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What should new business plan for? An inquiry into South African craft beer.

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9 November 2015

Trevor Bruns | i

Abstract

Pre-start-up planning's value has been disputed by researchers in the recent past. The need for this research originates from the requirement, proposed by most of the conflicting research, to better understand the content of pre-start-up plans and its influence on business success. By better understanding specific pre-start-up planning activities and the influence that these activities have on planned businesses, entrepreneurs can identify and exploit opportunities more efficiently.

The research investigated the activities that new South African craft beer companies engaged in before establishing their breweries and assessed how the pre-start-up planning activities influence brewery development. An interview framework was developed from key concepts that emerged from the literature review. The framework was used to assess points of difference between small and large breweries in their planning activities and the influence it had on their business' historic and anticipated future development. Twelve founders of South African craft beer companies younger than 5 years old, with production capacities ranging from 500 liters beer per month to 250 000 liters beer per month, were interviewed. The data gathered allowed for an assessment of small and large breweries' planning practices.

From the interviews it emerged that entrepreneurs have two options when developing a South African craft beer business with different plan content requirements. The key difference in these options being the origin of planning information used in the development of business plans (either pre-start-up or later in the business development process). The outcome of this research could guide plan development by entrepreneurs and support the development of successful new business.

Key Words

Pre-start-up, planning, craft, beer

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Trevor Bruns

09 November 2015

Trevor Bruns | iv

Contents

Abstract.....	ii
Key Words.....	iii
Declaration.....	iv
Contents.....	v
List of tables.....	xiv
List of figures.....	xv
CHAPTER 1: Introduction to the research problem.....	1
1.1 Introduction.....	1
1.2 Clarification of key concepts.....	2
1.2.1 Entrepreneurship and entrepreneur.....	3
1.2.1.1 Entrepreneurship.....	3
1.2.1.2 Entrepreneur.....	3
1.2.1.3 Definitions used in this study.....	3
1.2.2 Planning.....	4
1.2.3 The craft beer revolution.....	5
1.2.4 Craft beer categories.....	6
1.2.4.1 Regional Breweries.....	6

Trevor Bruns | v

1.2.4.2	Contract brewery	6
1.2.4.3	Microbrewery	7
1.2.4.4	Brew pubs.....	7
1.3	Definition of problem and purpose	7
1.4	Core research problem	8
1.5	Research questions	8
1.6	Significance of the study	9
CHAPTER 2: Literature review.....		10
2.1	Introduction	10
2.2	Pre-start-up planning theory	10
2.2.1	Discovery and creation	11
2.2.2	Goal setting theory.....	13
2.3	The pre-start-up planning dispute	14
2.3.1	Pre-start-up deemed valuable	15
2.3.1.1	Deciding to enter the market.....	15
2.3.1.2	Pre-start-up planning and uncertainty.....	16
2.3.1.3	Learning through planning	16
2.3.1.4	Management of resources	17
2.3.2	Pre-start-up not deemed valuable.....	17

2.3.2.1	Deciding to enter the market.....	17
2.3.2.2	Pre-start-up planning and uncertainty.....	18
2.3.2.3	Learning by doing	19
2.3.2.4	Management of resources	19
2.4	The importance of plan content	19
2.5	Food and beverage planning	20
2.5.1	Artisanal foods and planning	20
2.5.2	Craft beer and planning	21
2.5.2.1	Raw materials supply.....	21
2.5.2.2	Beer production	21
2.5.2.3	Machinery supply.....	23
2.5.2.4	Distribution.....	23
2.5.2.5	Retail	23
2.6	Literature review conclusion	24
CHAPTER 3:	Research questions	27
3.1	Research question 1:.....	27
3.2	Research question 2:.....	27
3.3	Research question 3:.....	28
CHAPTER 4:	Research methodology	29

4.1	Research design	29
4.2	Population	30
4.3	Sample size and method	30
4.4	Unit of analysis	32
4.5	Interview schedule	32
4.6	Data collection	34
4.7	Data analysis	35
4.8	Assumptions	36
4.9	Research design limitations	36
CHAPTER 5: Results		37
5.1	Respondents.....	37
5.2	Pre-planning activities.....	42
5.2.1	Small breweries	42
5.2.2	Large breweries	43
5.3	Pre-start-up planning	45
5.3.1	Formal planning.....	46
5.3.1.1	Small breweries	46
5.3.1.2	Large breweries	47
5.3.2	Informal planning	48

5.3.2.1	Small breweries	48
5.3.2.2	Large breweries	49
5.3.3	No planning	49
5.3.3.1	Small breweries	50
5.3.3.2	Large breweries	50
5.4	Current planning	51
5.4.1	Formal planning	51
5.4.1.1	Small breweries	51
5.4.1.2	Large breweries	52
5.4.2	Informal planning	53
5.4.2.1	Small breweries	53
5.4.2.2	Large breweries	54
5.4.3	No planning	54
5.4.3.1	Small breweries	54
5.4.3.2	Large breweries	55
5.5	Future planning	55
5.5.1	Formal planning	56
5.5.1.1	Small breweries	56
5.5.1.2	Large breweries	57

5.5.2	Informal planning	57
5.5.2.1	Small breweries	57
5.5.2.2	Large breweries	58
5.5.3	No planning	58
5.5.3.1	Small breweries	58
5.5.3.2	Large breweries	59
5.6	Planning content	59
5.6.1	Pre-planning activities.....	59
5.6.1.1	Small breweries	60
5.6.1.2	Large breweries	61
5.6.2	Differences in pre-start-up planning.....	62
5.6.3	Differences in current planning	63
5.6.4	Differences in future planning	65
5.7	Summary	65
CHAPTER 6: Conclusions.....		67
6.1	What pre-start-up planning activities add the most value to a new craft beer business in South Africa?	67
6.1.1	Taking a discovery or creation approach	67
6.1.1.1	Leadership	69

6.1.1.2	Decision making	69
6.1.1.3	Human resources practices	70
6.1.1.4	Strategy	70
6.1.1.5	Finance	70
6.1.1.6	Marketing	70
6.1.1.7	Sustaining competitive advantage	71
6.1.1.8	Other.....	71
6.1.1.8.1	Sourcing information	71
6.1.1.8.2	Sourcing production equipment.....	71
6.1.1.8.3	Product distribution	72
6.1.2	Deciding on market entry	72
6.1.3	Dealing with uncertainty.....	73
6.1.4	Planning and learning	74
6.1.5	Planning detail	74
6.1.5.1	Raw product supply	74
6.1.5.2	Machinery supply.....	75
6.1.5.3	Beer production	76
6.1.5.4	Retail	76

6.2	What is the focus of planning after start-up and are these focus areas influenced by the pre-start-up planning activities?	77
6.2.1	Taking a creative or discovery approach	77
6.2.2	Dealing with uncertainty	77
6.2.3	Planning and learning	78
6.2.4	Planning detail	78
6.2.4.1	Raw product supply	78
6.2.4.2	Machinery supply	78
6.2.4.3	Beer production	79
6.2.4.4	Retail	79
6.3	How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?	80
6.3.1	Taking a creative or discovery approach	80
6.3.2	Dealing with uncertainty	80
6.3.3	Planning detail	80
6.3.3.1	Raw product supply	80
6.3.3.2	Machinery supply	81
6.3.3.3	Retail	81
6.4	Conclusion summary	81
CHAPTER 7:	Discussion of Results	85

7.1	Summary of key findings.....	85
7.2	Recommendations to entrepreneurs.....	86
7.3	Recommendations to educators	87
7.4	Recommendations for future research.....	88
7.5	Concluding remarks	89
	Reference List.....	91
	Appendices	95
Appendix i.	List of craft brewers in South Africa	96
Appendix ii.	Interview schedule	102
Appendix iii.	Summary of respondents planning activities.....	106
Appendix iv.	List of Atlas.ti codes	111
Appendix v.	Submissino documentation	113

List of tables

Table 1: Effective entrepreneurial actions in discovery and creation contexts (Alvarez & Barney, 2007)	12
Table 2: Analysis of the South African craft beer companies	30
Table 3: The filtered list of breweries. The population were filtered by age, production of a bottled and kegged product, and location in the Western Cape and Gauteng.	31
Table 4: Number of breweries per category of respondents	38
Table 5: The number of breweries that claim they did formal planning, informal planning or no planning prior to start up.	46
Table 6: The number of breweries that claim they do planning, informal planning or no planning in their current operation.	51
Table 7: The number of breweries that anticipate planning, informal planning or no planning in their future operation.	56
Table 8: Summary of planning activities and the associated planning value.	81
Table 9: Summary of the planning activities associated with a discovery and creation approach to the development of a new craft beer business.	85
Table 10: Summary of the respondents, the level of planning they did per planning phase and the activities they undertook per planning phase.	106

List of figures

Figure 1: Illustration of the respondents and their respective development paths and the plans that were developed along the way.	41
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CHAPTER 1: Introduction to the research problem

1.1 Introduction

Pre-start-up planning has become a norm in entrepreneurial education all over the world. It has become a norm without a significant amount of empirical research into the value that pre-start-up planning brings to business (Gruber, 2004). This is evident from many entrepreneurial textbooks and business school curriculums. Business plan competitions are also a regular event at many international universities and institutions. Even in South Africa business plan competitions are common practice as illustrated by The Industrial Development Corporation's (IDC) annual Business Plan Competition (Industrial Development Cooperation, 2014) and Johannesburg's Consolidated Investment company's (JCI) Best Business Plan Competition (JCI South Africa, 2015) to name but a few. Furthermore, 50% of the GIBS Advanced Entrepreneurship course is graded on the quality of a submitted business plan.

