality of Paramedic, Carrington Falls, Claustral Canyon), 'Top Categories This Month' (Canyoning, Campgrounds, Accident Reports), 'Latest Discussions' (Whungee Wheengee, Start-Up Chile Progress, Butterbox canyon), 'Popular Discussion This Month' (AFK for a week, Say Hello, Contact Details), and 'Popular Topics This Month' (General Discussion, Blog, Press). Each box includes a 'See more >' link.

Figure 29: Immortal Outdoors: Planning issues, outcomes and external people involved



Note. For each planning issue, the first line represents the issue, the second line the outcome and the third line the external people involved.

4.2.1 Nascent idea

4.2.1.1 Contextual information

To better understand how Immortal Outdoors came about, one needs to know about Shane's prior businesses. After Shane finished his studies in Molecular Biology in 2005, he was introduced to a technique called sports arbitrage trading, a concept designed to give people risk-free profits when betting on sports events by exploiting arbitrage opportunities. Early 2006, he started researching the concept without any intention to start a business but merely for the purpose of understanding whether the concept would work or not. Shane found that there was not a lot of quality information available and he decided to create a website and publish the knowledge he gained. While doing research he came across the concept of affiliate marketing and ways of monetising his website, which as a niche information platform ranked well on search engines and hence started to get traffic. At the same time Shane started to go canyoning on a regular basis:

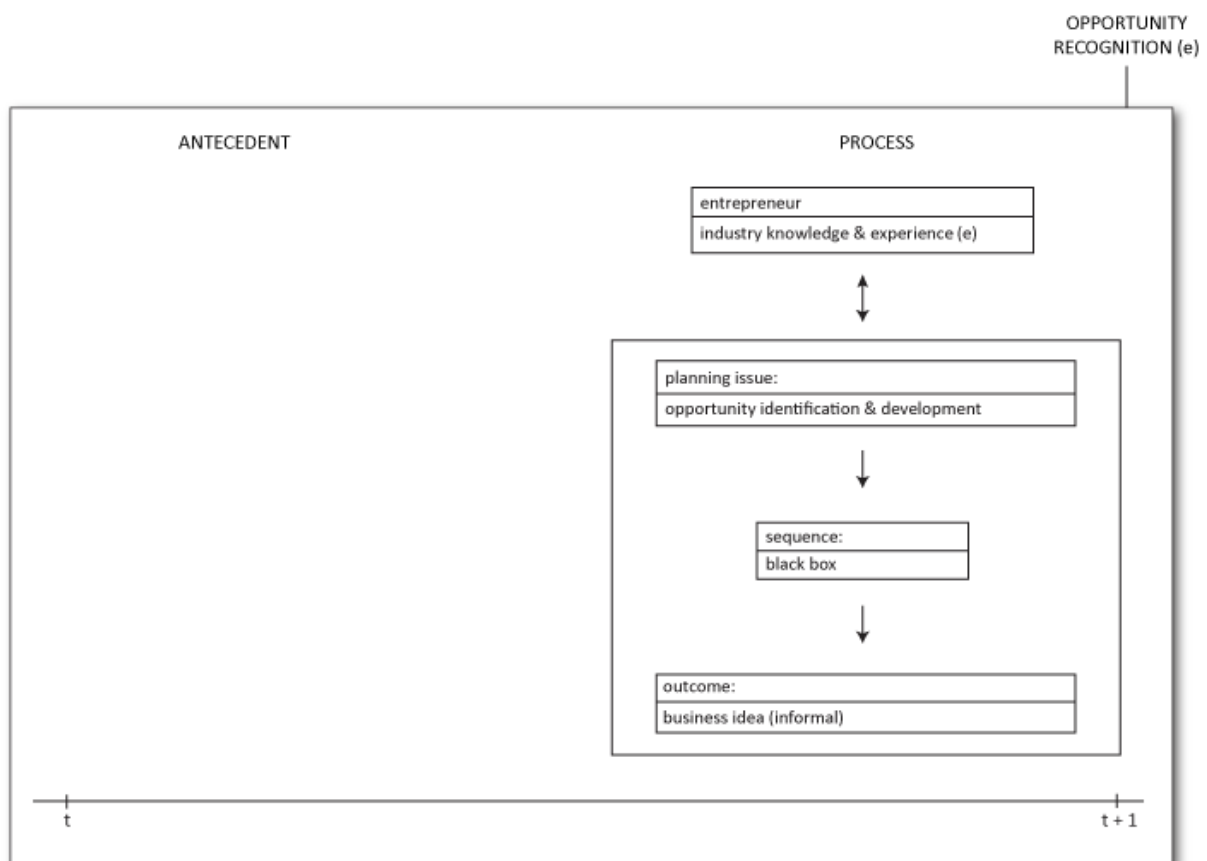
So then I realised if I'm going to do this [canyoning with his friend] every week, I hate... This is sort of a funny thing about me. I hate spending a lot of my time doing something if I don't keep something. So I decided I'll make a website and start writing reports of these trips [...].

Therefore, Shane started to publish these reports from November 2007 onwards on a website www.TDMSKP.com, an acronym for Tedium Escapee. Because no good guidebooks on

canyoning existed and there was only one online resource for canyoning in Sydney, Shane decided to change TDMSKP into a site for guide articles. Very soon Shane realised he could have the public contributing and he installed the tools needed for others to be able to publish guide articles of all types of outdoor sports on his website.

In 2008, Shane decided to take the concept one step further by starting from scratch and by developing a new application that was based on an innovative map interface and that could be monetised in various ways. This was the start of Immortal Outdoors. The following section elaborates how this process depicted in Figure 30 unfolded in more detail.

Figure 30: Immortal Outdoors: Planning process at the stage of nascent idea



Note. Emergent constructs are marked with '(e)'.

4.2.1.2 Antecedents and planning process

Shane said that he accidentally created a business. There was no obvious antecedent that inspired Shane to build Immortal Outdoors and a clear sequence of actions could not be identified.

Although going into the depths of cognitive psychology and opportunity recognition processes

was outside the scope of this research, some valuable observations could nevertheless be made. In particular, data revealed that in Shane's case, industry knowledge and experience was crucial in the opportunity recognition and development process.

For instance, when Shane started to publish guide articles on TDMSKP, he realised that he hit on a niche and that his content ranked very well on search engines:

What surprised me was how easy it was to get organic traffic through these articles.

In addition, his experience with Sports Arbitrage Guide and affiliate marketing made him alert to the opportunity of monetising this organic traffic.

When I realised when I put all those bits together, that organic long tail marketing approach, combined with the novelty of creating a single map interface for all the other outdoor activities and that's actually key here. [...] I think this idea will revolutionise the way people deal with the outdoors. And I've seen nothing like it that will work the way I've just described.

Moreover, the following statement indicated that one important dimension of industry knowledge was a deep understanding of customer problems, which Shane as an outdoor enthusiast had without a doubt. For this Web startup, such understanding combined with the exposure to technology resulted in a successful opportunity recognition and development process.

I realised what I really, really wanted on it was a map. I found all of these guides, every guide I've ever seen is text-based descriptions with something like that, black and white drawn map or something like that. But these days, we got all these amazing technology like Google Maps where you have this satellite image of the world and you can just see everything. I'm like why can't I use this to see all the hikes, all the walks, all the activities in the natural world. And it just became glaringly obvious to me that that's what I wanted. And so that's what everything became about was getting that.

4.2.2 Actively pursuing idea

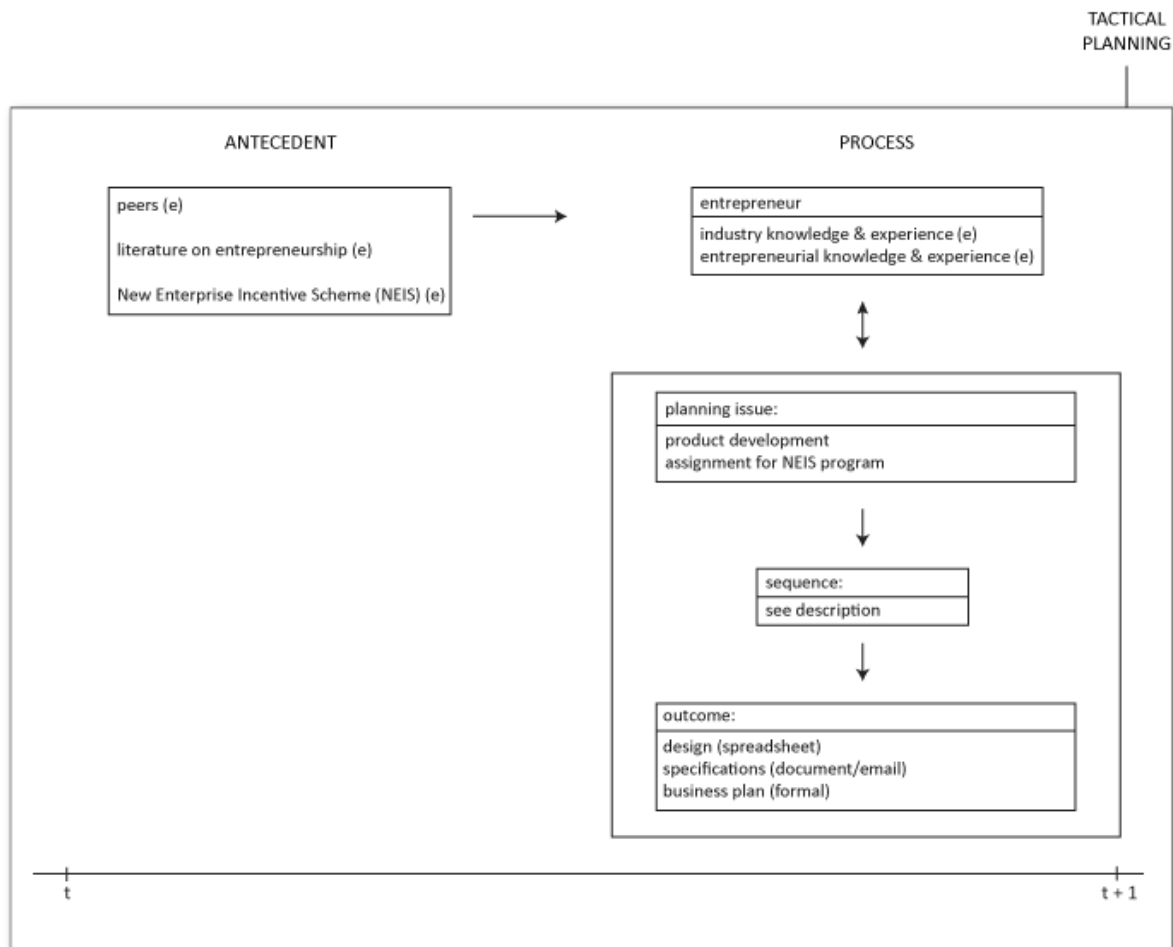
4.2.2.1 Contextual information

Shane worked on Immortal Outdoors for four years before it went live. Because Shane was not a

web developer he had to outsource the coding. He contracted his first web developer in August 2008. The developer constantly pushed deadlines and in the end did not deliver, which prolonged the process of building the product. In February 2010, Shane participated in the New Enterprise Incentive Scheme (NEIS), an Australian Government initiative that helps eligible people establish their own new viable business. The programme lasted for 14 weeks and provided incentives for Shane to go to market. Shane started to put pressure on the web developer and ultimately had to realise that the developer was not capable of programming the website. In November 2009 Shane decided to write off all the money he had put into his first developer and to look for a new person with the needed skills. He first searched for a technical co-founder but could not find anyone to join his venture. He then looked at other options to get his product built. Outsourcing to India would have been cheap but Shane decided not to do that because he could have ended up with a person similar to the first developer, who cost him a lot of money and never delivered. Therefore, he started to talk to web development agencies. He signed a contract with a small web development agency in May 2011 and was told that it would take around 8 weeks to build the product. Things again took longer than expected and Shane had to wait until the end of November 2011 to see the first prototype. The site went live shortly after my interview with Shane in December 2011.

The following sections discuss the antecedents and process presented in Figure 31.

Figure 31: Immortal Outdoors: Antecedents and process at the stage of pursuing idea



Note. Emergent constructs are marked with '(e)'.

4.2.2.2 Antecedents of the planning process

Fellow entrepreneurs with technical expertise provided Shane with advice as to how to build the business and get the product developed. For instance, he was told that his developer should have progressed much faster and he should look for someone else to develop his platform.

To receive finance, Shane participated in the New Enterprise Incentive Scheme (NEIS), an Australian Government initiative. The 14-week programme touched on many planning issues. As outlined below, Shane found these issues not to be of relevance for his business. Nevertheless, he wrote a business plan because it was a requirement of the programme.

Reading various books helped Shane design the product and increased Shane's knowledge on starting and running an online business:

So I read E-Myth on the plane... [...] I'm taking these notes and I'm going, "I need to incorporate that into the website" like its functional idea of process. There needs to be a process for everything. So things need to take care of themselves. I don't have to get involved. So I'm like, "Oh, I have to do this so it'll work that way."

4.2.2.3 Planning process

Shane's main planning issues were the design of the product and the communication of this design to the person developing it. For the latter task, he created two documents. One was a text document outlining the specifications and necessary features. The other one was a spreadsheet showing how the interface should look. These documents were modified and functionalities were added as the idea grew. Shane used both the Microsoft Office suite and Google Docs to create these documents. Sometimes he converted Office documents when there was a need to share the documents.

As outlined above, the first developer was not capable of delivering and Shane had to look for another developer. Shane found that the process through which he went with his first developer helped him gain clarity on the design of the platform. Therefore, he was able to give detailed specifications to the new web development agency. Shane did an overview document of two pages and sent it to the agency to get a quote. He later had the impression that the people who made the quote and developed the product did not read it thoroughly:

Even though I gave them complete comprehensive documents, they didn't always check with them when they needed to.

After Shane signed the contract, he met up with the development agency to discuss the features in detail. Whenever questions arose at a later stage or when Shane had new ideas, he created a new document and emailed it to the agency. For instance, it was only in the process of building the website that Shane discovered how he wanted to make money. He then wrote a document outlining how to implement the revenue model into the platform and sent it to the agency. In addition, Shane talked to the agency on Skype from time to time to check on their progress. After Shane was shown the prototype, he went home to write up a four-page document listing missing features and things that needed to be changed. For this particular document Shane used colour codes to mark priorities. He emailed the document and then discussed it at a face-to-face meeting.

This task of product development was not part of the NEIS programme in which Shane participated. Instead, he was introduced to many planning topics including customer service strategy, managing a small team, establishing legal and risk management requirements, marketing, finance, monitoring a safe workplace, establishing networks, organising the importing and exporting of goods, and implementing an accounting system and an operational plan. In addition, Shane had to write a business plan at the end of the course. Shane found:

I learned things in it, but a lot of it I just found so unrelated to what I do. [...] Her [the person that's running and coordinating it] concern was that my business wouldn't make money. Probably a valid concern, I don't know if it's going to make money. I don't care. It will make money if it's successful. But it needs to be successful first. That's all I care about, being successful. She's worried about my customer rate and product sales. And I didn't care about that. [...] She was a marketer. [...] But I think old-school marketers have no idea about Internet marketing. They're so out of touch with what it means and the differences.

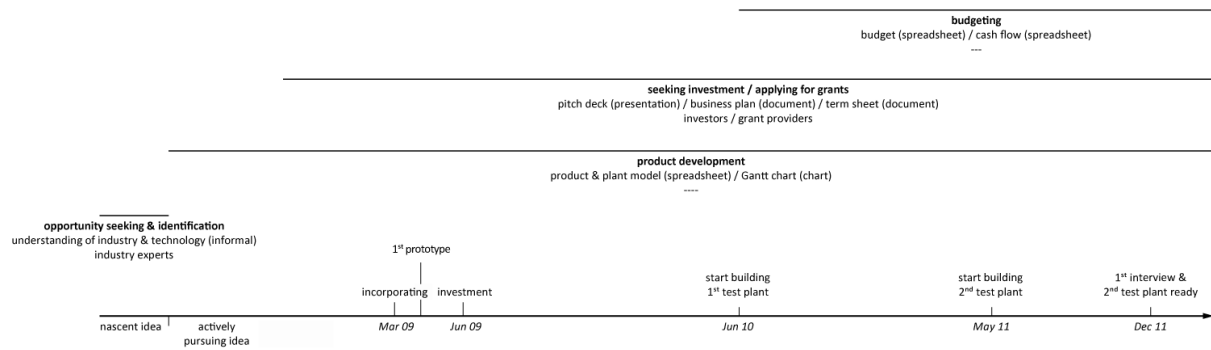
4.3 Case 3: Externally-funded startup with unproven business model

The third case is a highly innovative startup in the renewable energy industry. The company's vision was to develop new solar thermal technology that reduces the cost of constructing and operating large-scale solar installations to the point where it was competitive with other, less sustainable energy sources. The path to commercialisation was one that took many years of research and required significant upfront investment to produce multiple prototypes and test plants.

Because of the prolonged path to commercialisation, the startup was still in research and development phase when I conducted the interviews. Therefore, only two stages were applicable: nascent idea and actively pursuing idea.

The following sections discuss the planning issues and outcomes summarised in Figure 32 and other observations relevant to this thesis.

Figure 32: Renewable energy startup: Planning issues, outcomes and external people involved



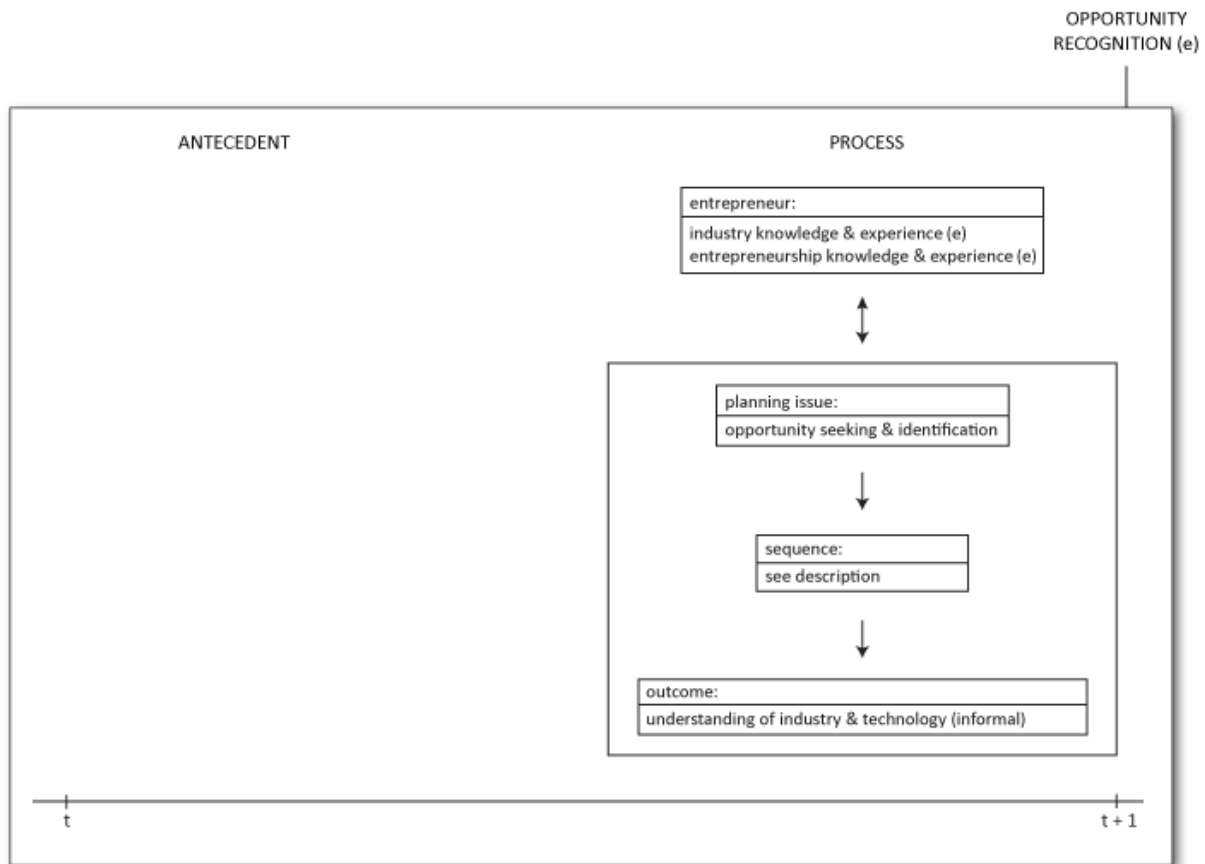
Note. For each planning issue, the first line represents the issue, the second line the outcome and the third line the external people involved.