At the same time companies are starting up on a daily basis without having business plans in place. It is claimed that Bill Gates, Donald Trump, Mark Zuckerberg, Ralph Lauren, Michael Dell, Steve Jobs, Henry Ford and Walt Disney (to name a few) didn't develop formal business plans before they started their businesses. Clearly business plans are not necessarily a pre-cursor to a successful business.

Opinion on the value of pre-start-up planning is a contentious issue. Some argue that a lack of business planning is the top reason new businesses fail. The argument for business planning is that entrepreneurs, who don't plan, do not have a realistic grasp of costs, responsibilities and medium to long term business requirements (Finweek, 2014).

Others argue that business planning is basically a waste of time since they can never be perfected. As soon as an entrepreneur encounters something unforeseen during the establishment of a new business, the plan goes out the window. Other cited

planning downfalls include a delay in revenue due to time spent on planning. Someone else could launch the planned idea and when a product is eventually launched, it could be out of step due to a changed market. Instead, entrepreneurs should do a minimal amount of research and test the idea with potential customers (P. B. Brown, 2013).

Pre-start-up planning is also a popular topic in the craft beer industry. There are a lot of companies offering help in starting new craft breweries. The most common start to the process is the development of a formal written business plan. They argue that, by writing a business plan before start-up, brewers are forced to define the ultimate goals of the brewery, brewers develop a stronger team, a guideline for operations are developed and it helps to communicate the breweries' objectives to potential investors (Crowell, 2013). According to MicroBrewr (2015), the essential parts of a brewery's business plan is an executive summary, a company overview, an industry analysis/market analysis, a customer analysis, a marketing plan, an operations plan, a management team, a financial plan and an appendix. If all of these elements are required as a pre-cursor to a successful craft brewery, then surely all successful craft breweries would engage in these activities. Yet, as will be shown later in this paper, most of the South African craft brewers, large and small, did not develop formal business plans.

The different opinions on planning and the contradictory actions of craft brewers raise two important questions. Should a formal business plan be written before starting a craft brewery and what content is required in these plans? If not, what is the minimum detail required in a basic plan?

1.2 Clarification of key concepts

The following sections define the key concepts, pre-start-up planning and craft beer that are studied in this paper.

1.2.1 Entrepreneurship and entrepreneur

1.2.1.1 Entrepreneurship

The study of entrepreneurship is concerned with the discovery and exploitation of profitable opportunities. This field of study specifically includes “sources of opportunities; the process of discovery, evaluation and exploitation of opportunities; and the set of individuals who discover, evaluate and exploit them” (Shane & Venkataraman, 2000, p.218).

In studying entrepreneurship researchers need to ask three sets of questions: “(1) why, when and how opportunities for the creation of goods and services come into existence; (2) why, when and how some people and not others discover and exploit these opportunities; and (3) why, when and how different modes of action are used to exploit entrepreneurial opportunities” (Shane & Venkataraman, 2000, p.218). This research paper considers the third question only.

1.2.1.2 Entrepreneur

The definition of entrepreneur is poorly defined with many academics having different opinions and research findings. This has led some researchers to abandon the search for a single profile of an entrepreneur in favour of the identification of different entrepreneurial types. Defining types of entrepreneurs have been equally inconclusive (Bhidé, 1999).

1.2.1.3 Definitions used in this study

As this study will be focusing on the role of, and detail contained in pre-start-up plans, the research will be looking to answer the third set of questions defined by Shane and Venkataraman (2000). With that in mind, entrepreneurship will be defined in this study as the modes of action used to exploit an identified opportunity (In this case a new craft brewery).

The objective of this study is not to try and define the word “entrepreneur”. Instead, an entrepreneur will be defined as the person who conceived the new brewery from inception and is currently still active in the business.

1.2.2 Planning

Delmar and Shane (2003) define business planning as “those efforts by firm founders to gather information about a business opportunity and to specify how that information will be used to create a new organization to exploit the opportunity”. Delmar and Shane (2003) include “the processes of gathering and analysing information, evaluating required tasks, identifying risks and strategy, projecting financial developments and documenting these things in a written plan” into their definition of business planning.

Kraus and Schwarz (2007) define a business plan as a “written form of the firm’s overall strategic plan, which aims to put in place tools, methods and processes that identify and achieve the long-term goals of the business”. A business plan is there to add legitimacy to the business and forms a mean to communicate to stakeholders, specifically potential funders of the business.

In summary, a pre-start-up plan could be written for multiple reasons. In this paper pre-start-up planning will refer to the formal compilation of a written business plan before commencing with the establishment of a new business. The objective of such a plan could be to organise the company, add legitimacy to the company objectives and/or motivate external financing.

This paper will also investigate the impact of specific pre-start-up planning activities on the planning activities that are currently present in the respondents’ respective businesses. The objective is to understand how pre-start-up planning activities influence the evolution of planning activities in businesses. Current planning activities in this case is defined as the activities that companies are currently

undertaking towards predicting and responding to short and long term business requirements.

This paper will also investigate the impact of specific current planning activities on the planning activities that are anticipated to be present in the future of the respondents' respective businesses. The objective is to understand how the respondents' expect their current planning activities, combined with their respective pre-start-up plans, will influence the evolution of future planning activities in their respective businesses. Future planning activities in this case is defined as the activities that companies anticipate to undertake in the future towards predicting and responding to short and long term business requirements.

1.2.3 The craft beer revolution

There are records of beer like beverages that were brewed in the Middle East as early as 4000 BC (Beer Academy, 2015). Since then beer changed slowly, but systematically with the introduction of different ingredients. Most notably was hops in the 15th century, which served to act as a natural preservative. Industrialisation lead to the development of large-scale brewers during the 18th and 19th century (Priest & Stewart, 2006). Large-scale brewers have been the norm until the US craft beer revolution which started in the 1970's. This led to the introduction of smaller scale brewers. After prohibition, only 50 breweries remained in the US. Today this number has climbed to 1829, truly a revolution (Papazian, 2015). The story is similar in the UK. Today there are more than 800 breweries in the UK, with an estimated 80 additional breweries opening each year (P. Brown, 2015). This growth, and the history of beer, has certainly shown that the craft beer industry is a resilient one and a place where entrepreneurs can thrive.

In South Africa the craft beer scene is a relatively new one. According to the websites of South African craft brewers listed on Homebru.net, there are 159 craft breweries in South Africa. More than 80 of these started in the past five years. There are only

21 older than 5 years, and only 6 older than 10 years (excluding the large commercial breweries such as South African Breweries). Note that the researcher could not determine the age of 54 remaining brewers, but it is highly likely that these would fall under the 5 years or less category. On the surface it seems these companies all follow very similar strategies. They all seem to have the same target market. They all tend to focus on making high quality products. And their sales channels all seem similar. Yet, there are companies that are leaps and bounds ahead of the field.

Naturally it is expected to see varying degrees of success within this mostly new South African industry (Not taking into account the likes of SAB). Some of this beer is widely available and others are highly unknown. Why is it that some of these companies are managing to achieve seemingly higher levels of success while others haven't been able to break into this new market? Can pre-start-up and general business planning partially explain this phenomenon?

1.2.4 Craft beer categories

Craft beer can be subdivided into the following sub categories. Note that these are American definitions as defined by the American Brewers Association, South Africa has not defined craft beer to the same extent. Throughout the document craft beer will refer to all of these sub categories unless a specific category is mentioned.

1.2.4.1 Regional Breweries

According to the American Brewers Association, a regional brewery is classified as an independent brewery (Less than 25% owned by a large commercial beverage producer) that produces more than 15 000 barrels (~1.8 million litres) per annum and less than 6 million barrels (~720million litres) per annum.

1.2.4.2 Contract brewery

A regional brewery, microbrewery or brew pub with excess capacity can choose to rent out the excess capacity to other companies.

Trevor Bruns | 6

1.2.4.3 Microbrewery

A microbrewery produces less than 15 000 barrels (~1.8 million litres) per annum and sells 75% or more of its beer off-site. In South Africa, these sales could be directly to a wholesaler, to a distributor or onsite directly to the end customer.

1.2.4.4 Brew pubs

A restaurant that sells less than 75% of its beer on its own premises qualifies as a brew pub.

1.3 Definition of problem and purpose

The proposed research is important from a global and South African context. Globally a lot of institutions focus on the development of new entrepreneurs. An article in the Business Day points to the need for better entrepreneurship education in the US. This need is cited due to a dramatic decrease in small private business ownership by adults younger than 30 (Down from 10.6% in 1989 to 3.6% in 2013). Steve Bank, a lecturer at University of California, Berkley, New York University and Stanford said "The mistake we've made about entrepreneurship is thinking that it's like a job and that you can teach it, like accounting,". The article goes on to show that there are a number of teaching organisations in the US moving away from the traditional entrepreneurship teaching, partly due to a perception that the traditional methods do not facilitate successful start-ups (Simon, 2015). Even in the USA, with some of the best business education in the world, it seems there is a need to better understand the factors that generate successful start-up companies. The need for entrepreneurship training has also been identified in other parts of the world. In 2013 the European Commission published an article titled "Entrepreneurship education needs to be boosted". Similarly, China has indicated that they want to "encourage entrepreneurship and start-ups" to facilitate the creation of jobs and keep growth stable (The West Australian, 2015). The need for a better understanding of entrepreneurship is therefore not limited to the USA.

Trevor Bruns | 7

It is well known that South Africa requires small business to thrive. Successful small business in South Africa can help reduce the unemployment rate and uplift the broader economy as a whole. This is something that the Small Business development minister, Lindiwe Zulu, mentioned in a 2014 interview. She mentions that “Developing a strong and growing SME (Small and Medium Enterprise) community is a keystone of the NDP’s (National Development Plan) vision”. She goes on to talk about planned entrepreneurship investment drives (which includes grants) but highlights the need to determine how business will qualify for certain grants (Mumgadze, 2014). The Industrial Development Corporation’s, of which Zulu is the minister, website states that grant applications must be supported by a business plan (Industrial Development Corporation, 2015). This points out that it is necessary to understand the value of business planning.

It is therefore important, from a global and local context, to understand the factors that lead to successful start-up organisations. Understanding the concept of pre-start-up planning, largely un-researched until recently, can add to the understanding of the factors that lead to successful small businesses. Naturally, this has positive implications for South Africa and entrepreneurship on a global scale.

1.4 **Core research problem**

Which planning activities will be most valuable to a “would be” craft brewer? (E.g. should a nascent craft brewer develop an extensive business plan, or should he/she focus on specific planning activities?)

1.5 **Research questions**

With the research problem stated, the following research questions come to mind:

- What pre-start-up planning activities add the most value to a new craft beer business in South Africa?
- What is the focus of planning after start-up and are these focus areas

Trevor Bruns | 8

influenced by the pre-start-up planning activities?

- How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?

1.6 **Significance of the study**

The study's objective is to identify the plan quality and content required when starting a new craft brewery in South Africa. It is anticipated that the lessons from this study would add value to the ongoing debate regarding the value of pre-start-up planning in entrepreneurship.

CHAPTER 2: Literature review

2.1 Introduction

This literature review starts off by reviewing some foundational theories in the space of pre-start-up planning. Discovery, creation and goal setting theory are discussed to highlight the different approaches that entrepreneurs may take towards the establishment of a new enterprise.

The literature review then continues to highlight empirical studies conducted with the objective of understanding the value of pre-start-up planning. To date, most of the research was focused on whether or not pre-start-up planning results in start-up success, with researchers coming to conflicting conclusions.

Following an overview of the empirical studies done to date, the need to better understand the content of plans and how plan contents may influence a new firm's performance is highlighted.

Finally, an overview of planning requirements in artisanal foods, with specific focus on craft beer, is provided.

2.2 Pre-start-up planning theory

To date, researchers have come to conflicting conclusions regarding the value of pre-start-up planning. Some researchers are of the view that formal pre-start-up planning is critical to new business as it facilitates learning, helps in the mitigation of uncertainties and ultimately leads to better business performance (Burke, Fraser, & Greene, 2010; Chwolka & Raith, 2012; Delmar & Shane, 2003; Liao & Gartner, 2006; Shane & Delmar, 2004). Other researchers conclude that formal pre-start-up planning is only valuable if an entrepreneur requires additional financial resources. The view is being held that doing is more valuable to a nascent entrepreneur than planning (Bhidé, 1999; Karlsson & Honig, 2007, 2009; Zinger & LeBrasseur, 2003).

This section starts by outlining theory that underpins planning research and followed by detailing the conflicting views around pre-start-up planning.

2.2.1 Discovery and creation

Alvarez and Barney (2007) propose two theories that explain, amongst other, the different interpretations of the value of business planning. They argue that, up to that point in time, most of the entrepreneurship literature has focused on Discovery Theory. Discovery theory suggests that opportunities exist independent from the entrepreneur. In other words the opportunities are explicitly available to be discovered and exploited by entrepreneurs. In this setting single opportunities can be developed by upfront entrepreneurial planning. Alvarez and Barney (2007) highlight an alternative to discovery where, through an integrative learning process, entrepreneurs can create opportunities. In this creation setting entrepreneurs may find that upfront business planning would be a waste of time and resources. Upfront planning in a creation setting may also mislead the entrepreneur and the potential investors. Under discovery and creation settings the entrepreneur would therefore required different approaches to the development and management of a new business. This implies that planning activities would be different under discovery and creation contexts.

Both discovery theory and creation theory assume that the goal of an entrepreneur is the exploitation of opportunities. For both discovery and creation theory opportunities lie in “competitive imperfections”. The mode by which “competitive imperfections” are created are different for the two theories. In a discovery setting, “competitive imperfections” arise out of “changes in technology, consumer preferences, or some other attributes of the context within which an industry or market exists”. These changes in an industry are defined as “exogenous shock” and implies that the identification and exploitation of opportunities require systematic search and planning. Contrary to discovery theory, creation theory is characterised by endogeneity. In other words opportunities or “competitive imperfections” are

created through entrepreneurial “actions, reactions, and enactment of entrepreneurs exploring ways to produce new products or services”. Entrepreneurs develop opportunities in a creative context by utilising their own beliefs and experiences. Entrepreneurs’ beliefs and experiences are systematically challenged and changed as they enact an opportunity. In the process creation entrepreneurs will generate new information about the opportunity that is being developed (Alvarez & Barney, 2007).

Alvarez and Barney (2007) went on to develop a framework that illustrates the difference in entrepreneurial actions under discovery and creation contexts (Shown in Table 1). The following sections will build on this framework with research and theory that was developed since Alvarez and Barney’s 2007 article.

Table 1: Effective entrepreneurial actions in discovery and creation contexts (Alvarez & Barney, 2007)

	Discovery Context	Creation Context
Leadership	Based on expertise and (perhaps) experience	Based on Charisma
Decision Making	Risk-based data collection tools; Risk-based decision making tools; Importance of opportunity costs	Iterative, inductive, incremental decision making; Use of biases and heuristics; Importance of affordable loss
Human Resource Practices	Recruitment: Specific human capital recruited broadly	Recruitment: General and flexible human capital recruited from pre-existing social networks
Strategy	Relatively complete and unchanging	Emergent and changing
Finance	External capital sources: Banks and venture capital firms	‘Bootstrapping’ and ‘friends, families, and fools’

	Discovery Context	Creation Context
Marketing	Changes in marketing mix may be how new opportunities manifest themselves	Marketing mix may fundamentally change as a result of new opportunities that emerge
Sustainable Competitive Advantage	Speed, secrecy, and erecting barriers to entry may sustain advantages	Tacit learning in path dependent process may sustain advantages

Although discovery and creation theory manages to explain some of the differences in entrepreneurial action and why, under some circumstances, pre-start-up planning may not be valuable to the nascent entrepreneur, it also suggests that no pre-start-up planning is required under creation business settings. This counters goal setting theories that suggest that planning before action will always have some positive impact such as improving organisational performance, decreases the probability of new venture disbandment, turning goals into concrete operational steps, accelerating product development and venture organising activities (Delmar & Shane, 2003; Shane & Delmar, 2004; Smith & Locke, 1990).

2.2.2 Goal setting theory

Smith and Locke (1990) studied the causal effects of planning on the performance of existing businesses. The study found that, by setting challenging goals, both planning quality and performance would increase. The goal of entrepreneurs are to exploit opportunities that exist as competitive imperfections (Alvarez & Barney, 2007). This broad goal is challenging when considering the high rate of entrepreneurial failure which would imply that entrepreneurs should have a high quality planning which results in high performance. The theory put forward by Smith and Locke (1990) should therefore hold for pre-start-up planning, no matter what the business context is (Discovery or Creation).

Shane and Delmar (2004) tested and confirmed this theory. They found that the writing of business plans before the commencement of marketing activities would result in a lower likelihood of venture disbandment, enhance product development and enhance venture organising activities. They also found that business planning was valuable under “uncertain and ambiguous situations like firm formation”. Shane et. al. (2004) therefore confirmed that planning, as per goal setting theory, holds value for both discovery and creation business settings. Since creation and discovery business settings ask for different entrepreneurial action, the following question then arises. What type of planning processes and planning content would be required under discovery and/or creation settings?

2.3 The pre-start-up planning dispute

A number of empirical research papers have reached conflicting conclusions to the question of pre-start-up planning's value. Some researchers are questioning the value of pre-start-up planning. They suggest that pre-start-up planning isn't useful under uncertain conditions as entrepreneurs need to adjust their business approach due to inevitable unforeseen circumstances. Pre-start-up planning also requires time and often money which entrepreneurs tend to lack. In general, the opinion amongst these researchers are that pre-start-up planning is only valuable when external financing is required (Bhidé, 1999; Karlsson & Honig, 2007; Lange, Mollov, Pearlmutter, Singh, & Bygrave, 2007). Some researchers are even questioning the value of start-up planning as a motivator for external financing (Karlsson & Honig, 2009; William J. Wales, Vinit Parida, & Patel, 2009).

The theory construct by Chwolka and Raith (2012) counters the above arguments by making a case that business planning, before market entry, is positive by its nature as it promotes better start-up decisions. This is supported by research showing that pre-start-up planning is positively correlated with business success (Brinckmann, Grichnik, & Kapsa, 2010; Burke et al., 2010). Other researchers have shown that pre-start-up planning reduces the risk of venture disbandment, even if

the business is of uncertain nature (Delmar & Shane, 2003; Liao & Gartner, 2006; Shane & Delmar, 2004).

The following sections unpack the findings of research and theory that motivate for or disqualify the value of pre-start-up and new venture planning.