4.3.1 Nascent idea

4.3.1.1 Contextual information

Entrepreneur 1, a mechanical engineer and serial entrepreneur, decided to start a new venture in Australia when he moved back from the United States in 2008 after having been involved in the mobile phone software industry for many years. Figure 33 summarises the antecedent and process of this stage.

Figure 33: Renewable energy startup: antecedent and process at the stage of nascent idea



Note. Emergent constructs are marked with '(e)'.

4.3.1.2 Planning process

When Entrepreneur 1 decided to start a new venture, he did not have a particular business idea in mind. Instead, he was looking for a business opportunity in an industry that he had knowledge in, that was attractive to investors and that required the development of new technology rather than building an extensive sales force to sell an existing product. In 2008 he decided to spend some time on researching the renewable energy industry and solar thermal power in particular:

I was looking at lots of different ideas. So, basically renewable energy was obviously hot and a lot of it is what's the hot space because if you need investors to come along then they're wanting to be investing in the hot space. [...] Renewable energy was sort of the next one that was hot in my space because I was a mechanical engineer.

Entrepreneur 1 then decided to do more research on the Internet to educate himself on solar

thermal technologies:

In all of these things you have got to say, "I'm gonna become an expert in this field." And so, you've got to... What's out there, I mean it doesn't matter what the thing is, if you don't understand exactly what the product offerings are, well, how are you gonna offer something that's better for the market. [...]

That's where Google is so good these days. So, if you dig deep enough, there's a lot of information out there. But that's with months of research and seeing what everyone had done in the past and what they're doing today. And so just a lot of trolling the Internet, looking for information and learning how everything works, talking to people, obviously, in the industry [...].

Entrepreneur 1 found that there are four architectures used to deliver power. One technology was particularly promising but it was very expensive to build and hence not commercially viable. He decided to start a venture that innovated around this technology to drive down production and maintenance costs and hence make it more competitive with other sources of energy.

4.3.2 Actively pursuing idea

4.3.2.1 Contextual information

While doing more research and designing a prototype, Entrepreneur 1 met Entrepreneur 2 in October 2008. At that time, Entrepreneur 2 and Entrepreneur 1 were both consulting to a venture capital firm and working to turn around a portfolio company. Entrepreneur 1 asked Entrepreneur 2 to come on board to help him get funding and assist with other aspects of the business, including planning. Later, in March 2009, the two entrepreneurs incorporated the company. Soon after, the first prototype was built and another person with a background in law and finance as well as experience in running enterprises and raising capital joined as the CEO of the new venture. In June 2009, the startup received funding and a fourth person, a mechatronics engineer, was hired. The engineer's role was to build and test the product Entrepreneur 1 designed. Not long after, an electronics engineer joined on a part-time basis in August 2009 to build software. In June 2010, the engineers started to build the first test plant. The production of the second test plant lasted from May 2011 to one week prior to my first interview with Entrepreneur 2 in December 2011.

Figure 34 visualises some of the information presented above along the timeline. Figure 35, on the other hand, shows the antecedent and process for this stage.

Figure 34: Renewable energy startup: team

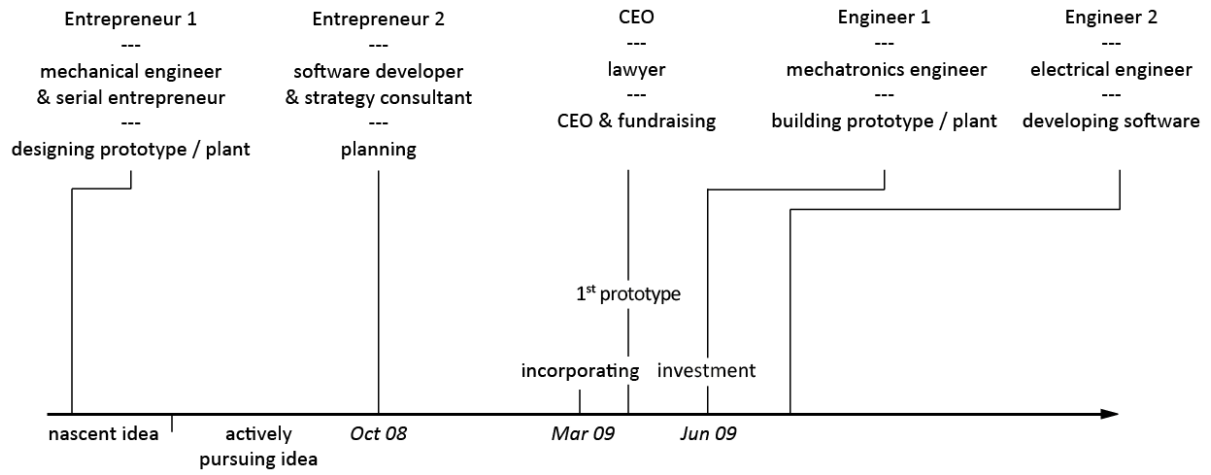
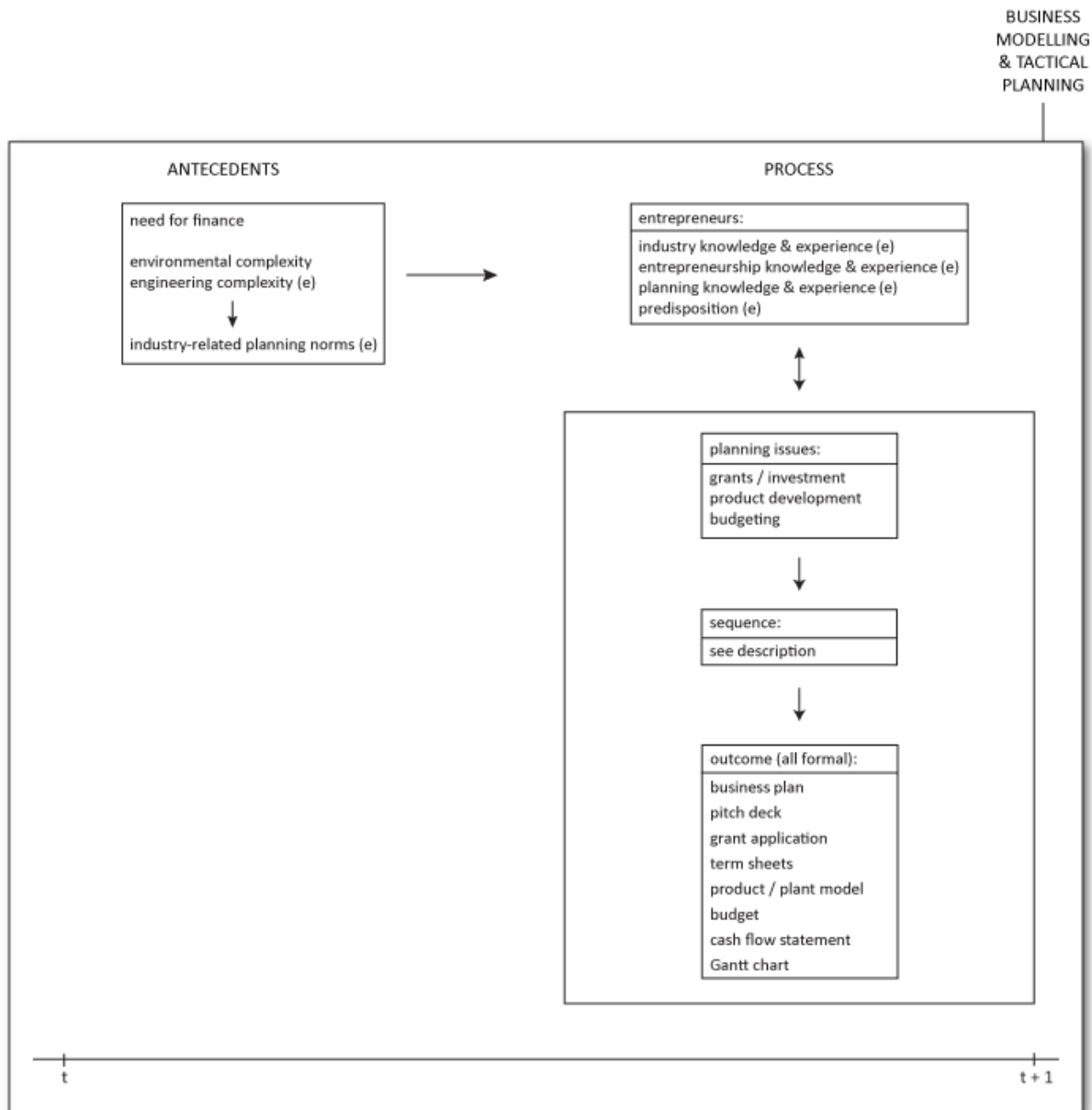


Figure 35: Renewable energy startup: antecedents and process at the stage of pursuing idea



Note. Emergent constructs are marked with '(e)'.

4.3.2.2 Antecedents of the planning process

The entrepreneurs applied for several grants. For the first application, they were required to write a 30-page business plan outlining the team, market opportunity, solution, company operations, competitive landscape and financial projections. Entrepreneur 2, who wrote the business plan, remembered:

They wouldn't accept a pitch deck as a business plan. It had to be a 30-page [actual plan was 33 pages] A4 document. So we got one. We've never looked at it since. [...]

And so it's got all the normal structure. Executive summary, market potential, and then who would be the customers, and what's our technology and what's our path to commercialisation and how we protect your IP and cash flows out for five years, and all that sort of stuff. So that was the first one we wrote for that grant. Now we didn't get that grant and we've applied to some other grants subsequently, but they never required a business plan, the later ones, so we've never updated or changed it.

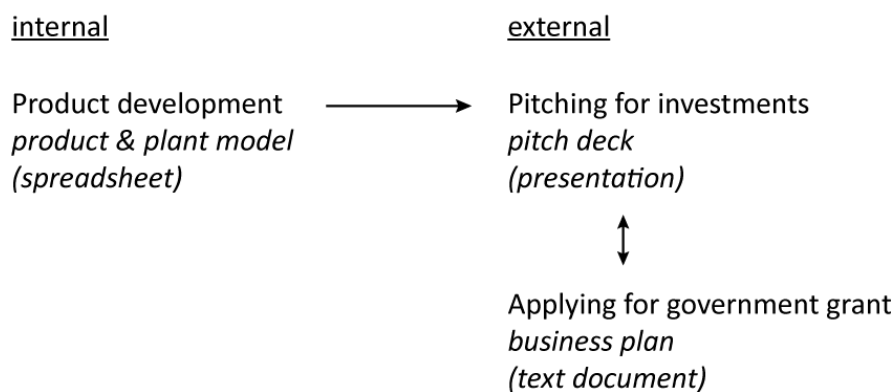
Industry-related planning norms also had an impact on the planning process. It is common practice in the industry to work with product and plant models when developing the product for two reasons. First such a model is required to break down engineering complexities. Second, environmental complexity required such planning as Entrepreneur 2 reported:

When you're building one of these [power plants], you need to have a balance sheet that someone would be comfortable with or a bank would be comfortable enough suing, to build it. [...] [Our] commercialisation path [...] is really the guts of this sort of business [...]. How do you get your product and your concept credible enough that someone will invest and buy them from you, which is not a product you have if you're making web software or small fluffy toys.

4.3.2.3 Planning process

After Entrepreneur 2 agreed to become part of the venture, he and Entrepreneur 1 conducted some research on photovoltaics and wind farms. At the end of 2008, the two entrepreneurs engaged in formal planning for the first time. As shown in Figure 36, planning evolved around three issues: developing the product, pitching to investors and applying for grants.

Figure 36: Planning issues and outcomes before investment



Entrepreneur 2 built the product model that was then used by Entrepreneur 1 to calculate the best combination of technologies to produce a solar thermal power solution that is commercially competitive with other sources of energy. The plant model tied in closely with the product model and financial calculations as Entrepreneur 1 reported:

So a lot of this business has been, how do you model a power station? And that's complex model because it's like all of your costs but then what's your revenues, revenues based on prices for power, plus government subsidies, all of this stuff. And so, actually know whether you've got something that's performing, you need to develop a model like this. [...] We spent a lot of time on that to get it right because that was the only way we can prove whether or not we can deliver at the costs we're saying, without actually building one.

To pitch to investors, Entrepreneur 2 created a pitch deck. He reported the content as follows:

It [the pitch deck] started off saying that this is what we do. We build solar thermal power stations. We talked a little bit about why this is important, and global and Australian things driving it. We explained what our technology is and why it's different. We'd done some analysis of what the other alternatives out there in terms of photovoltaic and other wind farms and bits and pieces. [...] So as you can see, we had... This is essentially our plan and this is what we're going to do. So our people... And then sort of why we're good guys and what's going on.

To produce the business plan mentioned above, Entrepreneur 2 could partly draw on data he had already prepared in the process of producing the pitch deck. The rest of the data, such as information about competitors and gas price forecasts he had to gather through research. Entrepreneur 2 was not sure whether preparing this business plan added any value beyond being able to apply for that government grant:

It might have [benefited]. It's hard to remember now. [...] It's hard to say whether we had a perfect vision of the future and we just articulated it or if this helped us articulate it.

Because Entrepreneur 2 had extensive experience as a strategy consultant, I asked him whether he thought business plans are more suitable for larger, established corporations:

Yes, yeah definitely. It's the sort of thing you do inside a corporation, although it was

lots of words. So it's the way you do it in the old days. Nowadays, you just do with PowerPoint, but it's the same thing. But I guess they [the government] wanted some proof that we had thought through these things and we're not some fly-by-night operation. The fact of the matter is that you can pay someone to write your business plan and it'll look pretty good. It doesn't mean you've done any thinking. [...] We didn't get their grant. And so funnily enough, the people who did [...] they haven't managed to raise the matching money, so nothing's got built.

After the startup received investment in June 2009, the planning issues listed in Figure 36 continued to be of importance.

Pitching the business model to investors and to grant providers in the form of presentations remained a frequent task. By the time of interviewing in December 2011, the pitch deck had undergone 85 iterations and the last version contained 15 pages. Entrepreneur 2 reported:

Our pitch deck changes each time. Sometimes it just changes because some of the external data has changed. For example, we have a section that talks about what other companies are doing in this space. And when new things happen, we have to update that. [...] There are some things in there now, parts of technology that we didn't have when we first started. [...] We've got a lot more numbers now about what our plant would perform at and how it would work. [...] This [version] is talking about our key differentiators because we've done a lot more analysis on what our competitors actually do [...].

It also got split up in two separate slide decks and presentations:

Recently it split because one of the things we had to do in our very first early documents, we were explaining the industry we are in which is solar thermal power, and then we were explaining what our startup [name changed] is. The world's evolved quite a bit. [...] We have a separate document that explains what solar thermal power is. And there is a different document, which explains our startup [name changed]. So, most people who we go to see now they understand solar thermal. They just want to know about us, but occasionally we meet someone who doesn't know about solar thermal, so we can still talk about solar thermal then talk about our startup [name changed] and what we are doing.

By further probing, Entrepreneur 2 revealed that the pitch deck also changed because the business model shifted:

We started out and said, "Look, we want to build solar thermal power plants and we will buy the technology you need and we will build the plants." But very early on within the first couple of weeks, months, we realised there was no supply chain. There was no technology you could buy today that's economic. So very quickly we realised, we're going to have to develop some technology. So ever since then we have been saying we're a company that develops the technology so you can build plants.

Interestingly enough, the co-founders expected such shifting from the outset:

It was never we are going to do that or we're just going to go home. We always knew it was going to evolve.

For both investment rounds, a term sheet was created:

For us, a term sheet is an abbreviated shareholders agreement. One of them is two pages that just said, "This is how much money was going in. This would be the dates which would be drawn down on. This is how much equity the person who is giving the money is going to get at various times. And what our milestone deliverable would be that we had to hit."

Product development remained one of the main planning issues for the startup, as Entrepreneur 2 reported:

Our strategy has always been: build the prototype, build a small test plant, build a semi-commercial scale one, and then build a full commercial scale plant. And that's sort of always been our structure, but what size those plants are, where that would be has changed around a bit over time

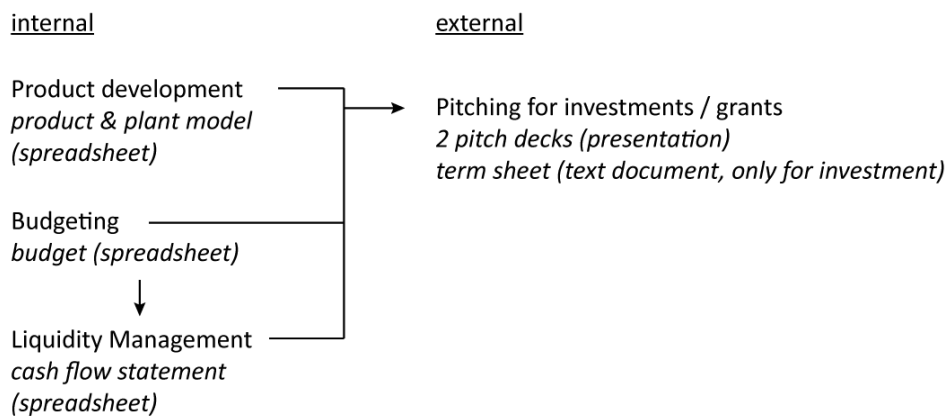
Over time, calculations became more complex and the multi-page spreadsheet grew to a 19MB file. Whereas the initial calculations were about what technology to use, at later stages plant modelling was undertaken to calculate the most efficient setup of the system and the potential output and return on investment of the product. Entrepreneur 2 reported:

Working out what's the correct shape of the field that gives you the most price performance, which is quite an important thing because you have to take into

account the position of the sun, the position of the heliostat, the position of the heliostat at the front. [...] And then the second thing is okay, now what would a plant like that produce if it was 250 megawatts big, which is about half of the big gas power stations or the big coal power station. What would that produce every year or over its 30-year life? And what would be the return? So it's about understanding what's the sun's input, what's the performance of the field across the year, [...] how much power you get, what does the power sell for?

In addition to plant modelling, other planning issues shown in Figure 37 became relevant before setting up the two test plants.

Figure 37: Planning issues and outcomes after launching



First, there was a budget that estimated the time and costs to build a test plant. For the first test plant, Entrepreneur 2 paid particular attention to what he referred to as “actuals tracking”, or in other words, how much the budget deviated from the real costs. The information gathered informed the next budget, which was built before producing the next test plant.