2.3.1 Pre-start-up deemed valuable

2.3.1.1 Deciding to enter the market

A decision theoretical perspective developed by Chwolka and Raith (2012) suggested that all rational entrepreneurs plan. The view is that pre-start-up planning for a rational entrepreneur is motivated by the benefit of making a better start-up decision. In other words, the entrepreneur benefits from pre-start-up planning by terminating poor venture projects before starting. Burke et al. (2010) adds to this by proposing that in uncertain environments, the writing of business plans might help the self-funded entrepreneur plan a market entry and growth strategy. The view is then that pre-start-up planning will help the nascent entrepreneur choose the best opportunity and the most appropriate market entry strategy.

Zinger and LeBrasseur (2003) extend on the Chwolka et al. (2012) and Burke et al. (2010) arguments. Zinger and LeBrasseur (2003) suggest that the nascent entrepreneurs who investigate competitor responses to new business entry, timing of opportunity exploitation, suitable performance milestones and barriers to entry may be discouraged from start-up in the first place. By compiling a business plan that answers these questions, entrepreneurs may discover that their business idea cannot practically work. The assumption is being made that effective business plans may filter out the businesses that have the smallest chance of success giving a chosen opportunity the highest probability of success.

2.3.1.2 Pre-start-up planning and uncertainty

Liao and Gartner (2006) found that nascent entrepreneurs who developed business plans early in uncertain environments were more likely to persist with the a planned venture than entrepreneurs who didn't develop business plans. They also found that entrepreneurs in certain environments, who developed business plans late in the venture creation process, were more likely to persist with a planned venture. The findings therefore build on goal theory in that planning is valuable in all types of businesses, but the timing of the plan matters. For uncertain environments it is best to start with planning early (E.g. pre-start-up) and for certain environments it is best to start late. Liao and Gartner (2006) go on to state that the planning does not need to be formal and that informal planning achieves the same end.

Chwolka and Raith (2012) also assume that pre-start-up planning is valuable under uncertain conditions. The assumption is being held that planning offers the entrepreneur an opportunity to learn more about the consequences of alternative actions before making the next move. In other words, planning early in the start-up process better informs the entrepreneur of alternative modes of action, similar to Liao and Gartner's (2006) arguments.

2.3.1.3 Learning through planning

Castrogiovanni (1996) proposed that entrepreneurs make sense of their business opportunity through the learning benefit of planning. Kraus and Schwarz (2007) supported this view by showing that planning results in a better understanding of the planned business. This saves time and improves professionalism after start-up.

Other researchers have found similar results which suggest that pre-start-up planning results in quicker decisions compared to a trial and error learning approach. Planning achieves this by: speeding up resource management by optimising bottlenecks, turning abstract goals into concreted actions and objectives, and

improving managerial capabilities and introduce new routines (Burke et al., 2010; Delmar & Shane, 2003).

2.3.1.4 Management of resources

Some researchers who found that pre-start-up planning is useful, argued that pre-start-up plans help firm founders manage resource supply and demand in ways that minimise time-consuming bottlenecks (Delmar & Shane, 2003). Nascent entrepreneurs will also develop pre-start-up plans in scenarios where financial resources are uncertain. They then develop plans to gain legitimacy with potential funders in an effort to increase the resources available to the firm (Burke et al., 2010; Liao & Gartner, 2006). Pre-start-up planning therefore helps the nascent entrepreneur in managing resources more efficiently in the future and may assist in increasing the initial available resources.

2.3.2 Pre-start-up not deemed valuable

2.3.2.1 Deciding to enter the market

For large corporations a significant amount of time is invested into research and planning of new initiatives and products. Entrepreneurs have limited funds and cannot afford the luxury of detailed research and planning. This is especially true in uncertain industries and environments. Instead, entrepreneurs need to adapt to unforeseen problems and opportunities which blur the line between planning and doing. This suggests that entrepreneurial market entry decisions may not require detailed upfront planning. Instead market entry decisions are based on basic planning activities (Bhidé, 1999).

Planning may also be obsolete if the entrepreneur has prior experience in the industry they are entering. These entrepreneurs understand the industry and the viability of products they want to sell. Decisions to enter a market can therefore be made without prior planning (Bhidé, 1999).

Extensive planning may also result in a delayed market entry, which in itself may result in missed opportunities and eventual business failure (Bhide, 1994). Furthermore, counter the views of Zinger and LeBrasseur (2003), excessive pre-start-up planning can kill good ideas by identifying numerous problems (Bhide, 1994).

2.3.2.2 Pre-start-up planning and uncertainty

Creation theory suggests that planning is less valuable under uncertain environments. The assumption is being held that the most skilful entrepreneur would never be able to collect enough information to turn uncertainty into risk. An entrepreneur that attempts to do this will end up overdoing the strategic planning process which could short circuit the opportunity enactment process. It is only through entrepreneurial opportunity enactment that an entrepreneur will be able to turn uncertainty into risk. Planning would therefore only become valuable once the opportunity has been developed to a point where uncertainty has been shifted to risk (Alvarez & Barney, 2007).

Brinckmann et al. (2010) confirms creation theory by showing that planning was less valuable to new firms when compared to average small firms. Brinckmann et al. (2010) proposes that a high degree of uncertainty and missing information characterises the new small firm. The high degrees of uncertainty and missing information during business planning is the reason for a significant reduction in business planning's value in new firms.

Entrepreneurs loosely couple their venture's development with any pre-start-up plans. This is generally attributed to entrepreneurial firms facing dynamic and uncertain environments that required continuous adaptation. Therefore, in these environments, entrepreneurs should be sceptical of business plans as they lose value shortly after the establishment of a new firm (Karlsson & Honig, 2009).

2.3.2.3 Learning by doing

Although Brinckmann et al. (2010) found that formal business planning does not add significant value to new firms, they do recommend that entrepreneurs engage in basic planning activities. By doing this, entrepreneurs develop a foundation for sense-making and learning. By having a basic plan in place entrepreneurs can, through the effort of creating value, develop a better understanding of the business and a better capacity for planning. The implication is that formal planning should only be engaged once the entrepreneur has a firm understanding of the business he/she is engaging in and that learning by doing is better than learning through planning.

2.3.2.4 Management of resources

Researchers, who found that pre-start-up planning does not improve resource management, did so on the basis that pre-start-up plans may lead to a level of rigidity. Entrepreneurs may get caught up in the details contained in the plan and lose the element of flexibility. Entrepreneurs should therefore realise that a business “cannot be launched like space shuttles, every detail of the mission planned in advance”. Instead, entrepreneurs should start their businesses with basic plans that allow for the evolution of strategies through guesswork, analysis and action (Bhide, 1994; Lange et al., 2007).

2.4 The importance of plan content

Most of the researchers mentioned in the previous section highlighted the need to better understand plan contents and planning processes. Zinger and LeBrasseur (2003) specifically mention that “the existence of the plan may not be nearly as important as how much effort the entrepreneur invests into its preparation or how the plan is utilized”. Burke et al. (2010) adds to this argument by stating that “There is a greater need to continue to untangle the process of planning from that of writing a business plan”. Liao and Gartner (2006) support the call to better understand the processes in planning by suggesting that it “would be helpful to know more about

Trevor Bruns | 19

the specific kinds of activities that nascent entrepreneurs undertook during the process of business planning, and the amount of time and effort devoted to these activities.” To this end it is necessary to understand what nascent entrepreneurs in this study might need to plan for prior to launching their respective businesses. The following section unpacks some considerations that nascent entrepreneurs in the artisanal food industry, specifically craft beer, need to address.

2.5 Food and beverage planning

This section will highlight some characteristics of artisanal foods with specific focus on craft beer.

2.5.1 Artisanal foods and planning

Food systems have historically tended towards globalisation and industrialisation. This increase in globalisation and industrialisation have raised concerns around food security, food quality and environmental degradation (Allen, 2004). Meanwhile, alternative food systems have developed and increased its scope and sophistication which some referred to as the “quality turn” (Goodman, 2003). This quality turn is applicable to a number of food industries including beer (Commonly referred to as craft beer).

Starting an artisanal company in a globalising and industrialising world requires innovation thinking throughout the artisanal company’s value chain. Erin Caricofe (2011) highlights that “quality turn” companies need to adjust their “growth plans towards maintaining the integrity of product quality, their proposed models that allow for simultaneous scaling up and remaining local – both suggest a certain succession of food system change, built around quality and innovation”.

How can craft beer companies gear themselves for growth at start-up and at the same time ensure long-term quality and integrity in their products? What do they need to plan for at start-up and how do these plans change as the company grows?

Trevor Bruns | 20

2.5.2 Craft beer and planning

Laurea (2014) assessed the emerging strategies in the craft beer market by analysing the craft beer value chain. Laurea (2014) analysed raw product supply, machinery supply, beer production, distribution and retail (E.g. marketing and sales). It is therefore a fair assumption that these five steps need to be planned for prior to brewery establishment.

2.5.2.1 Raw materials supply

Beer is essentially made of four ingredients: grain; hops; water; and yeast. Grain and hops seem to be the critical elements in the supply chain as water is generally sourced locally and yeast is regenerated in the fermentation process. Hops is produced in specific climates and are therefore produced in specific countries around the world. There are also different varieties of hops grown around the world. Breweries may therefore need to have the capability to source hops internationally (Laurea, 2014).