Second, Entrepreneur 2 created a cash flow forecast, which by the time of writing had undergone four iterations:

Cash flow is actually a pretty simple thing. You say, "Well, how much money have you got and how much are you going to spend?" But when you start up, you keep changing your mind about how you're going to spend it and you have multiple ways of spending it at the same time. [...] I know how much money we've got right now and I know roughly how much it takes for salaries and operating expenses, but then you have money left over. So we've got a grant application at the moment that says

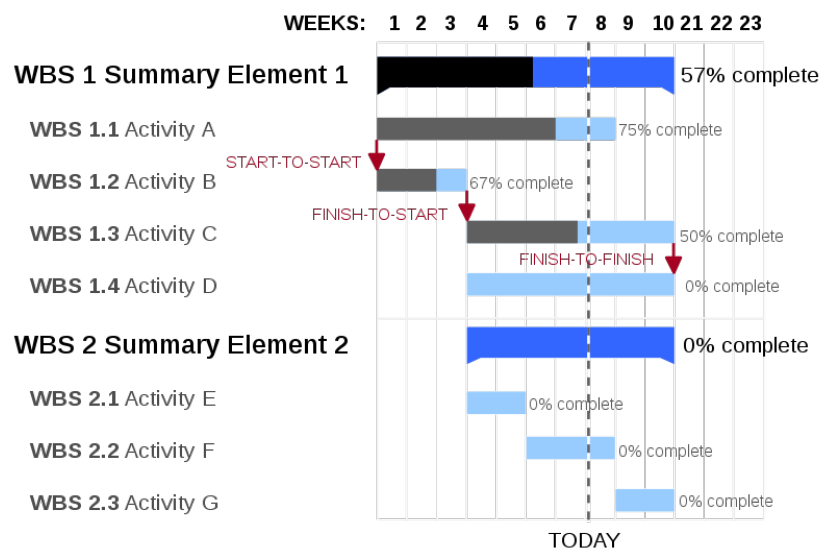
we would use half the money we have plus the money from the grant to do a certain thing, but if we don't get that grant application, we're going to do something different. And even if we got that grant application, we might say, "No, we don't want it. We want to do something different." So modelling out those various things and saying what would that mean in terms of cash flow is something that's tricky that I haven't quite mastered yet.

Entrepreneur 1 explained cash flow planning in more detail and stressed the importance of the such planning:

And we look at lots of different other scenarios, so we'll budget scenarios if we do this, where does our cash go to? If we got into trouble at this point and we fall back where does that cash flow go to? So, all of that I mean it's a bit like playing the airline pilot who's looking for the next safe place to land if the engine falls off in two minutes time. So I'm very cognisant of where we are all the time and what the options are because the engine could fall off and we're in big trouble and we need a year to fix it. [...] Earlier on I didn't care if we had the money for the next three months, because we didn't have anything at that point, there wasn't a lot of value that we created. Whereas now, the last thing I want is to go bust.

Third, a Gantt chart similar to the one shown in Figure 38 was produced to manage the manufacturing process, which involved many suppliers from overseas. In retrospect, Entrepreneur 2 found the chart, which was created in Microsoft Project, of little use. He said that there were too many things that were uncontrollable and therefore the chart was not very useful. This included suppliers delivering late, strikes at ports, late customs clearance or bad weather resulting in delays in setting up the test plant.

Figure 38: Example of a Gantt chart



Note. Reprinted from Wikipedia (2012)

All the planning issues and planning outcomes mentioned above also required a great amount of short-term planning. Entrepreneur 1 and 2 often sat together with the CEO to discuss ideas, the next steps to do and to engage in brainstorming. A white board was used to collect and organise thoughts and after the meeting a picture of the whiteboard was taken. Some of the things discussed in the meeting became to-do items in a software solution that integrated with the other Google products the team used to manage information. Other information was put into presentation documents and sometimes reused later for the pitch deck.

Lastly, both entrepreneurs had some interesting general thoughts on planning in innovative startups. Entrepreneur 2 explained how a startup does not follow a clear path and things hardly ever go to according to plan:

It seemed like its really messy, right? It's very... It's evolutionary. It's not the way you'd logically do it. It's more the way it happened and it's not the textbook way.

Entrepreneur 1 made a statement that – at first hearing – was somewhat unexpected given the sophisticated planning undertaken:

I think in all of these sorts of things in startups, a lot of it is seat of your pants [...]. So you can't over-analyse with the direction you're going. [...] You've got to know, "I think this is where I'm going to go". And then you verify it later. [...] We're analysing right now a design that we did for one part of the system and when we

built it the first time. I thought it was a pretty nice design. We built it and it worked about 50% of what we needed it to do. Now we're iterating and we're actually now doing the detailed calculations. [...] Now you could have said, "Okay, do that up front." And if you worked for Boeing, you probably worked on it up front, but it might have taken you then a year to make it, whereas we made it in two weeks.

4.4 Case 4: Externally-funded startup with proven business model

Spreets is a collective buying platform connecting consumers with small businesses in Australia and New Zealand. Collective buying, also known as group buying, offers products and services at significantly reduced prices on the condition that a certain amount of buyers commit to the purchase (see Figure 39). Small businesses use group-buying sites as a marketing tool to acquire new customers and to get additional income in seasons of low revenue. Buyers, on the other hand, benefit from heavy discounts. Those buyers who register their email address receive daily emails on different things to do in their city (e.g. restaurants, bars, beauty, adventure). Because these deals only activate if a minimum number of people buy them, the buyers are incentivised to share the deal with their friends, which maximises exposure for the business and voucher sales for Spreets.

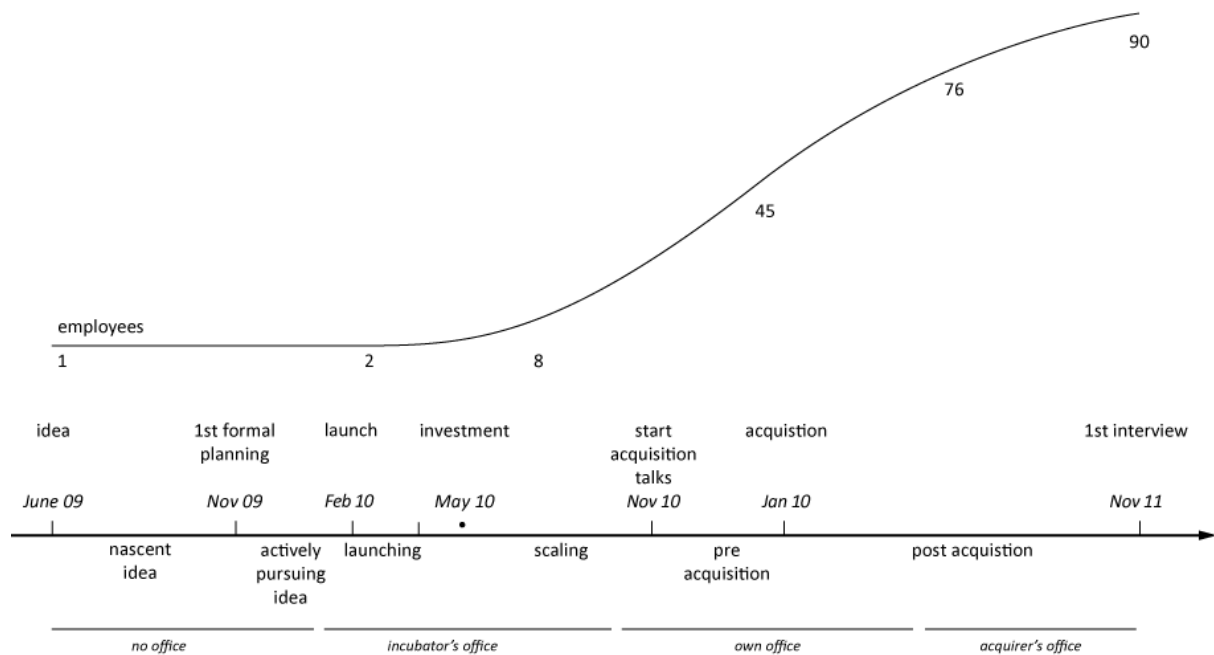
Figure 39: Screenshot spreets.com.au

The screenshot shows the Spreets website interface. At the top, there is a navigation bar with 'YAHOO!7', 'Yahoo!7', 'Mail', and 'More'. Below this is a secondary navigation bar with 'Today's Deal', 'All Deals', 'Recent Deals', 'How it works', 'For Businesses', and 'Help'. On the right side of this bar are 'Join' and 'Sign In' buttons. The main header features the 'spreets sydney' logo. To the right of the logo is a 'Sydney Daily Deal' section with an 'Email address' input field and a 'Subscribe' button. Further right is a 'Choose Another City:' dropdown menu currently set to 'Sydney'. Below the header is a dark banner with the text 'Want to join the Spreets Team? We're hiring!' and a 'FIND OUT MORE' button. The main content area is divided into several sections. The primary section is 'Today's Deal', which features a large orange 'Buy' button and a price of '\$69' for '8 Intense Collagen Hydrating Treatments delivered to your door for ONLY \$69 (Normally \$600)'. A table below the price shows 'FULL PRICE \$600', 'DISCOUNT 89%', and 'SAVE \$531'. A 'TIME LEFT TO BUY' timer shows '08:09:54'. To the right of the main deal is an 'Editor's Pick' section with a deal for 'PARRAMATTA Dinner Deal for TWO at Kings Indian Restaurant & Bar' for '\$29' (51% off). Below that is an 'Adventure' section with a deal for 'KIDS Ticket: Delightful Half-Day Whale Watching Tour with True Blue Cruises in Darling Harbour!' for '\$39' (51% off). At the bottom of the main deal section, there is a 'Share this deal:' button with social media icons for Facebook, Twitter, LinkedIn, and a '+1' button, along with a 'Like' button and a '2' count. The bottom left corner of the page shows 'spreets.com.au'.

When Spreets launched in Sydney in February 2009, other businesses based on the same business model were already established in the US. Spreets introduced this business model to two new markets, Australia and New Zealand. The co-founders expected the Australian and New Zealand group-buying market to become a very competitive space within months. Hence, the goal was to get investment and to grow as quickly as possible.

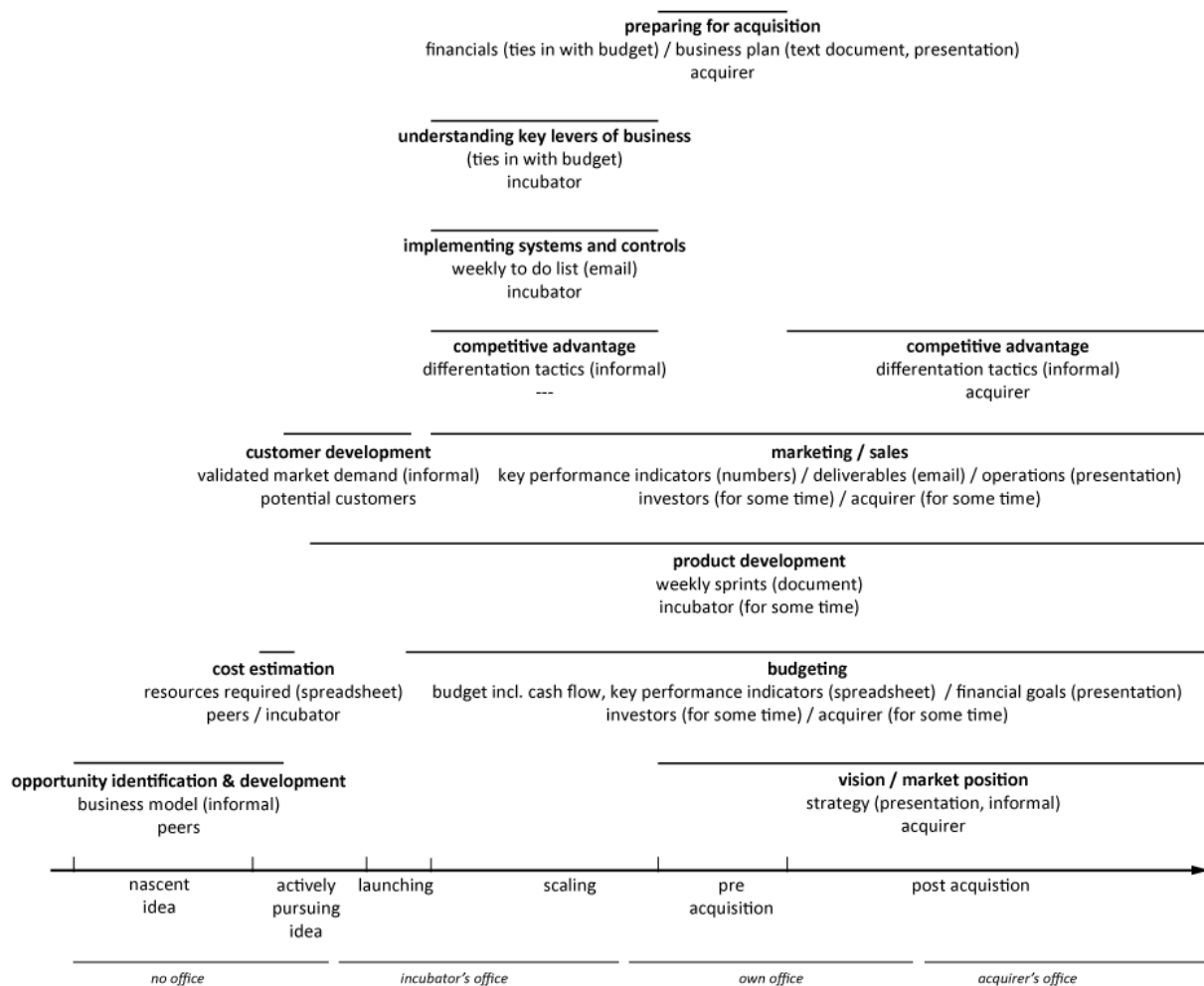
The following sections address the various stages of planning that Spreets encountered: nascent idea, actively pursuing idea, launching, scaling, pre acquisition and post acquisition (see Figure 40). For each stage, relevant contextual information is provided first. In line with the theoretical framework developed in Chapter 2, observations related to antecedents and processes are then discussed.

Figure 40: Spreets' growth



To provide the reader with an overview, Figure 41 summarises planning issues, outcomes and external people involved in the planning process across all stages.

Figure 41: Spreets: Planning issues, outcomes and external people involved



Note. For each planning issue, the first line represents the issue, the second line the outcome and the third line the external people involved.

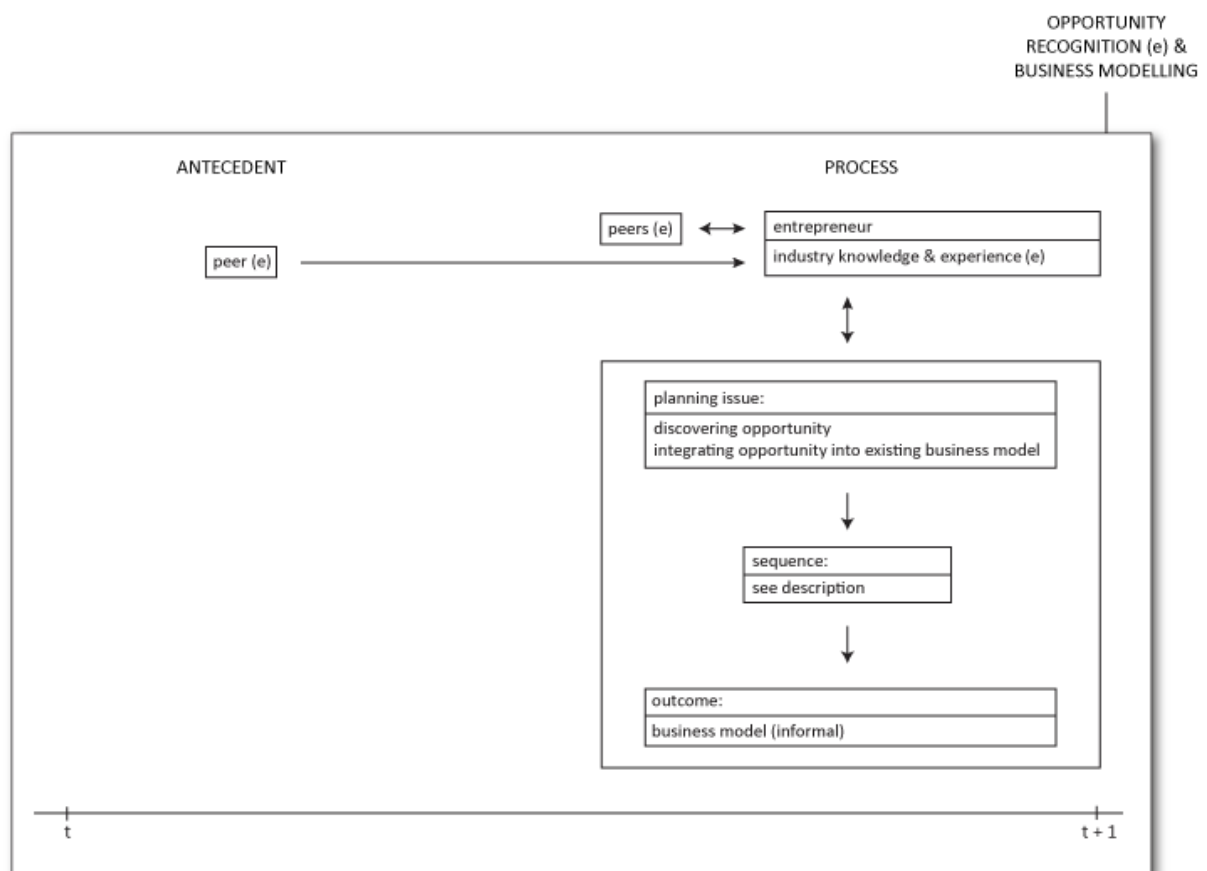
4.4.1 Nascent idea

4.4.1.1 Contextual information

Dean McEvoy, Spreets founder and CEO at the time of writing, has a background in business consulting, marketing and advertising. His first entrepreneurial venture was a bar and restaurant, which he opened in 2001 and sold in 2003. Later, Dean started an online restaurant reservation system called Booking Angel. When Dean was in Silicon Valley to raise capital for Booking Angel and to try and enter the U.S. market, he learned about the group-buying business model. Dean instantly recognised the potential of the business model. Later that year, in October 2009, Dean returned to Australia where he continued to build Booking Angel and to look for ways to integrate the group-buying model into Booking Angel (see Figure 42). By talking to investors

and entrepreneurs, he realised that Booking Angel was “old news”.

Figure 42: Sprints: Antecedent and process at the stage of nascent idea



Note. Emergent constructs are marked with ‘(e)’.

4.4.1.2 Antecedents of the planning process

When seeking to establish Booking Angel in the U.S. market, Dean engaged in a discussion about the main challenges he was facing with Booking Angel in June 2009. The investor he was talking to pointed him to the first group-buying site called Groupon, which had launched in Chicago in November 2008.

4.4.1.3 Planning process

Industry knowledge made Dean alert to the opportunity and allowed him to understand the group-buying business model instantly without visualising or formalising any parts of it. As a bar owner, Dean knew how hard it can be to find new customers. In particular, his experience taught him that traditional marketing channels such as local newspapers or yellow pages are very expensive and do not deliver a clear return on investment for small merchants. Dean’s experience

with Booking Angel also helped him in this process because both businesses address the same problem – “how to deliver new customers online to local business”. However, other than with Booking Angel, the group-buying model delivers immediate and significant sales to the merchant. Hence, Dean’s industry knowledge and experience allowed him to instantly understand the potential of the group-buying model:

[Booking Angel] gave me a deep understanding of the problems that this Spreets models solves. [...] I knew that the marriage of both – delivering more business to local business and also helping people finding interesting things to do – was like the silver bullet, the holy grail, of what needed to happen in what I call the ‘local search market’.

Dean then started talking to peers to further validate the business model:

A lot of people said that Apple had tried something similar with the thing they called ‘Swarm’ where they basically said that if enough people were interested in a certain piece of software then you got it at a discount. [...] And it unlocked it for everyone. So people related that feedback back to me like, "Oh yeah, that worked for them. It was really successful." That swarm mentality is becoming more popular with social. So the feedback was good around that. [...] The feedback just kind of validated for me that, well, it's a good business model. It could work. It's a big opportunity.

The next step was to think of ways how to integrate the business model into Booking Angel:

"Could we do it as a spin-off of Booking Angel and potentially use the database of Booking Angel if we needed to in the beginning?" And then I got feedback from people that Booking Angel would be old news. Like just stop it and start again. No one wanted to be tied to the old business. Then I was, "Okay. Well, I've to stop Booking Angel, clean, and start again afresh with new investors, and new people, and new team”.

Dean needed no further information to take the decision of abandoning Booking Angel and starting a new business:

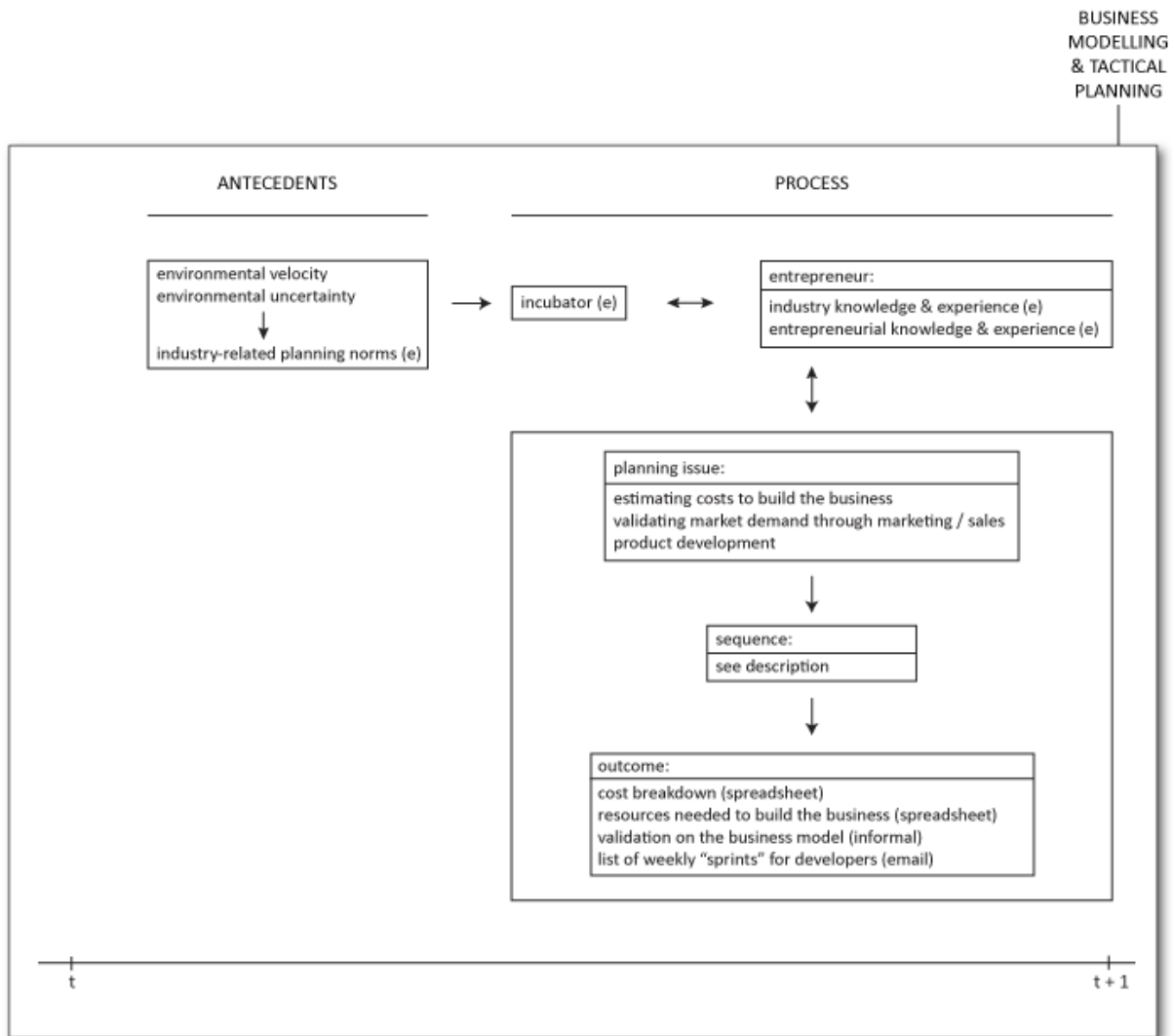
I didn't have to do research because I knew that we had kind of experimented with the same model with Booking Angel.

4.4.2 Actively pursuing the idea

4.4.2.1 Contextual information

After Dean decided to “start again afresh”, he began to look for a business partner and investor. He found someone interested and sat down with this person to create the first formal document, an Excel spreadsheet (see Figure 43). The two did not end up going into business together. Instead, Dean pitched his idea to Pollenizer, an incubator for Internet startups, at the Pollenizer Christmas party. Pollenizer agreed to build the technology for Dean’s business idea in exchange for some equity as well as cash and under the condition that if the viability of the business model could not be proven within one month after launch, Pollenizer would take the platform down. Dean moved into Pollenizer’s office and Phil Morle and his team started to build the technology in January 2010.

Figure 43: Spreets: Antecedents and process at the stage of pursuing idea



Note. Emergent constructs are marked with '(e)'.

4.4.2.2 Antecedents of the planning process

The people at Pollenizer were strong advocates of the 'lean startup methodology', which had spread from Silicon Valley into many other Internet startup scenes. According to Eric Ries, who has coined and trademarked the term 'Lean Startup', lean startups are born out of three trends, two of which are particularly relevant for this thesis: customer development and agile product development.

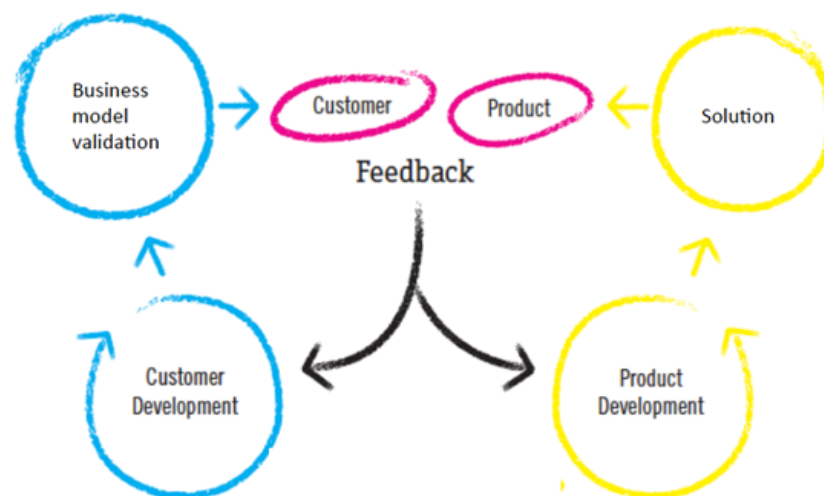
Customer development is a process designed to quickly validate market assumptions. Because Spreets was the first company to introduce the group-buying model to the Australian market, the people at Pollenizer wanted to test whether there was demand for the product. They said they

would only build the product if Dean could convince at least five small businesses to sign up. This was referred to as “manual testing” and the idea behind was to test first and build after. Phil stressed the importance of such testing and the ability to sell:

Being an entrepreneur is like being a street fighter you just kind of roll up the sleeves and then go to talk to customers. [...] Failing entrepreneurs don't understand the act of selling and just getting in a conversation with real customers who are actually going to give you money or not.

Agile software development, on the other hand, is the process of building software in an iterative and incremental manner. As shown in Figure 44, tying product development closely to customer feedback increases the chances of building something that matches a demand in the market. In addition, constant feedback and incremental development shortens feedback loops, allows for agility and decreases the time to market.

Figure 44: The Lean Startup approach



Note. Adapted from Cooper & Vlaskovits (2010, p. 28)

4.4.2.3 Planning process

When Dean decided to build the business, he found a potential business partner and investor. The first formal document, an Excel spreadsheet, was created:

I found a guy who was interested and had money and sat down with him and did a bit of a business plan, which was essentially just a Excel spreadsheet of what we thought the numbers could look like and... Who would do what, what resources

we'd need, sales people, what we'd need to spend on marketing to acquire the database at least to prove it out initially. [...] Could we hire a development team? How would we find them?

Interesting here is that Dean later referred to this document as the “business plan” and the “business model”. While the document was of tactical nature, it also assisted the entrepreneurs in formulating the business model. At this stage it helped Dean develop the organisation.

The insights gained in this process then informed the first discussion Dean had with Pollenizer once they agreed to incubate Spreets. They found that all resources listed in the spreadsheet either Pollenizer or Dean could provide:

It helped me realise what resources were needed and actually when it came to talking to Phil, it helped me realise that actually we don't need money because I can find people to do all the things we need. [...] We need a little bit of money to pay for ad words and stuff like that, but apart from that it's just some hosting costs, domain registrations, and... And then you realise that most of the costs we needed were just people costs, so finding people that can do it for us instead.

Before Pollenizer agreed to build the product they required Dean to do some “customer development” and “manual testing” to get validation on the business idea and “establish the quickest path to a minimum viable product”. Phil from Pollenizer remembered:

Dean called [merchants} and said, "Hey I'm Dean, I'm from Spreets. Here's the idea, here's how it works". And that already started to inform what the product could be, so of course, the first couple of calls, the first 100 calls we kind of explained it badly, the process was weak. The whole question was what was in it for the merchant. They were criticising it. They were not interested, because it was a discounting service, which was bad for their brand and commoditised their product. So we learned a lot about how to contextualise it, therefore, what the admin site had to be like, how the site needed to present itself, just generally understanding which things were important.

As shown in Figure 45, once some demand was proven, Pollenizer started to build a “minimum viable product”, a very basic product that had just enough features so it would deliver value to the customer. The customer development process continued after the minimum viable product

was released but instead of manual testing, the product was used to gather feedback from the market. Based on this feedback Dean, as the product owner, together with Pollenizer defined weekly “sprints” in which features that needed to be built or bugs that had to be removed were specified. Phil further explained:

So each of those weekly sprints was really the sort of an ongoing Lamington test [an exercise in which Pollenizer gives nascent entrepreneurs Lamingtons to sell on the street and the person who sells most, wins], just trying to sell things, just trying to get out and talk to customers, find out what the problems are, feeding that learning back into the product and getting it out there.

Figure 45: Testing before building Spreets’ platform

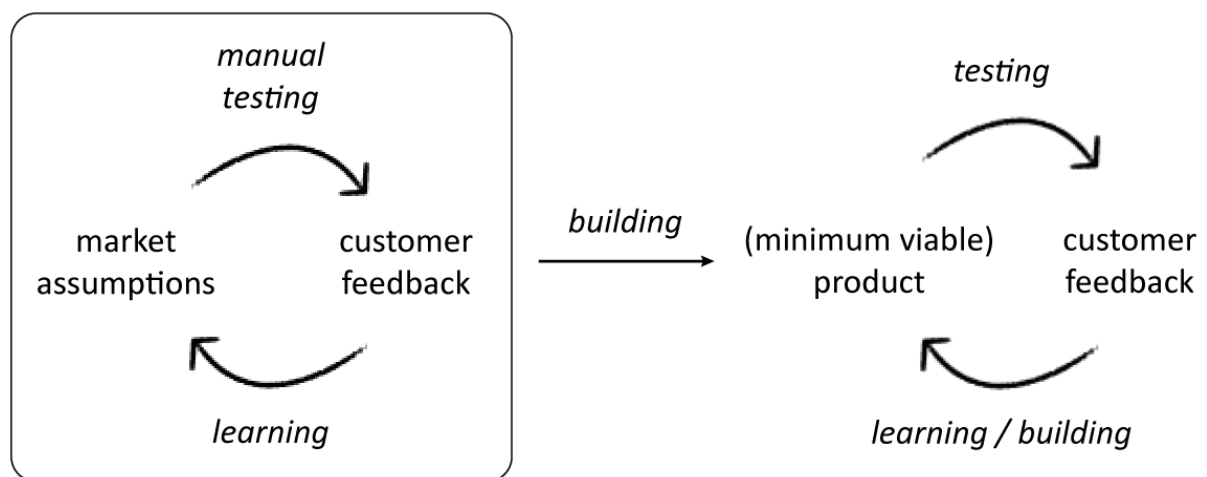
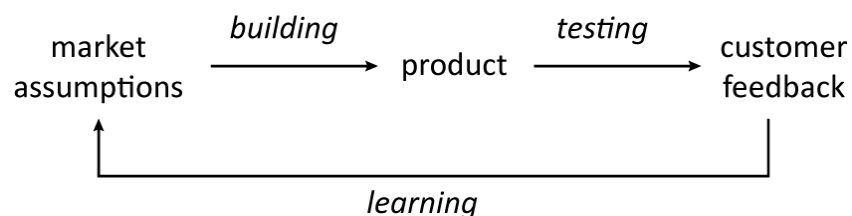


Figure 46: Traditional feedback mechanism



As Dean reported, the idea of building the business iteratively and incrementally also informed the subsequent stages Spreets went through:

Just launch quickly, validate that it works, get some revenue in the door to prove it, and then use that to go out and raise money to invest and stuff like that. So the

process was about just quickly proving it in market, not a lot of planning. It was kind of like this is a business. This is an idealist tested in the real world because you don't really know whether it's going to work or not until you try. That's the problem with new technology. It's new; people haven't seen it before. If you ask them if they want it, you can do surveys till you're blue in the eyes, but it's actually only real usage that drives... Well it should, real usage that should drive real decisions I think for startups. [...] Put in place an idea of how you think you might get there. Do it and test it and see if it actually results in what you are hoping for. [...] If it doesn't, you iterate, you change quickly [...] That's kind of the philosophy with which we grew the business and started it. It's the same philosophy with which we just kind of drove the online marketing, tried a 100 things, and the 10 best things that worked we kept doing them. And the things that didn't, we stopped.

Lastly, the Pollenizer team sought to maintain a state of continuous momentum. It was agreed that if the first release of the platform could not be built and launched within six weeks, Pollenizer would withdraw. Phil explained:

The problem is, if you don't have a very, very hard deadline, you [...] effectively never release because there is always something else you can do especially with a website.

4.4.3 Launching

4.4.3.1 Contextual information

The platform launched only 32 working days after Pollenizer agreed to build the product. The exact date was 4 February 2009, which happened to be Dean's birthday. Spreets organised a small launch party and it was there where I met Dean for the first time. Justus Hammer, who became co-founder later, attended as well. At that time, Justus worked for GetPrice.com.au, a price comparison site, where he was responsible for marketing. Pollenizer and GetPrice.com.au had done business before and that was the reason why Justus knew some of the people at Pollenizer. Nevertheless, it was at the launch party that he heard about Spreets for the first time.

When Justus left the party he had no intention to join Spreets. However, he planned to leave GetPrice.com.au mid February. Knowing that Justus was looking for a new challenge, Daniel Jarosch, a Sydney-based German entrepreneur and co-founder of BrandsExclusive, an online

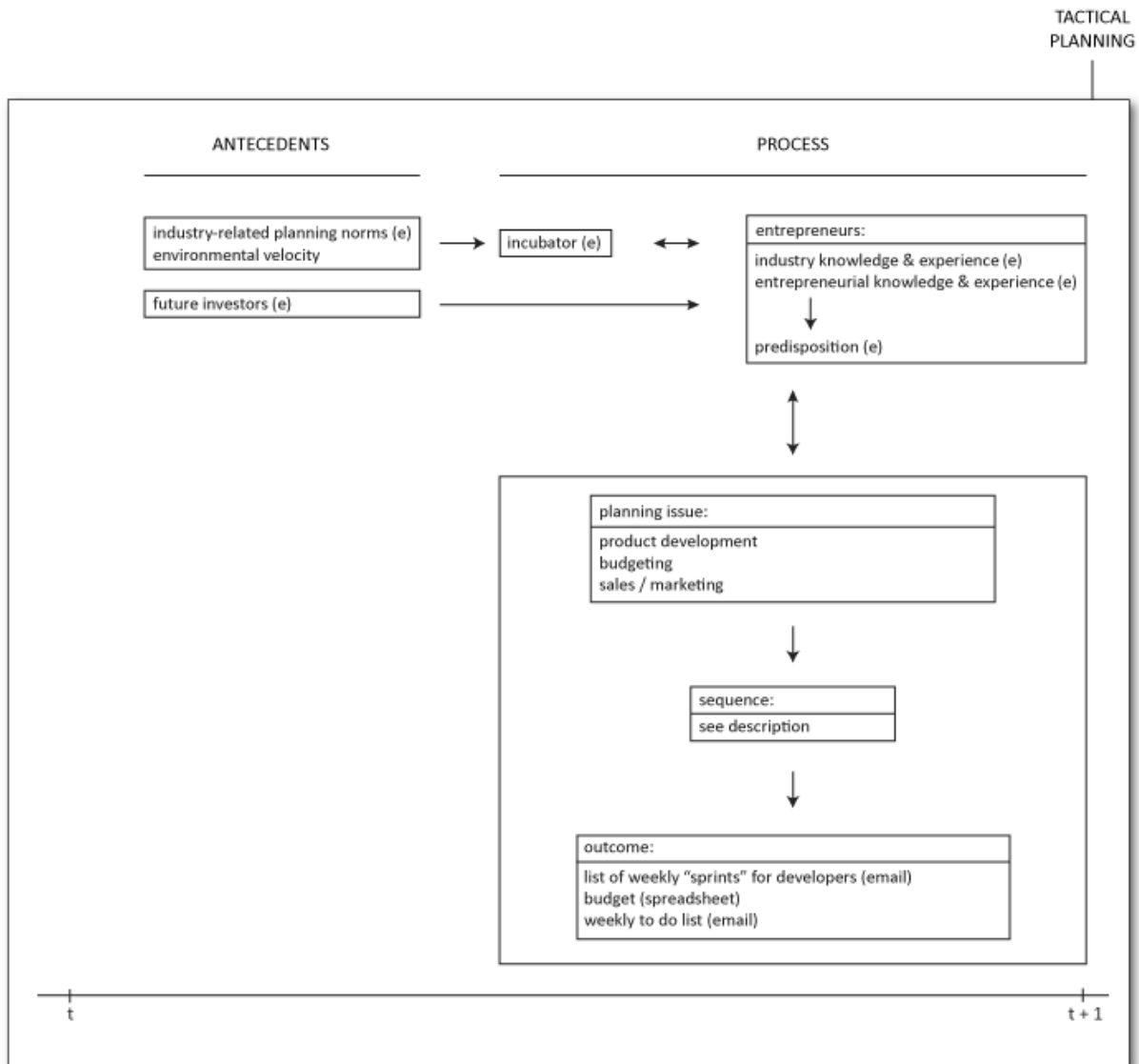
premium fashion shopping club, put Justus in touch with his German investors, Oliver Jung and Klaus Hommels. As these investors explained to Justus, they wanted to launch a Groupon clone in Australia. Justus spoke to the investors on the phone and flew to London two days after, where Justus and the investors agreed on the terms to invest in a group-buying site in Australia. Justus returned to Australia to look for a team to start a group-buying site.

A few days later, Dean, who was actively looking for investors, was introduced to Oliver Jung through his own contacts and flew to Europe. The investors then got back to Justus and said he could either join Dean or build his own business. Justus met up with Dean and found out that Dean, with the help of Pollenizer, already had the basic technology ready. They both found that Justus' marketing skills and Dean's sales experience would complement very well. Hence, they decided to team up and the next day they started working together in the Pollenizer office.