Any grain can be used in the beer production process. However, a percentage of malted barley is always used. The malting of barley is a process where “grains are germinated by adding water and suddenly dried. The conditions of the drying process influence the flavours of the malt”. Malting is a specialised process that require economies of scale to ensure consistent quality. The sourcing of different malts, similar to hops, would be an international supply chain affair (Laurea, 2014).

2.5.2.2 Beer production

The production of beer is relatively simple and have been for 6 000 years (Hampson, 2014).The process involves 8 steps as follows (Laurea, 2014):

1. **Mashing** – Hot water and milled malt are mixed and heated. The starch and sugars are extracted from the malt, which will be turned into alcohol and carbon dioxide in a later step.

2. **Lautering** – The spent grain is separated from the wort (The wort is the mixture of hot water and grounded barley).
3. **Boiling** – The wort is boiled to kill any latent organisms in the mixture. These organisms could lead to off tastes.
4. **Hopping** – The hops can be added during or after the boiling process depending on the desired flavor profile. The hops act as a natural preservative.
5. **Whirl pooling** – The wort is separated from the remaining impurities

These first five steps determine the batch capacity of the brewery system. These first steps last a number of hours and can be executed multiple times per day.

6. **Fermentation** – The wort is pumped into a fermentation vessel and yeast is added. Fermentation can last for a number of days or weeks depending on the yeast and temperature.
7. **Maturation** – After fermentation the beer is matured in tanks, casks, barrels or bottles to ensure product stability.

Step 6 and step 7 determines the monthly capacity of the brewery system as fermentation and maturation can last for multiple weeks and even months depending on the beer recipe. To increase the monthly capacity of a brewery system additional fermenters and maturation tanks would be required.

8. **Packaging** – The beer is typically packaged in bottles, kegs or casks.
9. **Micro filtering and Pasteurization (Optional)** – These processes are used to remove any microbial activity in the beer. This improves the final product's shelf life.

Nascent brewers will need to understand, and plan for, how these steps influence the final product characteristics, shelf life and production times to name a few.

2.5.2.3 Machinery supply

Historically craft beer systems were developed on a frugal basis. Brewers would construct homemade brewing equipment using available drums and other material. Lately it has become easy to find machinery suppliers for any desired application in the craft beer space. A simple google search will result in multiple machinery options (Laurea, 2014).

2.5.2.4 Distribution

Regulations around distribution differ from one jurisdiction to the next, implying that distributors will react differently from one jurisdiction to the next. In the USA, for example, a three tier distribution system (Production, distribution and retail) was set by law after prohibition. This three tier system does not allow the same company to play in two or more parts of the distribution system. In Italy, by contrast, large beer producers tend to integrate production, distribution and retail (Laurea, 2014).

Distribution is a key performance factor for any brewery that plans on selling its product off premises. It is therefore an important variable to consider prior to the establishment of a new brewery.

2.5.2.5 Retail

Brewers tend to have two broad sales channels, on premise and off premise. On premise is characterised by higher margins and higher required service levels (Pubs, bars and restaurants) while off-premise tend to be lower margins (bottelstores). Microbreweries need to be focused in choosing between these two channels as to not lose control in a market that can be highly fragmented (Laurea, 2014).

2.6 Literature review conclusion

This literature review started off by introducing three theories that underpin the role of business planning in new businesses. The three theories are discovery theory, creation theory and goal setting theory. Discovery theory suggests that entrepreneurs are exploiting existing opportunities. This theory suggests that the opportunity at hand is independent from the entrepreneur and that enough information can be gathered on the opportunity to develop a detailed pre-start-up plan.

Creation theory suggests that the entrepreneur is creating a new opportunity. In this context the opportunity does not exist independently from the entrepreneur. In this context it is impossible to collect enough information on the opportunity and entrepreneurs are encouraged to do rather than plan.

Goal setting theory suggests that plans always add value. In other words, planning would be beneficial in both discovery and creation contexts. Since creation and discovery business settings ask for different entrepreneurial action, the following question then arises. What type of planning processes/activities and planning content would be required under discovery and/or creation settings?

With the three foundational theories outlined, empirical research on pre-start-up planning was summarised. Researchers have come to conflicting results as to the value of pre-start-up planning. The conflicting findings were compared with regards to deciding to enter a specific market, dealing with uncertainties, pre-start-up planning's impact on learning and the management of resources as follows:

Market Entry: Researchers who found pre-start-up planning valuable, argued that it assists nascent entrepreneurs in making informed decisions around market viability. In other words nascent entrepreneurs who develop pre-start-up plans prior to market entry will choose the opportunities with the highest probability of success.

Other researchers found that extensive pre-start-up planning is costly and time consuming. The cost associated with detailed planning is a luxury few nascent entrepreneurs have and the time associated with planning may result in missed opportunities.

Uncertainty: Researchers that are for pre-start-up plans found that nascent entrepreneurs who developed business plans early in uncertain environments, were more likely to persist with the planned venture compared to entrepreneurs who didn't plan.

Researchers that motivated against formal pre-start-up planning suggested that, under uncertain conditions, the most skilful entrepreneur would never be able to collect enough information to turn uncertainty into risk. Instead, these entrepreneurs need to address uncertainties as they arise.

Learning: Researchers that are for pre-start-up planning suggested that, the development of pre-start-up plans add to the entrepreneur's knowledge of the to-be business.

Researchers, that were against formal pre-start-up planning, suggested that entrepreneurs would learn more by doing, rather than planning.

Resource Management: Researchers who found that formal pre-start-up plans are useful, suggested that it improves decision making and the management of resource constraints.

Researchers who found that formal pre-start-up planning wasn't useful, suggested that the development of formal plans may result in rigidity. These researchers suggested that nascent entrepreneurs develop basic plans that allow for flexible execution of opportunities.

These conflicting findings lead researchers to ask for a deeper understanding into the content and planning processes used by entrepreneurs. With this in mind, the literature review outlined some planning aspects that influence the success in artisanal food industries, specifically craft beer.

CHAPTER 3: Research questions

The overarching research question is: What planning activities will be most valuable to a would be craft brewer? (E.g. should a nascent craft brewer develop an extensive business plan, or should he/she focus on specific planning activities?). With this in mind the following questions come to mind:

3.1 Research question 1:

What pre-start-up planning activities add the most value to a new craft beer business in South Africa?

This question will help understand the foundational theories (discovery, creation and/or goal setting) that best support the development of a new craft beer company. In other words, is it advisable for craft beer companies to develop formal pre-start-up plans? The question may also shed light on some of the planning content and processes craft beer companies use in the development of business plans.

3.2 Research question 2:

What is the focus of planning after start-up and are these focus areas influenced by the pre-start-up planning activities?

This question may extend the understanding of the planning content and processes that new ventures use and how those planning processes are influenced by pre-start-up activities. It may also shed light on whether or not formal plans should be developed later in the business' life.

3.3 Research question 3:

How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?

This question may extend the understanding of the planning content and processes that new ventures use and how those planning processes are influenced by pre-start-up activities.

CHAPTER 4: Research methodology

This chapter will explain the research method used to answer the questions raised in Chapter 3.

4.1 Research design

The objective of the study is to investigate what successful companies plan for and how the planning activities pre- and post-start-up differ compared to similar but smaller, less successful, companies (In this case craft breweries). The literature study has shown that a lot of empirical research has been conducted in the field of pre- and post-start-up planning over the past two decades. Generally the empirical data was all based on the link between that of written business plans (not the content therein) and its impact on business performance and have had contradictory results. However, in the Handbook of Qualitative Research Methods in Entrepreneurship, the author writes “No amount of regression analysis will help us understand what triggers the quantum jump or what happens during the quantum jump”(Neergaard & Ulhoi, 2007). The authors go on to say “The heart of the entrepreneurship process will be found in the ‘descriptive background’”. All this motivates the use of a qualitative research method in this study.

Saunders and Lewis (2012) state that, for research with the objective of seeking new insights into a topic, exploratory research is best suited. This research’s objective is to understand points of difference in pre- and post-start-up planning between large craft brewers and small craft brewers. A qualitative exploratory study is applicable as very little research has looked at the detail required within business plans (Burke et al., 2010; Delmar & Shane, 2003; Kraus & Schwarz, 2007; Liao & Gartner, 2006; Shane & Delmar, 2004).

Semi structured interviews were used during interviews with the owners of 12 breweries. Questions were designed to extract, from the brewer’s point of view, the

most valuable planning activities, the planning processes followed and the extent to which planning activities changed after establishment.

4.2 Population

The objective of the research is to assess the role of planning in new (Less than 5 years old) South African craft beer companies. According to Homebru.net there are 158 craft beer companies in South Africa. An analysis of the companies, according to the information available on the individual company websites, is shown in Appendix i. A summary of the companies, broken down by the establishment year, are shown in Table 2. The table shows that an overwhelming number of new breweries are less than 5 years old. These companies would form the population of this study.

Table 2: Analysis of the South African craft beer companies

Establishment Date	Count of Companies	Percentage of Total
2015	2	1%
2014	20	13%
2013	22	14%
2012	25	16%
2011	11	7%
2010	7	4%
<2010	14	9%
Unclear	54	34%
Not Yet Established	3	2%
Total	158	100%

4.3 Sample size and method

The objective of the research is to identify points of difference in planning practices between new small and new larger craft breweries. It was specifically important to select breweries that played in the full value chain (From sourcing of raw materials to the sales of a final bottled and/or kegged product). For this reason a purposive sampling approach was used in identifying breweries. Purposive or judgemental

sampling is applicable when researchers have practical considerations that exclude other probability type sampling methods. (Miller & Salkind, 2002).