Shortly after Justus joined, their first competitor, Scoopon, appeared. Scoopon is a spin-off of Catch of a Day, a website with daily deals for physical products. Using the database of Catch of a Day, Scoopon managed to sell 2,000 vouchers, which instantly proved the viability of the business concept. It became clear to Dean and Justus that they would very soon face a lot of competition.

Figure 47 summarises the antecedents and process discussed in this section.

Figure 47: Sprints: Antecedents and process at the stage of launching



Note. Emergent constructs are marked with '(e)'.

4.4.3.2 Antecedents of the planning process

4.4.3.2.1 Environmental velocity

Pollenizer built the product on the condition that revenue had to be made no longer than eight weeks after the first release went live. As Phil reported, the velocity of the environment, and in particular the speed at which new competitors emerged, informed this decision:

If we had done Sprints as a business plan methodology [...] with a big document [and] market research [...] we would be dead. Honestly, we just didn't have the time

to work that slowly.

Pollenizer also made other contributions, including suggestions as to what systems to put in place to facilitate processes as well as “some good tips on the marketing side and sales side”. Although Pollenizer had a stake in Spreets, it was Spreets who “called the priorities”. This made sense to the co-founders since, through their investors, they “had all the knowledge from around the world” as to how to build a group-buying business.

4.4.3.2.2 Future investors

Justus found that spending one day at an already established group-buying business helped him in the planning process. After he agreed to build a group-buying site in Australia, he flew to Berlin to spend one day at a three-month-old German group-buying company the same investors had put money in. By talking to the management team, by seeing what systems and processes they built and how they structured the company, he gained enough knowledge to fully understand the business model and how to set up the company as well as what he would do differently in this process:

I just talked to everybody in there from the CTO, the CEO, they had a COO back then. And they were massively overstaffed from my point of view, but it was good to see how they actually tackled their system, and how they tackled the processes, and what they were doing in sales, and how they build up the company; what kind of structure they have, what kind of departments, editorial, marketing. [...] Yeah, so it was a very interesting day because I kind of... That was the first time that I looked and go, "Okay, it makes sense." And some things they did I thought don't make sense, so we did it a bit differently, but it gave me a very good idea of what we have to do in Australia to get the company up and running.

4.4.3.2.3 The need for finance not impacting the planning process

According to Justus, who after Spreets' success became an angel investor himself, whether entrepreneurs are required to write a formal plan or not depends on the degree to which investors are familiar with the business model:

The business model was already successful and proven in the US. So it was not so much about writing a business plan because our investors already knew the business

inside out. They had started it in Germany already for three or four months, so they were kind of ahead of what we were doing even though we overtook them. [...] That was never the kind of question that we had to convince the investors to do that business model because they already knew that it would work. But it's completely different for, like for example, Tempurer [a startup Justus got involved in after Spreets got acquired] what I do now where it's a new business model that is actually not out there yet. [...] For a business like that, you have to write a business plan, especially if you want to get the VC, investor money and seed money, whatever. Because the investors simply don't know how the business model is going to work. So you've got to show them how the business is going to function and how it's going to be monetised [...] So for new business that's not already out there, I think you definitely need a business plan.

In addition, Justus had interesting ideas on the format of such a plan and how the most effective format is dependent on the investor's preference:

I'm not a big fan of the kind of 50-page business plan that looks at again SWOT analysis and all the theoretical crap [...] Basically every business you can explain in five pages. And that's what I like much more when I get proposals now [as an investor] [...] Show me something that I can understand. [...] If [...] you can't put it in five pages, it's probably not a great business model, right? Because it's getting very, very complicated. [...] So explain the market, explain the business model, and how you're going change the market. [...] But there are other investors out there who love that stuff [more comprehensive plans]. So, it always depends on whom you talk to.

Interestingly enough, when discussing the value of a formal business plan, Justus pictured it as an instrument to legitimate a new, unproven businesses to investors in order to receive investment. Like Justus, Dean did not see any value of producing such a document for purely internal purposes.

4.4.3.3 Planning process

4.4.3.3.1 Planning issues, sequence of actions and outcomes

When Justus joined, he first spent some time on improving the website while Dean went out to

talk to merchants to get deals in. Simultaneously, Justus refined the cost forecast Dean created and turned it first into a revenue forecast and later into a budgeting tool. Over five spreadsheets he calculated all expenses including marketing, human resources, sales commissions and infrastructure. At the same time, he used online metrics to evaluate the return on investment for marketing instruments, which were then used to calculate income. By deducting expenses from income, revenue was predicted for each month. This financial model helped Spreets manage cash flow, understand as well as communicate how well the business was performing and explain the business model to Yahoo!⁷. The revenue forecast evolved as the business grew to 20 sheets by the time of writing in November 2011 and the planning horizon changed from one month to one week.

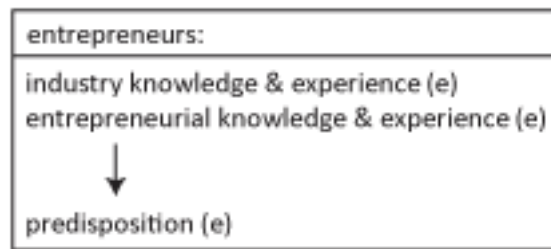
4.4.3.3.2 The entrepreneur shaping the planning process

Industry as well as entrepreneurial knowledge and experience had an impact on the planning process and its outcomes, resulting in a less formal and more pragmatic way of planning. Justus reported:

It [the marketing plan] was not like a formal marketing plan [...] Because I filled the database before with my competitor company in Germany [GoYellow] and especially with GetPrice in Australia, I knew how to build a database quickly and I knew what you have to do [...]. [...] And it [industry experience] also helped me in terms of building [...] not the business model but the financial model behind it. [...] Because [...] we sold the company to Yahoo!⁷ [...] that financial background was quite good because I actually was able to kind of forecast and built the model in a way that Yahoo!⁷ could actually understand [...] what we want to achieve and where we can get to. [...] Getprice definitely was a major stepping-stone to be able to do Spreets.

In addition, the entrepreneurs' predispositions seemed to have shaped the planning process. Justus described himself as "not so much a dreamer, but more somebody who actually gets stuff done and concentrates on the things that have to get done". Particularly, he said that he was better at doing things than planning things in detail. This was in line with the investors' style of planning. Dean seemed to have similar preferences. "Analysis is paralysis" he found. However, Justus added that he "was getting better at planning", which implies that predispositions are dynamic and changed in his case with growing entrepreneurship knowledge and experience (see Figure 13).

Figure 48: The co-founder's dynamic predispositions



4.4.4 Scaling

4.4.4.1 Contextual information

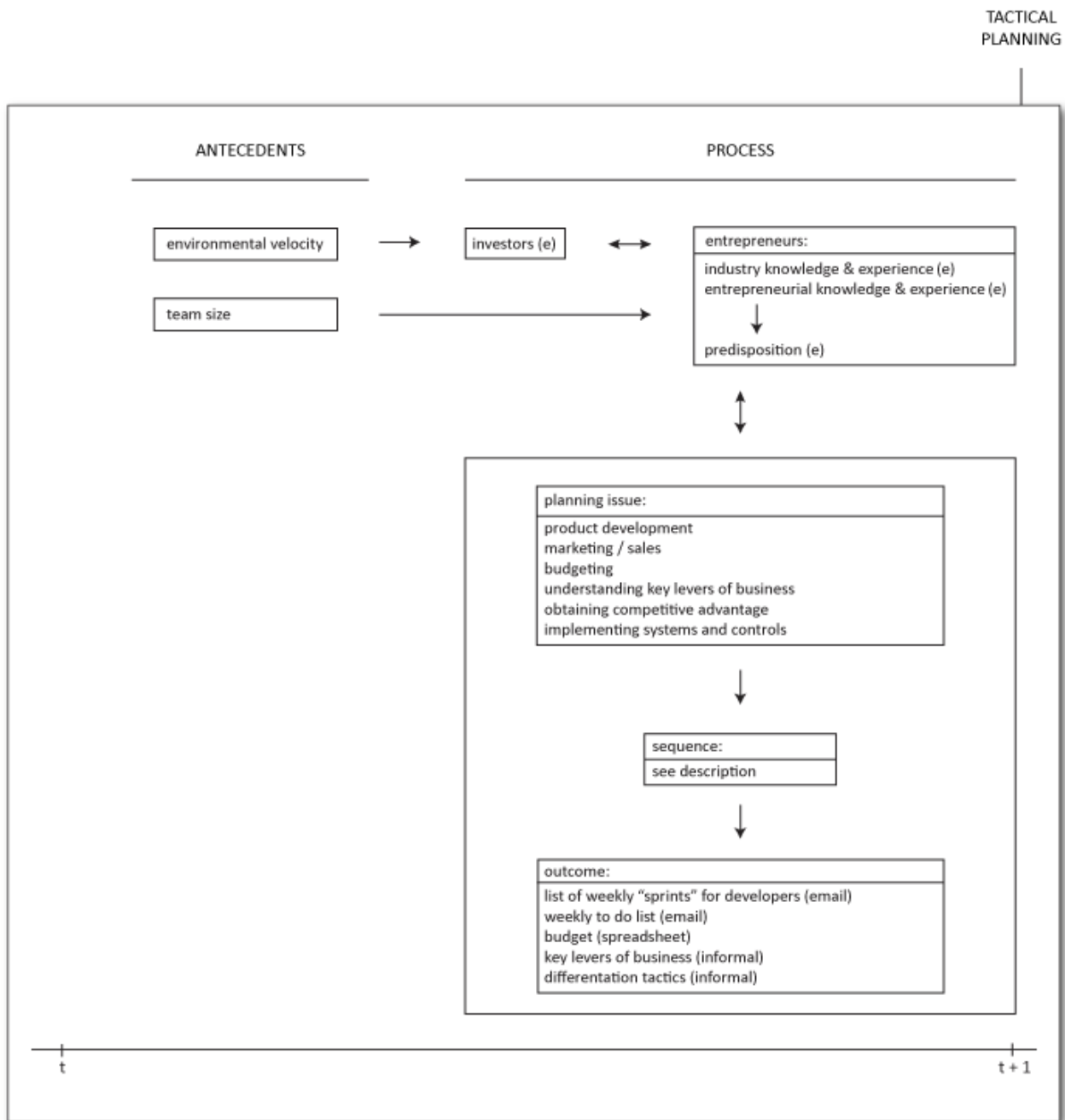
According to Dean, the business started to scale at the end of March 2010 when the first sales people were hired:

When it wasn't just the pressure of me closing the deal everyday. That actually made me realise well I can teach someone else how to sell and then they can do it. [...]
And then that's when I realised the more sales people we can get, the more deals we can get, the more revenue we can get, and we started to understand the metrics. We knew it could grow our cash flow. It could grow organically by itself, so we got it to a position where we didn't need the money, which I think is really important in a startup where you sort of put yourself in a way of not needing the money because people can smell desperation.

Therefore, despite the quick success, Spreets sought investment and in April 2010, Klaus Hommels and Oliver Jung agreed to invest with two million dollars, which was transferred in May 2010. This money magnified Spreets' growth because Spreets could now hire more sales people to get more deals and to increase revenue, which again allowed Spreets to hire even more sales people in major cities in Australia and in some cities in New Zealand. As a result of this growth, Spreets moved out of the Pollenizer office into their own premises in September 2010.

Figure 49 shows the antecedents and process outlined in this section.

Figure 49: Sprints: Antecedents and process at the stage of scaling



Note. Emergent constructs are marked with '(e)'.

4.4.4.2 Antecedents of the planning process

The size of the team had an impact on the tactical planning issues. The majority of Sprints' employees are sales people. One of the first organisational challenge Sprints faced as early as two months after launch when the first sales people joined was scheduling the deals they wanted to run on their website and managing all the sales processes. A software solution called Salesforce was gradually implemented to automatise these processes and facilitate planning.

Another challenge was to align all employees with the company's vision as the team grew. Dean found that the entrepreneur is the vision and with a small team size the vision "rubs off naturally". However, when the team gets bigger and some employees are no longer in close contact with the founders, more work is required:

And it's only then when you sit down and you have other people around you and you ask them to articulate the vision. So you say, "What do you think it means? You describe it in your words what you think Spreets mean?" That's when you capture what a vision and mission is and that's how you keep consistency across the company as it gets bigger. How you keep the culture the same? How you keep people and everyone inspired and feeling the same about the business? [...] I think it is just perpetual reinforcement. Finding team messages, you just keep saying them over and over again, every time you talk to someone, every time you do a company presentation.

4.4.4.3 Planning process

The group-buying space became very competitive, as expected. To stay ahead of the game, Spreets needed to grow quickly. Dean explained:

At the beginning it's all about growth and getting big fast and growing. It's all about speed and execution. You don't get things perfect, you get things 80% right, and you do it quickly. That was sort of the attitude then.

According to Phil, he, Dean and Justus also sought to understand the "levers" of the business:

Understanding the levers we were able to raise some capital on that because we could tell investors what they were investing in. We would literally say, "If you would give us \$500,000 we will spend that in this way and we think that will generate this many users which will make the business this valuable and so on".

The subsequent investment allowed Spreets "to pump money into the growth of the subscriber base through the marketing". Besides growing the user base, the money was also used to expand into new cities as well as New Zealand, to increase the number of deals and to hire new sales people.

To discuss these and other issues, Justus had meetings with the two German investors at least

once per week on Skype. Because the investors had launched group-buying sites in other countries before, they were able to transfer knowledge to the founders:

Because they [the investors] were doing the same business models around the world, they aggregated all that knowledge, and that was really a good source of information for us: [...] What happens around the world, what deals work around the world, and how to do a sales pitch and stuff like that. So we could always get some good feedback from them.

The investors further shaped the planning process by urging the entrepreneurs to spend more money in order to grow quicker. In addition, the investors put forward certain issues they wanted to discuss in meetings, including the weekly progress, weekly to-do's and key performance indicators such as revenue targets.

The marketing tactics were informed by the aim of achieving competitive advantage through differentiation. Because of Dean's industry experience, the entrepreneurs knew that if merchants had the choice between several group-buying platforms, they would choose the one with a well-funded user base. From the viewpoint of merchants, such users were expected to purchase extra services and become reoccurring customers. Hence, the co-founders put thought into how to build a database seeded with "premium" users with disposable income willing to spend at least 70 dollars per transaction rather than low-price bargain hunters. This led to a specific set of marketing tools as well as partnerships with the Australian premium shopping club BrandsExclusive for example.

To stay efficient while growing, the entrepreneurs had to put systems and controls into place. The planning became "inwards focused" with the goal of getting "the internal structure right" to be able to expand rapidly. Once these systems were in place it was about optimising these systems as Dean explained:

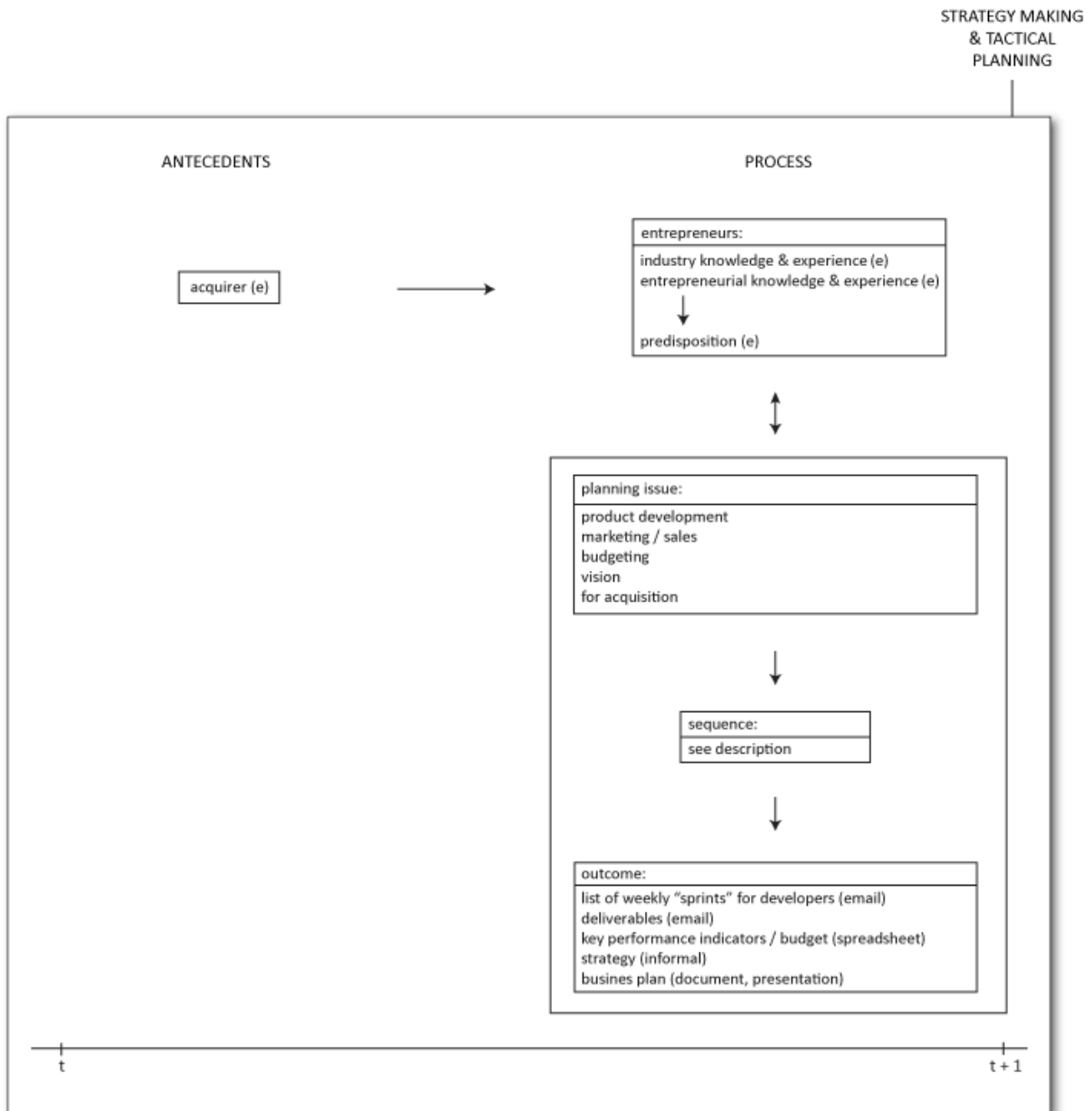
We have to be a little more careful because we're about 1.5 million people [users]. Even a small mistake means massive headaches for support or massive issues for a merchant. So we have to be more careful about what we do [...] we put more procedures in place [...] quality assurance, testing, and things like that to make sure that we're doing things properly.

4.4.5 Pre acquisition

4.4.5.1 Contextual information

In September 2010, large companies started to approach Spreets expressing their interest in acquiring the company. This included several companies from the US as well as some Australian companies. The two co-founders looked at all options and decided to sell Spreets to the company that was perceived as the best partner and had the most potential to grow Spreets further. Once the co-founders decided upon Yahoo!7 at the end of November 2010, they hired Deloitte to assist them in the acquisition process. The investors also brought in a person who helped Spreets with this process and made sure the investors' interests were protected. The details discussed in this section are summarised in Figure 50.

Figure 50: Sprints: Antecedent and process at the stage of pre acquisition



4.4.5.2 Antecedents of the planning process

To communicate the business to Yahoo!7, Justus' budget was used and the co-founders held formal presentations at the Yahoo premises before acquisition. As one might expect, the acquisition process required Deloitte to produce a formal business plan. Dean had some interesting comments on this 10-page plan:

It's the university version of a business plan. So it's like, vision, mission, objectives, competition, financial forecasts, team, market research, strategy, all the stuff. [...] It wasn't really a good planning document. [...] I never have looked at it since. [...]

But it's useful in communicating with people who don't know anything about business in a short period of time.

Equally interesting was the observation that when potential acquirers approached Spreets, strategy-related planning issues started to surface for the first time. Dean found that “it raises a lot of questions about what direction you have for the company”.

4.4.5.3 Planning process

Justus and Dean sat down to discuss “the next game-changing thing“ they needed “to do to embrace and maintain Spreets’ market leadership position”:

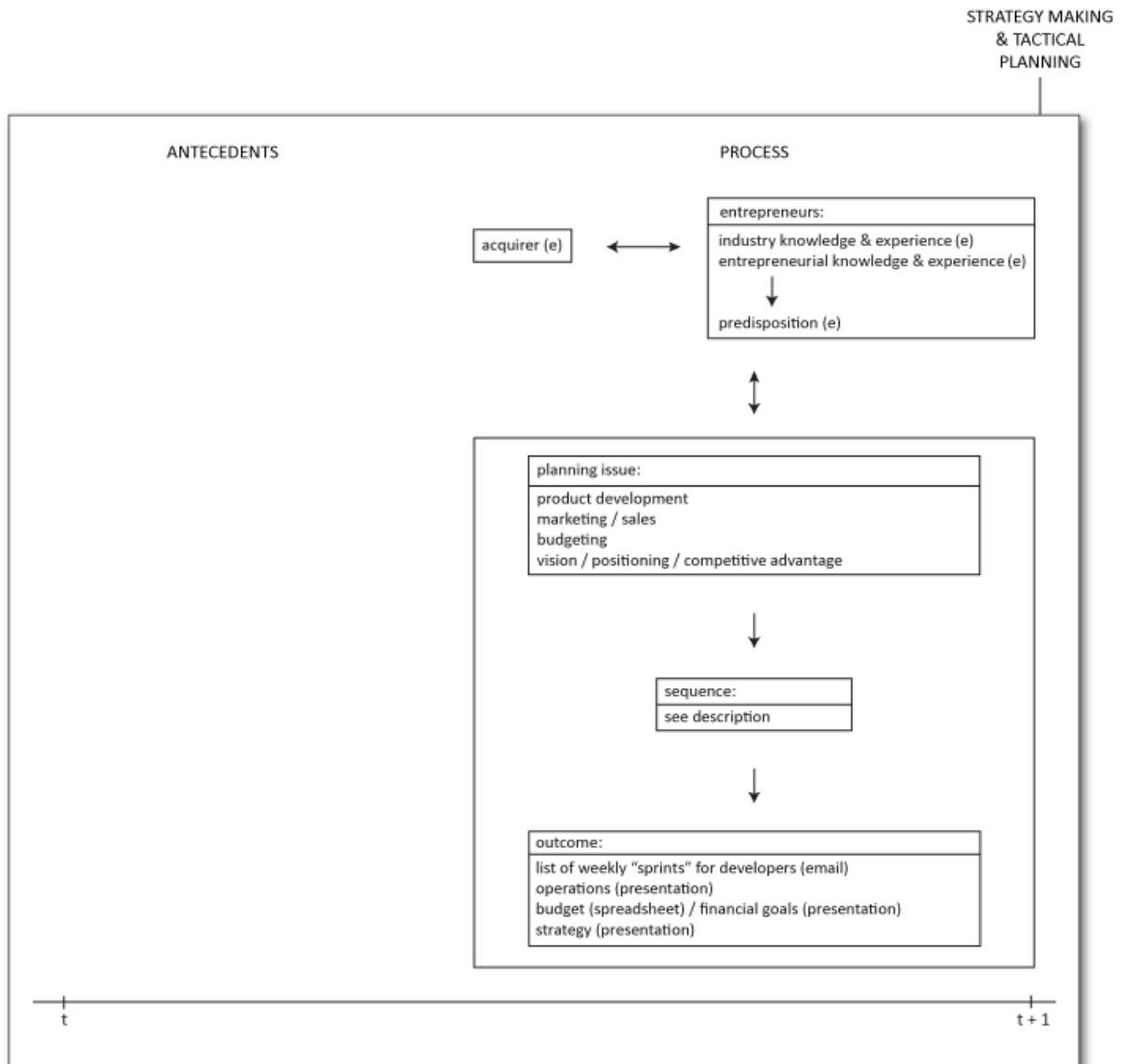
Do you want to raise money, start spending and marketing? Or partner with someone? We were having an internal debate about what we would do, and that just started us thinking about this whole process. We were approached by a few different people, and Yahoo!7 was the best option in terms of the ability to reach people in multiple areas, including online, television and so on. They talked about their ability to crunch data, and we thought that would be the best way to move forward.

4.4.6 Post acquisition

4.4.6.1 Contextual information

It only took Spreets seven weeks to finalise the deal and Spreets became acquired on 20 January 2011 for an estimated 40 million dollars. The acquisition did not result in any suspension of staff. Both co-founders kept their position as Chief Operating Officer (Dean) and Chief Marketing Officer (Justus). Spreets now had a board of directors they had to report to (see Figure 51) and the whole team moved into the Yahoo!7 premises in May 2011.

Figure 51: Spreets: Antecedent and process at the stage of post acquisition



Note. Emergent constructs are marked with '(e)'.

4.4.6.2 Planning process

As one would expect, the acquisition of Spreets resulted in more formalised planning. Spreets reported to Yahoo!7's financial department as well as to Yahoo!7's CEO and the rest of the board. In addition, in order to discuss issues and to seek advice, the co-founders met up monthly with Yahoo!7's 'steering committee' consisting of some of the key people in the organisation, which in some instances resulted in a formal presentation.

Most of these meetings with different members of the organisation were informal discussions.

However, once a year, the co-founders held a formal presentation in front of the committee to plan the next year. According to Dean, prior to that meeting, key people at Spreets, including the finance team, sat together to share “their plans for the next year [...] what they're doing [...] what their priorities are”. The goal was to come up with a plan that aligned well with Yahoo!7’s overall plans. Dean reported:

Essentially the finance team sort of helps prepare the budget for next year, which is based upon what we planned originally and our performance this year and what we need to do, and then we sort of look at those numbers and go, "Is that reasonable? Can we achieve those numbers? What can we tweak? How many extra sales people do we need to bring on and in what areas and what will that cost?" So there's a lot more planning now in terms of thinking because we know the model, but there's still the element of unknown and we still apply that same startup principle of let's just try this stuff and see what happens. [...] [We come up with] solutions that align with [...] [Yahoo!7’s directives] and also help us achieve what our financial goals are for the next year and strategic goals and then we cost them out and work out... Prioritise them work out when they're going to happen, and then we allocate responsibilities who's going to make sure it happens.

Dean also explained the content of the presentation:

So, it's essentially numbers and what our brand means for us and our position in the market and then what we kind of do is understand the decision funnel so this is what people go through to sign up to Spreets. So you have to be aware of interests, sign up, pick on a deal, open our emails, purchase, after the deal, whatever, and then we set metrics against each of those. [...] Each department then owns different metrics. So Products owns those. Business Operations and Content kind of owns those. Marketing owns these, and Sales owns kind of the deals and the after deals. And it's kind of the way we think about the business.

Interesting here is that for the first time, planning took place not only at the stage of tactics and the business model but also on a strategic level. Justus said:

Now it's kind of getting a bit more strategic. [...] How do we differentiate Spreets from rest of the market? Where do we position it in the market? What should the

brand stand for? And we've done a little work on that and kind of one of the results is the TV campaign and our new tag line, "It seems better when the deal is better." And there's also kind of an ideal and a future [looking for the right word] kind of a vision behind it now [...] And now we agreed on the kind of the little steps that we have to take in-between to actually get us to that vision. [...] Which [...] makes the whole thing a bit more theoretical and strategic. [...] If you look at kind of where the company is now and the size that we are now, [...] that's how where you want to get to after all and what you have to tackle.

Dean, who had started the business, had a slightly different view on the corporate vision. He believed that there had always been an implicit vision:

There [at the early stages] were no strategy meetings, "What's your vision? What's mission?" I think that's a load of shit. I think actually in the startup stage it's a waste of time because the vision and mission is the entrepreneur. Like you don't have to articulate what's in your head because you have a vision and you have a mission, and you just sell it. You live and breath it, and you sell it.

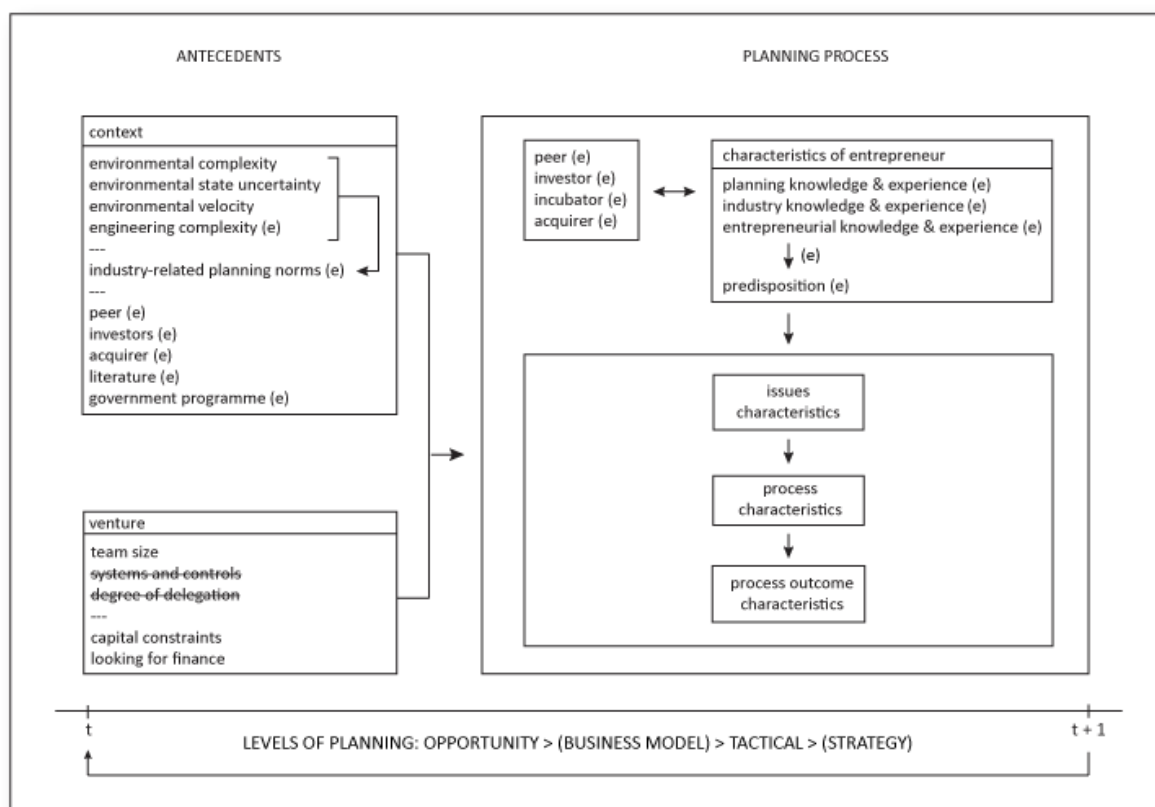
4.5 Summary

Atheoretical descriptions of four cases with varying degrees of length and complexity were presented in this chapter. These descriptions were guided by the theoretical framework developed in Chapter 2 and the research questions presented in Chapter 3. The findings informed the following chapter, which analyses and discusses the observations from the cases studied.

5 ANALYSIS AND DISCUSSION

This thesis aims to understand early-stage entrepreneurial planning. Theory from various narrow streams of literature were combined to create a priori constructs and a theoretical framework that could be used to guide data collection and analysis. Based on the theory reviewed, the following research questions were put forward. At different stages in time: (i) what are antecedents of entrepreneurial planning; (ii) how do certain characteristics of the entrepreneur affect planning; and (iii) what are planning issues, sequence of actions and process outcomes. This chapter discusses findings related to these questions and how confronting the theory developed in Chapter 2 with such findings resulted in the framework shown in Figure 52.

Figure 52: Refined theoretical framework



Note. Emergent constructs were marked with '(e)'. Constructs that were not supported by data were crossed out. Not all planning dimensions applied to all archetypes.

5.1 Levels of planning

The a priori theoretical framework was informed by Casadesus-Masanell & Ricart's (2011) notion of three levels on which entrepreneurial planning can unfold: on the level of strategy making, on the level of business modelling and on the level of tactical planning (see Figure 2). Data from the cases studied supported the notion of various levels on which entrepreneurial planning can unfold. For instance, all entrepreneurs faced a wide range of tactical planning issues such as product development, marketing, sales or budgeting.

Another commonality that all cases shared was that they first engaged in opportunity recognition before engaging in any other type of planning. In the two cases in which entrepreneurs built a new venture based on an existing business model, opportunity recognition happened instantly. Dean from Spreets was presented a new business model and his past experience allowed him to recognise its potential immediately. In a similar vein, the co-founders of Harlem Bar knew that a bar with an alternative concept could be a success and therefore did not hesitate to take over the lease when the owners of Frankie's Number decided to close their business. On the other hand, where entrepreneurs created a new business model, opportunity recognition occurred over time. In the case of the renewable energy startup, the first founder actively engaged in the process of seeking business opportunities and comparing various options. Shane from Immortal Outdoors discovered business opportunities as he built the first iteration of his business and discovered new technologies and revenue models in this process. Surprisingly, Casadesus-Masanell & Ricart did not mention opportunity recognition in their planning framework despite it being a well-established concept in entrepreneurship literature.

The other two levels of planning, business modelling and strategy making, only applied to some of the new ventures studied (see Table 4). The founders of both the renewable energy startup and Spreets spent a considerable amount of time modelling the business, which included developing the value proposition and the product, budgeting costs, defining mechanisms to capture revenue and creating a marketing strategy. Of all the cases studied, only Spreets dealt with planning issues of strategic nature such as market positioning and differentiation. Interestingly enough, these strategic issues did not emerge until the company scaled up and was acquired.

Table 4: Cross-case analysis of levels of planning along stages

	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Nascent idea	Opportunity recognition	Opportunity recognition	Opportunity recognition	Opportunity recognition & business modelling
Actively pursuing idea	Tactical planning	Tactical planning	Business modelling & tactical planning	Business modelling & tactical planning
Launching	Tactical planning			Tactical planning
Scaling				Tactical planning
Pre acquisition				Strategy making & tactical planning
Post acquisition				Strategy making & tactical planning

Hence, for the cases studied, it can be said that certain levels of planning build on other levels of planning (see Figure 53). In each of the four cases, opportunity recognition occurred first. Then, in some cases, planning issues evolved on the level of business modelling. All entrepreneurs had to deal with tactical planning. Lastly, the co-founders of Spreets, who went through the highest number of planning stages, engaged in strategy making shortly before and after acquisition.

Figure 53: Levels of planning building on each other

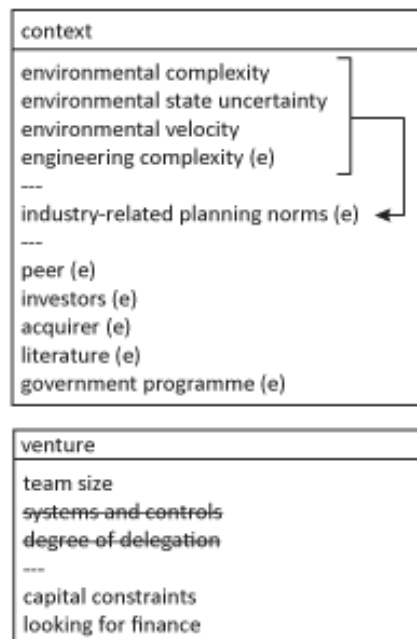


Note. Business modelling and strategy making only occurred in some of the cases studied.

5.2 Antecedents

The framework developed in Chapter 2 drew on various theories from different streams of literature to suggest antecedents of entrepreneurial planning. As shown in Figure 54, not all antecedents were supported by the data collected (see Table 5).

Figure 54: Revised antecedents



Note. Emergent antecedents were marked with '(e)'. Antecedents that were not supported by data were crossed out.

Table 5: Cross-case analysis of antecedents along stages

	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Nascent idea				Peer
Actively pursuing idea	Capital constraints Team size	Peers Literature Government programme	Need for finance Environmental & engineering complexities -> Planning norms	Environmental uncertainty / velocity -> Planning norms
Launching	Capital constraints Team size			Planning norms Environmental velocity Investors
Scaling				Velocity Team size
Pre acquisition				Acquirer
Post acquisition				

As outlined in Chapter 2, a common moderator of the planning performance relationship is environmental uncertainty. Environmental uncertainty and environmental dynamism are often used ambiguously and as umbrella terms for various phenomena. Dividing these terms into environmental state uncertainty, environment velocity and environmental complexity as elaborated in section 2.1.3.2.1 was worth the effort because, in practice, they proved to be separate constructs. Together with the emergent construct of engineering complexity, they informed certain industry-related planning norms. For instance, in the case of Spreets, environmental uncertainty presented itself in the form of not knowing whether and how the group-buying model could be applied to the Australia market. Spreets also had to deal with environmental velocity because other entrepreneurs were working on establishing group-buying businesses in Australia and the market was expected to become highly competitive in very little time. Like many other Internet startups that face the same challenges, the entrepreneurs used the process of customer development described in Section 4.4.2.2 to validate the business model as quickly as possible and, once demand was proven, to ensure that the limited resources available were used to build a product based on customer feedback rather than on assumptions. The

renewable energy startup, on the other hand, followed planning norms that were relevant for their industry and hence very different. The entrepreneurs engaged in sophisticated product and plant modelling in form of spreadsheets to break down engineering complexity.. Across the cases studied, environmental uncertainty, environmental velocity and environmental complexity as well as industry-related planning norms, which are a result of these environmental challenges, were the most dominant of all antecedents.

Other emergent antecedents were peers, investors, acquirer, entrepreneurship literature and the government programmes. Peers provided Shane from Immortal Outdoors with advice as to how to tackle challenges he faced when building his product. Investors showed Justus from Spreets how they built a similar business in another country and their best practices. Yahoo!7, Spreets' acquirer, had clear planning and reporting requirements with which Spreets had to comply. Dean from Spreets and Shane from Immortal Outdoors also read books on how to build a new venture, which had an impact on the planning process. Finally, the NEIS government programme Shane from Immortal Outdoors participated in required Shane to cover certain planning issues and to write a business plan.

The a priori constructs of team size, capital constraints and the need for finance also impacted the planning process. As expected, a small team size resulted in less rigid and more informal planning in all cases. Capital constraints prevented the owners of Harlem Bar from hiring someone to take care of their financial planning, which resulted in the postponing of certain planning issues. Furthermore, the two startups that sought external finance had to address certain planning issues in order to become fundable.

Lastly, other venture characteristics assumed to impact planning were not supported by data. It seemed that the ventures studied were too early-stage for a high degree of delegation or systems and controls to influence planning.