The objective was to compare different sized companies who manage beer production from sourcing of raw ingredients, production of beer and sales of a bottled and kegged product. On this basis, the list of companies shown in Appendix i was filtered based on the following criteria:

1. Only companies less than five years of age are included in the list
2. Only companies that produce both a kegged and bottled product are included in the final list
3. Companies that reside in the Western Cape and Gauteng are included

The sample was made up of owners and founders of 12 breweries. These breweries ranged from as small as 500 litres per month to as large as 18 000 litres per day. All of the breweries operate throughout the brewery value chain (E.g. sourcing raw material, producing beer through the utilisation of their own or a contract brewer's system, and selling both a bottled and a kegged product). The filtered list is shown in the following table. Note that there is a large range in the amount of product outlets from as low as 6 outlets to as high as 600.

Table 3: The filtered list of breweries. The population were filtered by age, production of a bottled and kegged product, and location in the Western Cape and Gauteng.

Province	Brewery Name	Establishment Date	Number of Product Outlets
Western Cape	Woodstock Brewery	2014	6
Gauteng	Human Brew / Loxton Lager	2013	26
Western Cape	Harfield Beer Company	2014	10
Western Cape	Wild Clover Brewery	2012	11
Western Cape	Long Beach Brewery	2013	16
Gauteng	Agar's Brewery	2014	20
Western Cape	Red Bridge Brewing	2012	32
Western Cape	Lakeside Beerworks	2013	48

Province	Brewery Name	Establishment Date	Number of Product Outlets
Western Cape	Devil's Peak Brewing Company	2012	146
Western Cape	Darling Brew	2012	200
Western Cape	Cape Brewing Company	2012	600
Western Cape	Ukhamba Beerworx	2015	5

4.4 Unit of analysis

In research a unit of analysis can be an individual or groups of people (Vogt, 2005). In this case the unit of analysis would be the founders of new (Less than five years old) breweries that source raw product, produce craft beer and sells beer in kegs and branded bottles outside their premises.

4.5 Interview schedule

The interview schedule listed in Appendix ii lists introductory questions and eight interview questions. The introductory questions serve the purpose of exactly understanding the size of the business in terms of volume of beer produced and the age of the business in terms of establishment date. This helped to put the different interviews into perspective. The following questions were asked of the interviewees:

Q1: Do you considered planning to be an essential part of your business success to date?

This question was asked to set the scene of the interview and establish the respondent's view on planning in his company in general.

Q2: Please describe the type of planning you undertook prior to your company's establishment:

The question was asked in light of pre-start-up planning. The answers to this question established whether or not written plans were used prior to the

establishment of the business. If written plans were not utilised they were prompted to provide details of any other planning activities that they utilised. The important pre-start-up planning activities could be established during this part of the interview.

Q3: Was a business plan developed prior to the company establishment? If so, what was the business plan objective?

If it was unclear whether or not formal written plans were used, the first part of Q3 would be asked. If not, the second part of Q3 would be asked with the objective of understanding the respondents objectives in the planning activities they undertook.

Q4: What planning activities did you spend most time on?

Q4 was asked to get a feeling of the importance that respondents placed on certain parts of their planning activities. The following aspects of planning were prompted if respondents were unclear on the question:

- Competition
- Raw product supply
- Equipment sourcing
- Operations
- Product line
- Distribution
- Marketing
- Sales
- Economics
- Sourcing personnel

- Cash flow management
- Risks

Q5: Which planning activities were most useful to the business following establishment?

This question required respondents to reflect back on the planning they engaged in and assess the value of those planning activities today. The answers to this question are an extension on the information gathered in Q4.

Q6: If you were to start over, would you omit some of the planning activities?

The answers to this question highlighted the planning that was perceived as less valuable. Respondents needed to reflect on the planning they had done and whether or not they would omit any of it.

Q7: How has planning activities changed from before your company was established to now? Q8: How do you foresee planning to change in the near future of your business?

Q7 and Q8 were asked to understand how planning had changed from pre-start-up to present and how these planning activities will change going forward.

4.6 Data collection

Saunders and Lewis (2012) state that semi-structured and unstructured interviews are applicable if the researcher is unsure of the answers respondents will give, the questions are complicated and/or the researcher wishes to change the order of the questions asked. For semi-structured interviews, an interviewer will have a list of topics/questions to be asked. The data in this study was collected in a semi-structured view.

Before the interviews as much information as possible on the company and interviewee was gathered. This helped with introductions and setting the interviewees at ease with the interview process. The researcher travelled to the Western Cape for a week to try and see all the Western Cape breweries in person. In the end nine of the Western Cape brewers could be met with in person, all at their breweries. One of the Western Cape brewers could not be met with during the scheduled week and a telephonic interview was scheduled instead. In Gauteng the researcher met with 12 brewers, 8 at the breweries, one telephonically, one in a restaurant and two at their place of residence.

Prior the interview, an introductory email with high-level detail of the research project was shared with the respondents. This shortened the introductory process at the start of the interviews and gave respondents an upfront idea of the topics that will be covered.

Data was recorded through written notes and MP3 recordings of semi structured interviews with the founders of 12 craft beer companies. One of the respondents refused a recorded interview. For this interview, written notes were the only recorded data.

The semi structured nature of these interviews served to “explore a general topic” (Saunders & Lewis, 2012). The general topic is pre- and post-start-up planning in new South African craft breweries. All the interviews were conducted using the same questions, since the objective of the interviews were to establish potential points of difference in planning practices between large and small breweries.

4.7 **Data analysis**

As mentioned, practically all the data were electronically recorded. This data was transcribed and analysed shortly after the interviews. In preparation for analysis, the guidelines specified by Saunders and Lewis (2012) were used. The date, time and

place of where the data was collected were recorded, data was anonymised and each transcript was saved as separate files.

4.8 **Assumptions**

It is assumed that all the respondents interviewed have similar aspirations for their companies and that their respective companies were profitable.

4.9 **Research design limitations**

Neergaard & Ulhoi (2007) requested that more longitudinal type research be completed in the entrepreneurship space. Unfortunately this will not be achievable due to the time constraints associated with a MBA thesis. The research does however ask of respondents to reflect back to their companies' pre-start-up plans and how it has changed to date.

CHAPTER 5: Results

This chapter will show the results from 12 interviews held with the owners of breweries in the Western Cape and Gauteng. The data was collected through semi structured interviews. Eleven of the interviews were held face to face and one interview was done telephonically. In all cases the researcher requested that the interview be recorded with a dictaphone. Eleven of the respondents agreed to this, while one respondent denied the request. In the latter case the interview was recorded with handwritten notes.

Of the twelve interviews, seven interviews were held at the brewery. Two of the interviews were held at the owner's residence, one interview was held at a restaurant and one interview was held telephonically. These locations were recommended by the respondents and allowed them to respond to questions with confidence. The shortest interview was approximately 20 minutes and the longest interview approximately 60 minutes. All the questions listed in the interview schedule (Appendix ii) were asked in all interviews and the responses were recorded in line with the literature review and research design.

5.1 Respondents

There were two categories of respondents, large breweries (>20 000 litres per month) and small breweries (<20 000 litres per month). The objective of this was to assess points of difference between the planning activities of large brewers compared to small brewers. The two categories can be summarised as follows:

Table 4: Number of breweries per category of respondents

	Number of Interviews
Small Breweries	7
Large Breweries	5

The following respondents were interviewed as part of the sample summarised in Table 4. The following lists the profiles of the respondents in the study. Figure 1 illustrate the development paths for the different respondents:

Respondent 1: Respondent 1 is the co-founder of a small brewery that started producing beer in 2013. The brewery is located in Cape Town. They are currently producing approximately 6000 litres per month. Respondent 1 did a couple of months of brewing on a fellow brewer’s system before purchasing a system of their own. Respondent 1 has a sales background in the insurance industry. The interview took place at the brewery.

Respondent 2: Respondent 2 is the co-founder of a small brewery in the Western Cape. The respondent did home brewing for a period before starting the brewery with a friend in 2014. They are currently producing approximately 2000 litres per month. Respondent 2 has an operations management background and did some home brewing before establishing the company. The interview took place at brewery during operating hours.

Respondent 3: Respondent 3 is the master brewer and one of the founders of a large brewery in the Western Cape. It was established in 2012. They had a significantly smaller system at that point of time with a targeted sales volume of 15 000 litres per month. They later purchased their current system and moved to their current facility. Currently, they are producing approximately 50 000 litres per

month. Respondent 3 has a wine production background. The interview took place at Respondent 3's brew pub.

Respondent 4: Respondent 4 is one of the founders and shareholders of a large brewery in the Western Cape. The brewery is currently producing approximately 250 000 litres of beer per month, making them the largest craft brewer that was interviewed. Respondent 4, and a number of partners (One partner with a century worth of brewing experience), started with the idea of this brewery in 2007, but only started producing beer in 2012. The interview took place on the brewery's premises.

Respondent 5: Respondent 5 is the co-founder of a small brewery between Paarl and Stellenbosch in the Western Cape. Respondent 5 started home brewing which developed into a formal business in 2012. Currently they are producing 5000 litres per month. They've also purchased a larger system that will increase their capacity to 40 000 litres per month. The interview was conducted on the brewery's premises.

Respondent 6: Respondent 6 is a co-founder of a small brewery in the Western Cape. Respondent 6 started brewing beer on a homebrew system. This hobby led to the establishment of their current brewery in 2013. They are currently producing approximately 4000 litres of beer per month. The interview was held at the brewery in the Western Cape.