5.3 Entrepreneur and other planners

The a priori framework suggested that the entrepreneur was at the centre of the planning process and that pre-entry knowledge, as a characteristic of the entrepreneur, would shape the planning process. The data from the cases collected confirmed this (see Table 6). In addition, it was found that, for all cases, pre-entry knowledge could be divided further into entrepreneurial knowledge and industry knowledge. For instance, in the case of the renewable energy startup,

entrepreneurial knowledge facilitated the creation of business plans, pitch decks and investment term sheets when applying for grants and seeking investment. Equally important, industry knowledge guided the opportunity recognition process as well as the process of product and plant modelling. Moreover, data from three of the four cases studied showed that the predisposition of the entrepreneur shaped the planning process. Interesting here was the observation that predisposition was dynamic the case of Spreets and changed as entrepreneurial knowledge grew. More precisely, Justus from Spreets found that the experience he gained as an entrepreneur made him understand the value of planning

Table 6: Cross-case analysis of characteristics of the entrepreneur impacting planning

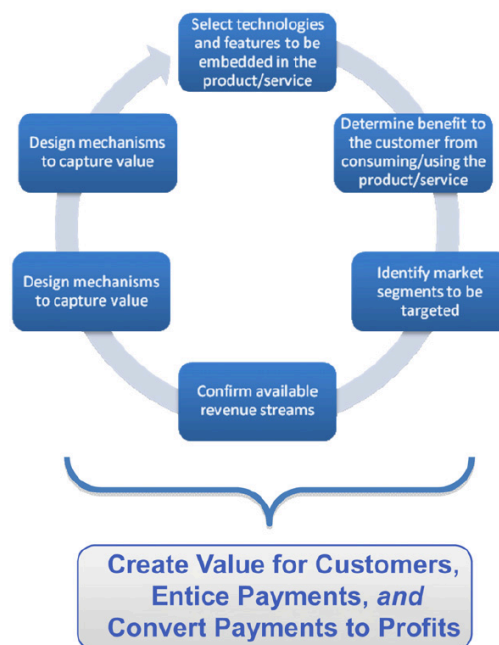
	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Nascent idea	Industry knowledge Entrepreneurial knowledge	Industry knowledge	Industry knowledge Entrepreneurial knowledge	Industry knowledge
Actively pursuing idea	Industry knowledge Entrepreneurial knowledge Predisposition	Industry knowledge Entrepreneurial knowledge	Industry knowledge Entrepreneurial knowledge Planning knowledge	Industry knowledge Entrepreneurial knowledge
Launching	Industry knowledge Entrepreneurial knowledge Predisposition			Industry knowledge Entrepreneurial knowledge → Predisposition
Scaling				Industry knowledge Entrepreneurial knowledge → Predisposition
Pre acquisition				Industry knowledge Entrepreneurial knowledge → Predisposition
Post acquisition				Industry knowledge Entrepreneurial knowledge → Predisposition

In the case of Spreets, several ‘external’ people were also involved in the planning process. As described when discussing antecedents in this chapter, some people and organisations inspired entrepreneurs to plan a certain way and acted as antecedents. In some instances, these people actually became part of the planning process so that they no longer could be seen as an antecedent. These people were peers, investors, people working for the incubator organisation and people working for the company that acquired Spreets.

5.4 Issues

As outlined in Table 7, all entrepreneurs faced the issue of discovering and evaluating an opportunity at the first stage. In addition, from the second stage onwards, all ventures engaged in product development. With the exception of Immortal Outdoors, budgeting and cash flow management was of relevance for all ventures to some degree. As for all other issues, there were little common themes. Hence, in the cases studied, there was clearly no set sequence of issues to be addressed when starting a new venture. This was in clear contrast to the proposal that business modelling is a linear, step-by-step process (see Figure 55).

Figure 55: Business modelling as a linear, step-by-step process



Note. Reprinted from Teece (2010, p. 172)

Table 7: Cross-case analysis of planning issues and outcomes along stages

	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Nascent idea	Opportunity -> <i>business idea</i>	Opportunity -> <i>business idea</i>	Opportunity -> <i>industry & technology knowledge</i>	Opportunity -> <i>business model</i>
Actively pursuing idea	Product -> <i>design</i> Cost estimation -> <i>cost breakdown (spreadsheet)</i>	Product -> <i>design (spreadsheet) / specifications (document)</i> Government programme -> <i>business plan (document)</i>	Product -> <i>product & plant model (spreadsheet) / Gantt chart (chart)</i> Investment / grants -> <i>pitch deck (presentation) / business plan (document) / term sheet (document)</i> Budgeting -> <i>budget (spreadsheet) / cash flow forecast (spreadsheet)</i>	Costs -> <i>cost breakdown / required resources (spreadsheet)</i> Customer development -> <i>validation</i> Product -> <i>"sprints" (document)</i>
Launching	Product -> <i>design (informal)</i> Operations -> <i>various outcomes (formal/informal)</i> Budgeting -> <i>cash flow reports (document)</i>			Product -> <i>"sprints" (document)</i> Budgeting -> <i>budget (spreadsheet)</i> Sales / marketing -> <i>to-do list (email)</i>
Scaling				Product -> <i>"sprints" (document)</i> Budgeting -> <i>budget (spreadsheet)</i> Sales / marketing / systems -> <i>to do list (email)</i> Understanding "levers" -> <i>budget</i> Competitive advantage -> <i>differentiation tactics</i>

no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Pre acquisition			Product -> <i>"sprints" (document)</i> Budgeting -> <i>deliverables (email) / budget, KPI (spreadsheet)</i> Sales / marketing -> <i>deliverables (email) / KPI</i> Vision -> <i>strategy</i> Acquisition -> <i>business plan (document, presentation) / budget (spreadsheet)</i>
Post acquisition			Product -> <i>"sprints" (document)</i> Budgeting -> <i>budget (spreadsheet) / goals (presentation)</i> Sales / marketing -> <i>operations (presentation)</i> Vision / positioning / comp. advantage -> <i>strategy (presentation)</i>

Note. Outcomes are written in italics. Formal outputs are noted in brackets.

5.5 Sequences of actions

Various planning issues resulted in a vast array of differing sequences of actions further described in Chapter 4. The common ground that some of these sequences shared was the planning mode that underpinned them. These planning modes were closely linked to the specific planning issues that triggered action, the predisposition of the entrepreneur or the planner and the novelty of the business model.

The entrepreneurs who built Harlem Bar were guided by their intuition. Because they had executed similar business models before, the process of opportunity recognition was merely one

of evaluating the opportunity, which happened instantly. Their gut instincts assisted the entrepreneurs in creating the product and the budget. The process was not very rigid and allowed for learning and shiftings of ideas.

Shane, who founded Immortal Outdoors, said that he created “a business by accident”. He clearly followed an effectual path throughout all planning issues. More precisely, he saw problems that he could solve with the means available and started to work on solving these problems without any bigger vision in mind.

The opportunity recognition process of the renewable energy startup also followed an effectual logic. The first entrepreneur engaged in opportunity seeking to look for an opportunity that, with his knowledge as a mechanical engineer, he could turn into a viable business. However, as the business grew, the entrepreneurs started to engage in more predictive planning.

The co-founders of Spreets dealt with many different planning issues. Ever since their incubator introduced them to the concept of customer development and the notion of testing before building, they followed a ‘discovery-driven’ approach, even after they became acquired. One exception, however, was their budget, which was always very predictive.

Table 8 summarises these insights. Linking planning modes to the archetypes studied showed that entrepreneurs developing unproven business models started with an effectual approach. Surprisingly, no venture followed the design mode said to inform most prescriptions given to entrepreneurs

Table 8: Planning modes of the cases studied

	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Planning mode	Entrepreneurial	Effectuation	From effectuation to prediction	Discovery
Underlying logic	Intuition	Effectuation	Effectuation / incremental planning	Experimentation
Path	Deliberate / plan (informal)	Emergent / pattern	Deliberate and emergent / plan and pattern	Deliberate and emergent / plan and pattern

	no finance / proven business model (Harlem)	no finance / unproven business model (Immortal Outdoors)	ext. finance / unproven business model (renewable energy startup)	ext. finance / proven business model (Spreets)
Planning activity	Formulating (black box) and promoting vision	Doing the doable with the means available	Doing the doable and increasing planning as required	Testing assumptions to reduce uncertainty
Decision maker	Entrepreneur	Entrepreneur	Entrepreneur	Entrepreneur
Given process	No	No	No	Yes
Learning	Partly	Yes	Yes	Yes
Decision	Top -> down	Top -> down	Top -> down	Top -> down

5.6 Outcomes

Many prior studies have measured business planning (process) in terms of having a written business plan (outcome of a process). The data collected in this thesis showed that one process can result in different outcomes and hence process and process outcome need to be better distinguished. Table 7 inserted above summarises these outcomes of planning processes in more detail and links them to planning issues.

Opportunity development and business modelling did not result in any formal output. The process of product development resulted in many different outcomes. For the co-founders of Harlem Bar, the process of building a product involved choosing a “concept” such as Harlem in the 1920s, finding the right interior and building the bar. There was no formal outcome of this process. For Immortal Outdoors, Shane created lists with features he wanted to see on his website and then designed the interface in a spreadsheet. The co-founders of the renewable energy startup spent years modelling the product on spreadsheets to find the best technology and configuration for their prototypes and plants. Lastly, the co-founders of Spreets put emphasis on receiving customer feedback on most product ideas before creating weekly “sprint” lists for their developers. Budgeting was mostly done using spreadsheets. One grant the entrepreneurs of the renewable energy startup applied for required the entrepreneurs to write a business plan. A business plan was also required to complete the government programme in which Shane from Immortal Outdoors participated. Deloitte also wrote a business plan in the acquisition process of Spreets to communicate the business model to Yahoo!⁷. In all instances where a business plan

was required, the entrepreneurs found this document to be of no internal use. In addition, data revealed that a business model can be communicated in many ways and a traditional business plan is just one of them. In Spreets' case, the investors were already familiar with the business model and therefore did not need any formal document. The co-founders of the renewable energy startup, who pitched to investors familiar with the industry, used presentations and pitch decks instead.

5.7 Summary

This chapter discussed how the a priori theoretical framework was developed in the process of confronting it with empirical data.

As suggested by the theory reviewed in Chapter 2, planning can occur on several levels. Data showed that opportunity recognition was an additional level separate from business modelling. In addition, it was found that different levels of planning build on each other and therefore are sequential.

This chapter also confronted a priori antecedents with data. Whereas some suggested antecedents were not supported by data, other antecedents emergent from data. The most influential antecedent was industry-related planning norms. In other words, the ventures studied showed that planning issues were very much dependent on the industry in which they were operating.

Furthermore, the role of characteristics of the entrepreneur was examined. The umbrella construct of pre-entry knowledge was divided into entrepreneurial and industry knowledge. Predisposition of the entrepreneur was another characteristic that emerged from data. It was also found that, in one of the cases, 'external' people became part of the planning process.

The section devoted to planning issues explained how the entrepreneurs of all ventures studied faced their own planning issues and, with the exception of opportunity recognition, product development and budgeting, no commonalities were found. The lack of such patterns questions theory that suggested that new ventures go through a set sequence of planning issues.

The planning modes that underpinned sequences of actions were also studied. Surprisingly, no venture operated in the design mode said to inform most prescriptions given to entrepreneurs. In addition, data revealed that the two cases with unproven business models started with an effectual approach.

Lastly, when analysing the outcomes of the planning process, it became clear that despite the practice of most prior studies, the distinction between planning process and outcome of such process is important. In addition, entrepreneurs reported that business plans, such as the ones often promoted by governmental agencies and educators, were required to communicate the business model to investors, acquirer or the governmental agencies not familiar with the business model. Besides such communicating, writing a traditional business plan did not result in any benefit for the entrepreneurs.

The next section reviews the insights gathered in this chapter in the light of their contribution.

6 CONTRIBUTION AND FUTURE AREAS OF RESEARCH

6.1 Theoretical contribution

Fields of academic research have looked at narrow aspects of entrepreneurial planning. Most of these studies used quantitative methods to measure the impact of planning on new venture performance. Despite decades of inquiring, the results have pointed “inconclusively to any association between business plans and venture performance” (Burke et al., 2010, p. 392) and an “intense debate” (Brinckmann et al., 2010, p. 24) still surrounds the question of how entrepreneurs are best advised to plan.

This inconclusiveness is not surprising given that theory testing has preceded theory building (Dencker et al., 2009). The understanding of planning that underpinned these studies has been both limited (Burke et al., 2010) and based on assumptions rather than theory. The goal of this theory-building research is to produce a better understanding of what entrepreneurial planning is and how it unfolds. By combining various concepts from narrow streams of planning literature rooted in entrepreneurship and strategic management, a preliminary understanding of entrepreneurial early-stage planning was created. This theoretical framework was then confronted with qualitative data collected from four cases. The refined framework highlighted antecedents, issues, sequences of actions and outcomes of entrepreneurial planning as well as the role of characteristics of entrepreneurs and other planners in the planning process.

In regard to overcoming the inconclusiveness mentioned above, the literature reviewed showed that planning has mostly been measured in terms of having a written business plan. This was contrasted by data revealing that in the cases studied, a business plan was merely one of many possible outcomes of the planning process. The framework developed can be used to create measures that better reflect the complex and multifaceted nature of such planning. More generally speaking, a clearer understanding of how entrepreneurial planning unfolds is expected to lay the foundation for various types of future studies concerned with entrepreneurial planning.

6.2 Methodological contribution

Most scholars have approached the studying of entrepreneurial planning from a positivist stance. Quantitative methods have been used to measure relationships between two variables.

Surprisingly, these relationships pointed in very different directions. Consequently, researchers have introduced empirically ungrounded moderators in order to better understand the complexity of the phenomenon studied. The introduction of such moderators has done little in producing more conclusive results. Whereas statistical methods are suitable for testing theory across a wide sample, they are inefficient at building theory and creating an understanding of complex phenomena. Therefore, this thesis employed a different methodology.

Existing constructs relevant to entrepreneurial planning were combined into a more holistic theoretical framework. To confront this theory with data, four new ventures were studied using qualitative case research as the chosen methodology. By iterating through the hermeneutical circle and continuously moving between data and theory, an improved understanding gradually emerged.

The findings indicate that the methodological approach provided adequate and usable research data for creating a more advanced understanding of the process of early-stage entrepreneurial planning and its complexity. This attempt to grasp the multifaceted phenomenon, has, at least to some extent, increased knowledge about the usability of the existing theories and models, and the reality entrepreneurs face when starting a new venture. The approach seemed well suited for the task of developing existing and complex theory in the field of entrepreneurship.

6.3 Managerial implications

The insights provided are also of relevance to agents advising entrepreneurs as to how to plan. Literature reviewed showed that governmental agencies, textbook writers and educators predominantly promote the traditional business-planning framework. This framework has its roots in strategic management literature and planning in this mode is a process of rational decision making taking place “as a linear progression from initial aspiration to final result” (Sminia, 2009, p. 98). Surprisingly, none of the ventures studied operated in this logic. With respect to business plans, it was found that writing such a plan only made sense when there was a need to communicate the business model to external people not familiar with the industry. There were no other benefits from writing such a plan, which was said to be a very time-consuming task of 200 hours or more. This thesis provided detailed observations outlining the alternative planning modes in which the ventures studied operated.

6.4 Limitations and avenues for further research

In order to obtain a holistic understanding of the phenomenon studied, this thesis collected data from four new ventures. This small sample size does not allow for any statistical generalisation. Therefore, theory testing across a larger sample size is required to verify the theoretical framework proposed.

In addition, all cases studied were Sydney-based, which did not allow for an understanding of whether the cultural background of the entrepreneur affected planning. The theoretical framework could be applied to entrepreneurs from other cultures to better understand whether the cultural background of the entrepreneur has an impact on the planning process.

As another characteristic of the entrepreneur, pre-entry knowledge shaped the planning process in the cases studied. This thesis did not 'control' for nascent versus serial entrepreneurs or for the level of pre-entry industry knowledge. To better understand how such characteristics form the planning process, scholars could pay closer attention to these differences and draw on methods from cognitive psychology to further explore the black box of planning.

Findings also revealed that opportunity recognition processes differed in the archetypes studied. However, data was too thin to produce a deep understanding of such processes. Incorporating theories from opportunity recognition literature into the theoretical framework presented in this thesis and collecting data from different archetypes of new ventures could further advance our understanding of differences in such processes.

Furthermore, the results showed that industry-related planning norms had a great impact on the planning process. Adding more industries and studying several new ventures in each industry is expected to further reveal the degree to which planning depends on the industry the entrepreneurs are operating in.

As a last suggestion for avenues of further research, this thesis only studied the immediate benefits and effects of certain planning processes. Future studies could further explore how certain planning processes affect and benefit the new venture in the middle and long term.

To conclude, the theoretical framework developed in this research provides a bigger picture of the phenomenon of entrepreneurial planning and a map of how the individual parts it consists of fit together. It lays a good foundation for future research seeking to study these individual parts

in more detail. The ability of this framework to raise questions and to urge further research can be considered to be one of its important and central contributions.

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8 APPENDICES

Appendix A

Table 9: Main arguments pro and contra entrepreneurial planning since 2003

Study	Process (planning) or outcome (plan)	pro or contra	Reasoning	Dataset
Burke et al. (2010)	plan	pro	increases the level of resources available to the venture (meta moderator)	England
Burke et al. (2010)	plan	pro	enhancing the efficacy of existing resources (meta moderator)	England
Burke et al. (2010)	plan	pro	help raise entrepreneurial capabilities	England
Burke et al. (2010)	plan	pro	may support improvisational activities by enhancing entrepreneurial decision making	England
Burke et al. (2010)	plan	pro	helps improving the managerial capabilities to learn and introduce new routines	England
Burke et al. (2010)	planning	pro	can highlight the difficulty of predicting market uncertainties and hence actually prime entrepreneurs to think and respond more effectively	England
Dimov et al. (2010)	planning	pro	improves decision making and facilitates resource management	USA
Dencker et al. (2009)	planning	contra	source of inertia for new firms may lead to a false illusion of control that decreases the organisation's receptiveness to signals	Bavaria (Germany)
Brinckmann (2007)	planning	pro	helps clarify the desired future	Germany
Lange et al. (2007)	plan	neither	helps articulate planning issues, increases chances to raise funds, may help attract critical customers, advisers, key managers, critical vendors and directors	USA
Liao & Gartner (2006)	planning	pro	enables nascent entrepreneurs to more effectively identify what other actions to accomplish	USA
Honig & Karlsson (2004)	planning	neither	a result of pressure from the government and mimetic behaviour with the goal of copying the practices of successful businesses in a particular industry	Sweden

Study	Process (planning) or outcome (plan)	pro or contra	Reasoning	Dataset
Shane & Delmar (2004)	planning	pro	allows a decision maker to better analyse complex activities in which many factors interact	Sweden
Delmar & Shane (2003)	planning	pro	helps firm founders to undertake venture development activities because planning facilitates goal attainment in many domains of human action	Sweden
Delmar & Shane (2003)	planning	pro	helps firm founders to make decisions more quickly than with trial-and-error learning	Sweden
Delmar & Shane (2003)	planning	pro	provides tools for managing the supply and demand of resources in a manner that avoids time-consuming bottlenecks	Sweden
Delmar & Shane (2003)	planning	pro	helps firm founders to turn abstract goals into concrete operational step	Sweden
Delmar & Shane (2003)	planning	pro	identifies action steps to achieve broader goals in a timely manner	Sweden
Delmar & Shane (2003)	planning	contra	takes time away from more valuable firm organising actions that signal the 'reality' of the new venture to stakeholders.	Sweden
Delmar & Shane (2003)	planning	contra	firm founders possess attributes that make them better off relying on intuition than engaging in planning	Sweden

Note. All studies were quantitative studies measuring the planning performance relationship. The arguments put forward are mostly of conceptual nature seeking to explain the outcome of the statistics.