Respondent 7: Respondent 7 is the founder of a large brewery located in the Western Cape. Respondent 7 did not know anything about the craft beer industry when he started his business. The company started producing beer by contracting capacity off a contract brewery. Shortly afterwards they built their own brewery that is currently producing 50 000 litres per month. They are expanding their current brewing capacity to a capacity similar to that of Respondent 4. The interview took place at the brewery.

Respondent 8: Respondent 8 is the founder of a large brewery in Cape Town. They started production in 2014 and are currently on an approximate monthly volume of

25 000 litres per month. Respondent 8 started the establishment of his brewery in 2010 by purchasing the building they currently occupy in Cape Town. Respondent 8 has a background in banking. The interview was conducted at the brewery.

Respondent 9: Respondent 9 is the founder of the new small brewery. He recently started brewing by renting existing brewery equipment from other brewers. Currently he is producing approximately 500 litres beer per month. Respondent 9 held a number of sales jobs before starting the new company. The interview was held at a restaurant in the V&A waterfront in Cape Town.

Respondent 10: Respondent 10 is one of the co-founders of a large brewery in the Western Cape. The brewery was founded in 2012 and is currently producing 20 000 litres beer per month. Respondent 10 has experience in the golfing industry and have done a MBA. The interview was held telephonically.

Respondent 11: Respondent 11 is one of the founders of a small brewery in Gauteng. The brewery started producing beer in 2013. Currently the brewery is producing approximately 3000 litres of beer per month. Respondent 11 has 20 years home brewing experience. The interview was conducted at Michael's residence in Johannesburg.

Respondent 12: Respondent 12 is based in Johannesburg and uses a contract brewer to produce their beer. They have been producing since 2013 and are currently producing 5000 litres per month. The interview was conducted at Respondent 12's residence in Johannesburg and wasn't recorded on a MP3 player. The quotes from Respondent 12 were noted down during and after the interview.

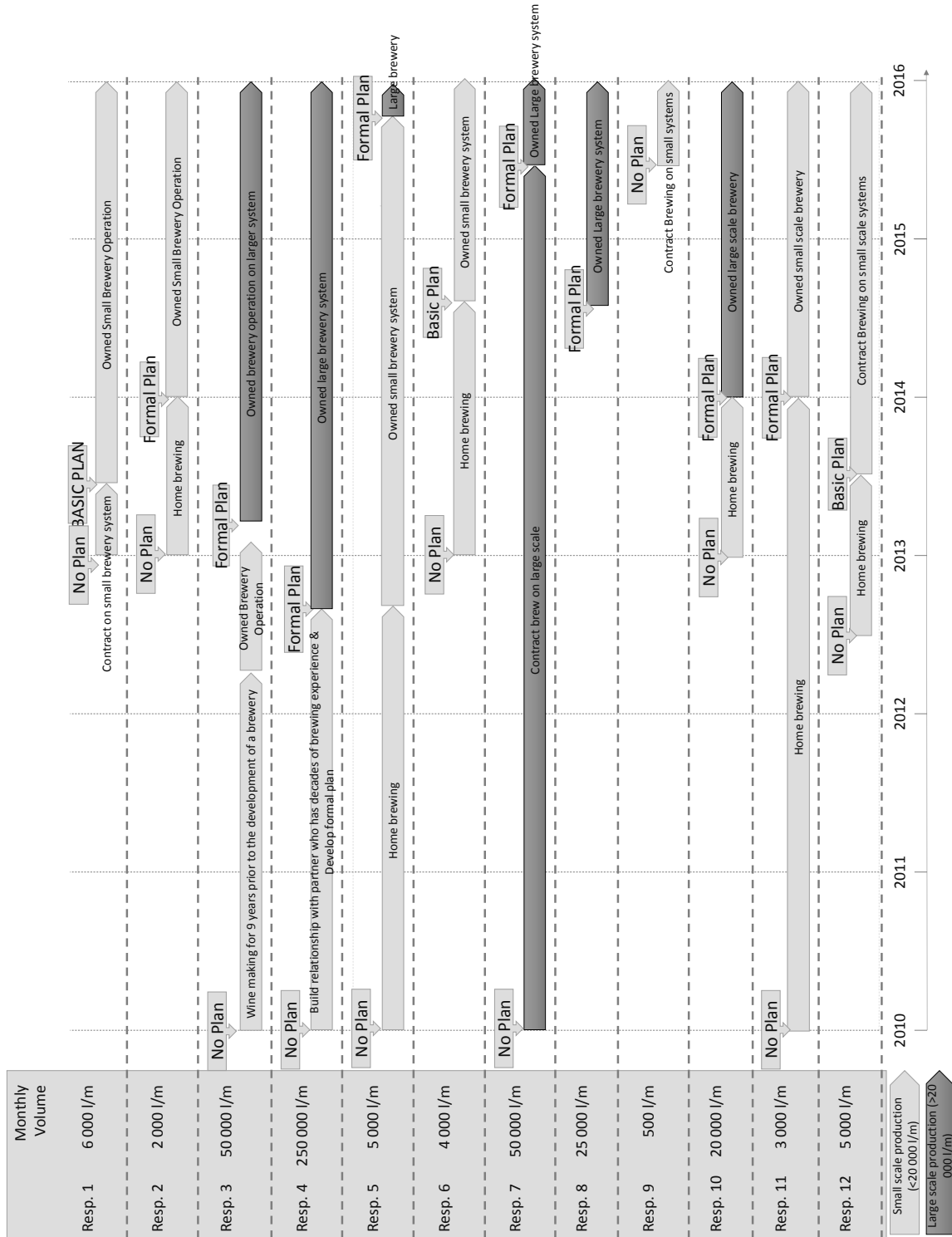


Figure 1: Illustration of the respondents and their respective development paths and the plans that were developed along the way.

5.2 Pre-planning activities

During the interviews it became clear that most of the breweries took some action before the development of formal/informal plans. The following sections highlight some commentary regarding these actions.

5.2.1 Small breweries

Small breweries pre-planning activities are characterised by home brewing for a number of months/years or contract brewing on someone else's system. These hobbies then develop into businesses or it motivates the nascent entrepreneurs into purchasing larger brewing equipment with the objective of brewing beer full time. The various small breweries responded as follows on their pre-planning activities:

Respondent 1 stated that they “purchased our own brewery, prior to that we spent three months brewing on someone else's brewery as a testing the waters type vibe”

Respondent 2: “I brewed a little bit of beer out of my garage when I told (name of co-founder) that we should start a brewery as a joke, and he also said yes, it sounds nice, as a joke. And then probably six months to a year later I found out through the grapevine that there is a brewery for sale. I then, because of that small joke we made, immediately thought of him. I called him to find out if he wanted to start the business with me. He thought about it a little and yes, that's how it happened”

Respondent 5: “It was very small. The original idea was, when we, when this whole rolling blackouts insanity thing hadn't started yet and just made some beer because everyone told me the beer is good and so on and so on. We need to make more of this and then the idea of starting a brewery to keep us busy on the weekends and to make beer for the locals, but by the time we had the brewery on the go, this whole thing (Referring to craft beer) exploded”

Respondent 6: Commenting on the original intent of the business, **Respondent 6** said “No. It was supposed to be a two-day a week, not a serious business. But

Trevor Bruns | 42

we've all seen the potential of it, which has not forced our hands at all, but it made us think that it's better to spend more time and money investing than we initially had imagined.”

Respondent 11: “The background is that one of my brothers and myself have been brewing for over 20 years, probably about 24 years... Ja and (names a family member) who's another brother, he and I have been brewing since early 1990's. We also, I had a stint in the US with FNB at the time. I spent 3 years there and that's where I got exposed to the whole home brewing movement which was big there which was just prior to the craft beer revolution in the states. When I came back I brought back a whole lot of caps and stuff and I carried on brewing here.”

5.2.2 Large breweries

The large breweries had very different pre-planning activities. They tended to get skill into their business in some way or form as soon as possible. The following outlines the comment received from the large brewers in the sample:

Respondent 3 was originally brought into the business to be the master brewer in the new company: “I was actually brought on as part of the planning that they did. Not to do the planning, but their planning was to get someone to brew, there are three other guys that's two friends and another business partner, that kind of conceptualised the idea and did a bit of home brewing and then I was brought on to brew”. This was because Respondent 3 had made “wine for nine years, studied at Stellenbosch, then decided I was gonna make beer”. He was therefore brought into the business to add “science knowledge”. Since he had been making wine for 9 years prior to joining the beer company he would have had an idea of the balance between production capacity and the effort it would take to sell produced beer.

Respondent 3 also had the luxury of having capital available for expansion. They decided arbitrarily to cap production capacity at “10 or 15 thousand litres a month” (Two to three times larger than the small breweries). Respondent 3 adds the

Trevor Bruns | 43

following statement: “it was a very loose plan cause it was like, we’re on a wave, we’ll ride it out as far as its gonna take us...”. This served as a market size test as they soon realised that the market was much larger than they anticipated. They were selling out all there produced product halfway through each month. These activities informed their decision to purchase a larger production system.

Respondent 4 partnered with a company that had been producing beer for decades. Respondent 4 said “Our main shareholders are brewers four generations in the same family.” and continue to say that the one shareholder has “over a hundred years track record”. Certain principles and equations, they stay the same. No matter if you do it in Sweden, in South Africa, in Iceland or in the North Pole”. Obviously this relationship brought with it a wealth of knowledge and experience in setting up new breweries. Formal pre-start-up planning only started after this partnership was agreed on.