Appendix B

Table 10: Studies testing the planning performance link in new ventures since 2000

Study	Independent variable (process of planning or plan as output of this process)	Dependent variable	Is planning or having a plan positive or negative for the new venture?	Context	Dataset
Burke et al. (2010)	having a written business plan (plan)	employment growth	positive	pre-launch planning in new ventures	England
(Brinckmann et al., 2010)	intensity and analytic complexity of business planning activities (planning) the extent of written documentation, e.g. written business plans, goals or budgets (plan)	growth, profitability, and survival	positive	planning in small and new ventures (mixed)	international (meta analysis)
Dencker et al. (2009)	target market definition, the attainment of competitive advantage (planning)	survival time	negative	pre-launch planning in new ventures	Bavaria (Germany)
Lange et al. (2007)	having a written business plan (plan)	revenue, net income and number of employees	null	pre-launch planning in new ventures	USA
Gruber (2007)	the use of information sources in marketing planning, the consideration of specific content in marketing planning, the time spent on marketing planning (planning)	goal-centred approach	positive	marketing planning in new ventures	Germany
Tornikoski & Newbert (2007)	preparing a business plan as part of strategic legitimacy (plan)	organisational emergence	null	pre-launch planning in new ventures	USA

Study	Independent variable (process of planning or plan as output of this process)	Dependent variable	Is planning or having a plan positive or negative for the new venture?	Context	Dataset
Liao & Gartner (2006)	a list of 26 start-up activities (planning)	venture persistence	positive	pre-launch planning in new ventures	USA
Shane & Delmar (2004)	having a written business plan (plan)	hazard of termination	positive	marketing planning in new ventures	Sweden
Delmar & Shane (2004)	having a written business plan as part of activities to generate legitimacy (plan)	venture disbanding	positive	planning in new ventures	Sweden
Honig & Karlsson (2004)	having a written business plan (plan)	survival / profitability	null	planning in new ventures	Sweden
Sarason & Tegarden (2003)	following strategic planning processes	financial performance and sales growth.	positive	planning in new ventures	USA
Delmar & Shane (2003)	completion of a written business plan completion of a non-written business plan development of financial projections gathering information about the market and competition (plan & planning)	venture disbanding / product development / venture organising activities	positive	planning in new ventures	Sweden
Kirsch et al. (2009)	completeness of written business plan (plan)	acquisition of desired funding	null	planning in new ventures	North East US
Bhide (2000)	spending a long time in study, reflection and planning (planning)	firm survival after 3 years	null	planning in entrepreneurial new ventures	USA

Study	Independent variable (process of planning or plan as output of this process)	Dependent variable	Is planning or having a plan positive or negative for the new venture?	Context	Dataset
Frese & Thurik (2000)	engaging in planning behavior (planning)	growth of turnover, profit, investments, personnel, and business owner's income / extent of start-up goals realised	positive	planning in new ventures	Amsterdam (Netherlands)

Appendix C

Table 11: Moderators of the planning performance relationship in new ventures since 2000

Study	Moderator	Enhance or retard positive effect of planning	Context	Dataset
Burke et al. (2010)	environmental uncertainty (uncertain contexts such as the introduction of new product/services)	enhance	planning in new ventures	England
Burke et al. (2010)	founder previously unemployed (low human capital)	enhance	planning in new ventures	England
Burke et al. (2010)	low start-up area	enhance	planning in new ventures	England
Burke et al. (2010)	finance needed	enhance	planning in new ventures	England
Brinckmann et al. (2010)	planning with formal output	enhance	planning in new ventures	international (meta analysis)
Brinckmann et al. (2010)	newness of the firm	enhance	planning in new ventures	international (meta analysis)
Brinckmann et al. (2010)	cultural uncertainty avoidance	enhance	planning in new ventures	international (meta analysis)
Gruber (2007)	newness of the firm	enhance	marketing planning in new ventures	Germany
Gruber (2007)	environmental uncertainty	retard	marketing planning in new ventures	Germany
Liao & Gartner (2006)	finance needed (financial uncertainty)	enhance	planning in new ventures	USA
Liao & Gartner (2006)	environmental uncertainty (competitive and operational uncertainty)	enhance	planning in new ventures	USA
Shane & Delmar (2004)	newness of the firm	enhance	marketing planning in new ventures	Sweden
Bhide (2000)	environmental uncertainty	retard	planning in innovative new	US

Study	Moderator	Enhance or retard positive effect of planning	Context	Dataset
			ventures	
Bhide (2000)	capital constraints	retard	planning in innovative new ventures	US
(Bhide, 2000)	prior knowledge	retard	planning in innovative new ventures	US

Measuring trustworthiness

In positivist research the “trustworthiness” of a study is undisputedly measured by “conventional benchmarks of ‘rigour’: internal and external validity, reliability and objectivity” (Guba & Lincoln, 2005, p. 196) (see Table 12: column 2). On the other hand, in interpretive research, there is an ongoing dialogue about the factors that make a study worthy of trust. In an early attempt, Lincoln & Guba (1985) mapped these positivist quality criteria to more abstract terms that apply to all theoretical perspectives (see Table 12: column 1): truth value, applicability, consistency and neutrality. Based on these insights, the authors developed equivalent terms for interpretivist research (see Table 12: column 3): credibility, transferability, dependability and confirmability. Drawing on Lincoln & Guba’s work, Miles & Huberman provided alternative terms for some of these principles and added an additional benchmark termed “application” (see Table 12: column 4). This fifth criterion addresses the question of “pragmatic validity” or whether the study has the potential to do something for the researchers, the participants and the consumers of the study.

Table 12: Criteria of trustworthiness

Overarching Lincoln & Guba (1985, p. 290ff)	Positivist Lincoln & Guba (1985, p. 290ff)	Interpretivist I Lincoln & Guba (1985, p. 290ff)	Interpretivist II Miles & Huberman (1994, p. 277ff)
<i>Truth value:</i> “How can one establish confidence in the ‘truth’ of the findings of a particular inquiry [...] ?”	<i>Internal validity:</i> “Extent to which variations in an outcome (dependent) variable can be attributed to controlled variation in an independent variable”	<i>Credibility:</i> Findings “are credible to the constructors of the original multiple realities”	<i>Authenticity</i>
<i>Applicability:</i> “How can one determine the extent to which the findings of a particular inquiry have applicability in other contexts or with other subjects (respondents)?”	<i>External validity / Generalisability:</i> “The approximate validity with which we infer that the presumed causal relationship can be generalized to and across alternate measures of the cause and effect and across different types of persons, settings, and times”	<i>Transferability:</i> Enough information is provided for someone to be able to judge whether findings can be transferred to another context	<i>Fittingness</i>
<i>Consistency:</i> “How can one determine whether the findings of an inquiry would be repeated if the inquiry were replicated [...] ?”	<i>Reliability:</i> Extent to which “each repetition of the application of the same[...] instruments to the same units will yield similar measurement”	<i>Dependability:</i> Findings are consistent	<i>Auditability</i>
<i>Neutrality:</i> “How can one establish the degree to which the findings of an inquiry are determined by the subjects [...] and not by the biases [...] of the inquirer?”	<i>Objectivity:</i> “Phenomena in the public domain”	<i>Confirmability:</i> Intersubjective agreement	<i>Confirmability</i>
			<i>Application:</i> The potential of the study to do something

Note. Adapted from Cook & Campbell (1979, p. 37), Erlandson, Harris, Skipper & Allen (1993, p. 133) and Schwartz-Shea (2006, p. 94)

Among these different views on how trustworthiness can be measured, Miles & Huberman’s (1994) as well as Lincoln & Guba’s (1985) criteria are suitable for this research. However, it should be noted that confirmability, which has also been termed neutrality, is only partly

applicable to a hermeneutical piece of research like this. Neutrality or the prevention of “putting questions not directly to ‘Nature Itself’ but through an intervening medium that ‘bends’ the response” (Lincoln & Guba, 1985, p. 293) is against the core idea of such research in which the researcher and his or her experience and knowledge act as an instrument in developing understanding.

Means to establish trustworthiness

Equally important to the question of what these criteria of trustworthiness are, is the question of how they can be met. Lincoln & Guba (1985, p. 301ff) provided good suggestions (see Table 13: column 3). Each paragraph in this section addresses a set of means surrounding one measure of trustworthiness.

Table 13: Means to establish trustworthiness in qualitative research

Interpretivist criterion Miles & Huberman (1994, p. 277ff)	Means to establish trustworthiness Lincoln & Guba (1985, p. 290ff)	Means to establish trustworthiness Creswell (1998, p. 191f)
<i>Authenticity:</i> “Do the findings of the study make sense? Are they credible to the people we study and to our readers? Do we have an authentic portrait of what we were looking at?”	Prolonged engagement Persistent observation Triangulation Peer debriefing Member checks	Prolonged engagement Triangulation Peer debriefing Member checks Discrepant information
<i>Fittingness:</i> “Are they [the conclusions] transferable to other contexts? Do they ‘fit’?”	Thick descriptions Purposive selecting	Thick descriptions
<i>Dependability:</i> “The underlying issue here is whether the process of the study is consistent, reasonably stable over time and across researchers and methods. [...] Have things been done with reasonable care?”	Dependability audit	Dependability audit
<i>Confirmability:</i> Intersubjective agreement	Confirmability audit	Confirmability audit Clarification of researcher’s bias
<i>Application:</i> The potential of the study to do something		

To enhance the criterion of authenticity or truth value, Lincoln & Guba suggest five major techniques. First, prolonged engagement can be undertaken to invest sufficient time in data collection, to get to know the “culture” or the business, to validate data and to build trust with the participants. This provides the researcher with a broad scope. Second, while collecting such a broad range of data, the authors encourage the researchers to focus and study some of these

influences in depth. This is referred to as persistent observation. Triangulation, the third mode of improving the likelihood of credible findings and interpretations, involves using multiple copies of one type of source, different sources of the same information, different data collection methods, different designs or multiple investigators. This provides the researcher with “multiple lines of sight” (Berg, 2004, p. 5). The fourth technique is peer debriefing, “the process of exposing oneself to a disinterested peer in a manner paralleling an analytic session and for the purpose of exploring aspects of the inquiry that might otherwise remain only implicit within the inquirer’s mind” (p. 308). The fifth mean, members checks, is the verification of “analytical categories, interpretations, and conclusions” with respondents (p. 315) and according to the authors “the most crucial technique for establishing credibility”. Other than triangulation, it focuses on constructions rather than on data. This can be done formally in a separate meeting and informally during the interview by rephrasing or summarising the respondents’ answer during the interview. It should be noted that some researchers warn that formal member checks may decrease the quality of the research because respondents sometimes take the opportunity to cover up certain issues. Creswell (2009, p. 192) adds an additional mean to increase credibility, the presentation of negative or discrepant information, which while running counter to the themes, accounts for the different perspectives real life is composed of. Lastly, Lincoln & Guba also mention two more means to establish trustworthiness: negative case analysis and referential adequacy. Negative case analysis is the process of continuously refining “a hypothesis until it accounts for all known cases without exception [emphasis removed]” (p. 309). This rather positivist approach is not compatible with an interpretivist study and therefore not accounted for in this research. Referential adequacy is the archival of a portion of data before analysing it and using it later to test the validity of findings. Whereas generally speaking this is a valid approach, in a qualitative thesis like this, in which access to data is limited, the data available is of better use when being fed into the hermeneutical cycle immediately after collection and being validated by iterating through the circle as described in section 3.1.2.

The second criterion is fittingness or transferability to other contexts. Other than with authenticity, Lincoln & Guba did not write a comprehensive chapter on this issue, which indicates that transferability is not a main concern to the typical interpretivist researcher. The theories interpretivists produce are bound by context and time. Whether these theories hold true in another context or in the same context in another time “depends upon the degree of similarity between sending and receiving (or earlier and later) contexts” (p. 316). Hence, the goal here is

not to create generalisable theories but rather to provide enough data for someone else to assess whether such a transfer to another context is possible. This is achieved by providing thick descriptions as well as a wide array of information through “purposeful sampling”. Both techniques were not further specified. Geertz (2003) is more elaborative on the former issue. Thick descriptions should include the context in which action or behaviour arises so that this action or behaviour becomes meaningful to an outsider. “Purposeful sampling”, on the other hand, ensures “the widest possible range of information for inclusion in the thick descriptions” (p. 316). In an interpretivist case study like this, this rather positivist term can be translated into a purposeful selection of cases, participants and other documents.

The third criterion, dependability or consistency, can be met by having someone performing an enquiry audit of the entire project based on the concept of a fiscal audit. By examining the process of the enquiry and by determining its acceptability, the auditor gives credence to the consistency of the enquiry.

The same concept applies to the fourth criterion, confirmability or neutrality. By examining the data, findings, interpretations and recommendations and by confirming that data and logical reasoning informing every construction, interpretation or conclusion, the auditor attests to the neutrality of the research. As an outsider not being familiar with the researcher or the project, he or she can provide an objective assessment (Creswell, 2009). In addition, Creswell (2009) encourages researchers to clarify the bias they bring to the study. As outlined in section 3.2.3, the construct of neutrality conflicts with the nature of hermeneutical research.

Lastly, Miles & Huberman (1994, p. 280) stress the importance of producing research that does something “for its participants, both researchers and researched—and for its consumers”. This includes providing findings that “have a catalyzing effect leading to specific actions [...] [that] actually help solve the local problem”. In addition, users of the findings are supposed to “learn” and develop new capacities as well as experience a “sense of empowerment”.

Summary of the bias I bring to this research

During my undergraduate studies at the University of St. Gallen, I attended an entrepreneurship class. The assignment for this class was taking a business idea and writing a business plan based on it. I was fascinated with this structured, step-by-step approach from idea to business model. Later, ten months after I commenced my postgraduate research at the University of Sydney, I started working for a startup named Spreets, which turned out to become one of the case studies in this research. Spreets first operated from the incubator's office and I met plenty of people involved in Internet startups. These people all had a very different approach to planning than what I was familiar with. As they explained to me, the focus was on validating the assumptions you make when planning rather than writing long plans full of untested assumptions. The methodology they used was called Customer Development (<http://steveblank.com/category/customer-development/>) and Lean Startup (<http://www.startuplessonslearned.com/>). As I became more involved in the Web startup scene and co-founded such a venture myself, I started to understand the power of testing assumptions, learning and iterating quickly. At the same time, whenever going to events for entrepreneurs organised by the government, the same tools I was introduced to during my undergraduate studies were promoted. Ever since I noticed this discrepancy, I questioned myself whether Customer Development and Lean Startup were only suitable for Internet startups or whether the traditional business plan framework was "old news". I could not find an answer to this question in academia and therefore I decide to write a theory-building thesis on the different forms in which planning can occur.

Ethics Approval Letter



RESEARCH INTEGRITY Human Research Ethics Committee

Web: <http://sydney.edu.au/ethics/>
Email: ro.humanethics@sydney.edu.au

Address for all correspondence:
Level 6, Jane Foss Russell Building - G02
The University of Sydney
NSW 2006 AUSTRALIA

Ref: IM /PR

13 September 2010

Dr Richard Seymour
Discipline of International Business
Faculty of Economics and Business
Institute Building - H03
The University of Sydney
Email: richard.seymour@sydney.edu.au

Dear Dr Seymour

I am pleased to inform you that the Executive of the Human Research Ethics Committee (HREC) approved your protocol entitled "**Understanding early-stage business planning in highly entrepreneurial ventures: Exploring the value of strategic planning under high uncertainty**" at its meeting held on **7 September 2010**.

Details of the approval are as follows:

Protocol No.: 13118
Approval Period: September 2010 to September 2011
Authorised Personnel: Dr Richard Seymour
Prof Richard Dunford
Mr Michael Imstepf

Approved Documents:

Participant Consent Form, Version 1, 10/8/10
Participant Information Statement, Version 1, 10/8/10
Interview Questions, Version 1, 10/8/10
Invitation Letter, Version 1, 10/8/10

The HREC is a fully constituted Ethics Committee in accordance with the National Statement on Ethical Conduct in Research Involving Humans-March 2007 under Section 5.1.29.

The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Research Involving Humans. A report on this research must be submitted every 12 months from the date of the approval or on completion of the project, whichever occurs first. Failure to submit reports will result in withdrawal of consent for the project to proceed. Your report is due by **30 September 2011**.

Special Conditions of Approval

Please forward written permissions from case study organisations when they become available.

Human Ethics Secretariat
Ms Portia Richmond T: +61 2 8627 8171 E: portia.richmond@sydney.edu.au
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CRICOS 00026A



Chief Investigator / Supervisor's responsibilities to ensure that:

1. All serious and unexpected adverse events should be reported to the HREC within 72 hours for clinical trials/interventional research.
2. All unforeseen events that might affect continued ethical acceptability of the project should be reported to the HREC as soon as possible.
3. Any changes to the protocol must be approved by the HREC before the research project can proceed.
4. All research participants are to be provided with a Participant Information Statement and Consent Form, unless otherwise agreed by the Committee. The following statement must appear on the bottom of the Participant Information Statement: *Any person with concerns or complaints about the conduct of a research study can contact the Manager, Human Ethics Administration, University of Sydney on +61 2 8627 8176 (Telephone); + 61 2 8627 8177 (Facsimile) or ro.humanethics@sydney.edu.au (Email).*
5. You must retain copies of all signed Consent Forms and provide these to the HREC on request.
6. It is your responsibility to provide a copy of this letter to any internal/external granting agencies if requested.
7. The HREC approval is valid for four (4) years from the Approval Period stated in this letter. Investigators are requested to submit a progress report annually.
8. A report and a copy of any published material should be provided at the completion of the Project.


Please do not hesitate to contact the Ethics Office should you require further information or clarification.

Yours sincerely

**Associate Professor Ian Maxwell
Chair
Human Research Ethics Committee**

cc: Michael Imstepf, email: mims8888@uni.sydney.edu.au

Participant Information Sheet



THE UNIVERSITY OF
SYDNEY

ABN 15 211 513 464

Richard Seymour
Dr

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Faculty of Economics and Business

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PARTICIPANT INFORMATION STATEMENT

(1) What is the study about?

This research investigates formal and informal strategic planning in highly entrepreneurial and early-stage ventures. In particular, the study aims to understand how entrepreneurs in this context plan and how they benefit from such planning. By comparing these planning practices with the common business planning framework promoted by governmental assistance agencies, entrepreneurship teachers, consultants and a wide array of literature, this study explores whether and how this common framework needs to be improved to better match the needs of entrepreneurs.

(2) Who is carrying out the study?

The study is being conducted by Michael Imstepf, postgraduate researcher, and will form the basis for the degree of Master of Philosophy at The University of Sydney under the supervision of Richard Seymour, Lecturer and Programme Director Innovation and Enterprise.

(3) What does the study involve?

The study involves interviews that will be audio recorded with your consent.

(4) How much time will the study take?

The interviews generally last between sixty to ninety minutes depending upon individual circumstances.

(5) Can I withdraw from the study?

Being in this study is completely voluntary - you are not under any obligation to consent and - if you do consent - you can withdraw at any time without affecting your relationship with The University of Sydney.

You may stop the interview at any time if you do not wish to continue, the audio recording will be erased and the information provided will not be included in the study.

(6) Will anyone else know the results?

All aspects of the study, including results, will be strictly confidential and only the researchers will have access to information on participants. A report of the study may be submitted for publication, but individual participants will not be identifiable in such a report unless they voluntarily choose to be identifiable and give written consent to it.

(7) Will the study benefit me?

The results of the study will be made available for you.

(8) Can I tell other people about the study?

Please do.

(9) What if I require further information?

When you have read this information, Michael Imstepf will discuss it with you further and answer any questions you may have. If you would like to know more at any stage, please feel free to contact Michael Imstepf, postgraduate researcher, on 0414 639 519 (mims8888@uni.sydney.edu.au).

(10) What if I have a complaint or concerns?

Any person with concerns or complaints about the conduct of a research study can contact The Manager, Human Ethics Administration, University of Sydney on +61 2 8627 8176 (Telephone); +61 2 8627 8177 (Facsimile) or ro.humanethics@sydney.edu.au (Email).

This information sheet is for you to keep