Respondent 7 had twenty years’ experience in the South African retail industry. Instead of developing a plan he used “gut feel and ... skills to drive the business. Although he didn’t have any experience with craft beer, he did know how to develop and sell new brands. His first step in developing his business was to contract brew beer on another brewer’s system. It is safe to assume that by contract brewing at the start of the business, Respondent 7 could assess the market potential without putting excessive capital at risk. Only after he had sold beer for a while did he construct his own brewery. Respondent 7 therefor stated out by having a wealth of experience in the development of brands in the South African space and only after gaining knowledge on the actual market size did he invest in beer production equipment.

Respondent 8 developed a business plan early in the business development process. He did however cater for the involvement of a consultant in the development of the brewery, but even this wasn’t good enough. Respondent 8 had the following to say regarding skill in the business early in the development process:

Trevor Bruns | 44

“Get input from a brewery that wasn't the guy, that wasn't the consultant. So, go and talk to a brewer. Say this is what I want to do, let me buy an hour of your time. How do I buy an hour of your time? You charge-out rate's one thousand dollars. Here's one thousand dollars. That's cool, let's talk now. Now, I've paid you for your thousand dollars. You know about the stuff ups that you've made – because the guys do it to me. I don't charge for it – Nick is also making a lot less stuff ups than I've made. So, what I would've done is included, is find a trustable, knowledgeable confidante rather than come at it from a stuffing I know it all point-of-view by just searching the hell out of everything and then you've got an idea.”. Even though Respondent 8 had skill in the development of the business in the form of a consultant, he would have preferred to have even more experience built into the development of the brewery.

Respondent 10 had formal business training in the form of a MBA and “just had a home brewing background so it was very much a case of just taking that basic knowledge and learning as we went”. This combination seems to have been good enough to put them amongst the large brewers in the sample.

5.3 Pre-start-up planning

Asking the respondents about their pre-start-up planning activities delivered the results shown in Table 5. However, this table is misleading when the interview delved deeper into the activities that the respondents engaged in before starting their company.

Table 5: The number of breweries that claim they did formal planning, informal planning or no planning prior to start up.

	Small Breweries	Large Breweries
Formal planning	3	3
Informal planning	2	1
No planning	2	1

5.3.1 Formal planning

The following sections outline the commentary received from small and large breweries that compiled formal written down plans prior to the establishment of their businesses.

5.3.1.1 Small breweries

On asking **Respondent 2** whether or not he developed a formal business plan, he replied “Oh most definitely. You know and I often think if I had to open up another business my planning would be even better. I read up a lot of books on how to do business planning, like I think I went through about three books and I still have my original book in which I did my original business plan.” He went on to say that “So it’s all written down and its quite interesting to go back to it every now and again and see how different it turned out from the actual plan. And you know the other things the planning turned out to be quite spot on. But ja definitely it helped us quite a lot”. **Respondent 2** suggested that the developed plan was accurate in some sense, but inaccurate in other. The major underestimation that was made by **Respondent 2** was on sales: “I thought that everyone will be breaking down our door to have our product, but it doesn’t work that way. Not even Coke can sell everything, there’s a limit on how much you can sell. So it continues, it’s about feet on the tar, knocking on doors, talking to people, that’s the only way you can sell beer”.

Trevor Bruns | 46

Respondent 6 had a similar response in saying “We had a written business plan to start with cost projections and projected forecasts on sales, etcetera. We get, you know, the initial plan as I say with business planning is the business plan is obsolete the minute you finish writing it.”

Respondent 11 also had a written down formal business plan. **Respondent 11** said “In terms of planning we had to put a proposal together to the family members”. This was necessary as the family member were responsible for the funding of the brewery start-up. **Respondent 11** made their business plan available during the interview. The business plan was two to three pages long and included a projected income statement for two growth scenarios. At the time of the interview **Respondent 11** was satisfied with their progress to date and said that “Well, we’ve months now of 75, 79 and 89 so we’re almost now halfway...”. The “halfway” referred to being halfway between their two projected scenarios. Therefore, **Respondent 11** was very much within their projected plan in terms of growth. This doesn’t mean that their plan was perfect. One of the major activities that was underestimated by **Respondent 11**, was distribution. **Respondent 11** said the following on the matter: “Ja, so what happened is as well is by about month 3, I realised I wasn’t going to be able to brew and do my own distribution and run this other business so we’ve got a distributor...”.

All three small breweries who developed formal plans found that their plans were lacking in some way or form. Critically though it seems that these breweries underestimated certain key elements of their “to be” businesses.

5.3.1.2 Large breweries

Respondent 4: On asking respondent 4 on when formal planning was done the response was “It started before operation in order to accommodate requirements for future expansions, whatever”. This planning must therefore have been done with the input of the experience partner.

Respondent 8: Respondent 8's background is in banking. He is therefore accustomed to the development of formal business plans before undertaking any action. His response regarding pre-start-up planning in his business was the following: "So I don't need the business plan to get the funding, but I do need the business plan to direct my efforts, capital, and thought-processes. Now, my comment on the planning is five years ago, when I started this project, there was a high-level land and buildings necessary, equipment necessary, staffing necessary, knowledge necessary, consultants necessary, location necessary and what planning does in each of those categories is it forces out a required budget."

Respondent 10: On asking Respondent 10 whether or not he compiled a formal business plan before starting his business he replied "You know certainly we had a, we drafted a plan before we established the company and we established the phase and that was, ja it was certainly quite important in guiding our thinking and ja so I mean yes".

5.3.2 Informal planning

The following sections outline the commentary received from small and large breweries that undertook informal planning prior (E.g. the development of financial models and marketing plans, but not compiling the plans into a single written down planning document) to the establishment of their business.

5.3.2.1 Small breweries

Respondent 1 developed a basic plan by developing "...spreadsheets just to calculate whether this thing is actually viable in terms of like revenue and see how much I needed to sell so I can pay for all the shit that I needed to buy..." and "...a marketing plan pretty much was also quite key to figure out where am I going to sell the beer, what outlets I'm looking out for, and then uhm, ja, just identifying potential partnerships that could add value to the business, distribution uhm and draft supply". The basic planning was followed by a lot of ad-hoc type activities during operations

Trevor Bruns | 48

illustrated by: “But I had a kind of idea in my head because I had already done the math, but I didn’t refer back to it regularly. It was more like, cool, this is coming in, this needs to go out, there’s a difference, it’s a *lekker* positive difference, *gooi*, let’s do it again next month you know.”

Respondent 12 developed a number of financial models and planned to source the correct individuals to brew their beer. The models were developed to understand margins down the value chain and to ensure quality and consistent products. The opinion on planning was that “you can pack your parachute for an hour, or you can pack it for a day, but at some point you have to jump.”

5.3.2.2 Large breweries

Respondent 3: The extent of their pre-start-up plans was to buy a facility that could produce up to 15 000 litres beer per month and ensure that there is skill involved in the running of the business. Respondent 3 became a partner in the business, because he held the necessary skill to brew quality beer and run the business. Pre-start-up they developed some documentation that would guide their efforts, specifically as they “had some planning done as to like break even analysis, uhm, and it was a much less than what we actually had to achieve. So, it was done incorrectly number one, it was done by an accountant, so they have another company (Referring to the other partners) which is ..., uhm and they had an accountant there that sort of moonlighted for us and did a financial model, the break even as I said was 12 500 litres”. So although, not correct, they did have a financial model that was used to guide their decision making.

5.3.3 No planning

The following sections outline the commentary received from small and large breweries that did no planning prior to the establishment of their businesses. These breweries started producing and selling without any form of plans.

5.3.3.1 Small breweries

Respondent 5 “Initially it was purely a weekend thing, so the planning wasn’t massively large at the start. Only 2, 3 years afterwards did I leave my day job to get involved with the brewery full time. So, it was a weekend thing and planning was a cigarette box affair. And here’s all your friends with restaurants to who you can sell and so on, but when we realised here is potential, did we start planning much more formally”.

Respondent 9 did not develop any form of plans. Instead “...an opportunity just came when I was still looking. I wondered if I just talked to the chap for a minute, he would stop and he would be like, no, I don't really have the equipment. So come and brew with us.”. And with that he has got his production underway by contract brewing on another brewery’s system.

5.3.3.2 Large breweries

Respondent 7: Respondent 7 had the following to say regarding his pre-start-up planning activities: “Nothing. I did no planning. It was more about what I was trying to create. And I think if you get too hinged on planning at that stage you won't – let me think another way. If I had known what I’ve learned there's no way I would have started. It's too daunting:

1. I didn't know anything about making beer.
2. I didn't know what it was going to cost.
3. The red tape, the bureaucracy. And it's from every angle. It's from your liquor application, which takes – we've just transferred our license from the old brewery to the new brewery. That was an eight-month process. And the worst thing about all of that is you've got to invest – it's like applying for something like buying a visa. You've got to buy your air ticket but you're not going to get in”.

5.4 Current planning

Asking the respondents about their current planning activities delivered the results shown in the Table 6. The following sections will report on some of the commentary received from the various respondents.

Table 6: The number of breweries that claim they do planning, informal planning or no planning in their current operation.

	Small Breweries	Large Breweries
Formal planning	2	3
Informal planning	3	-
No planning/Ad-hoc planning	2	2

5.4.1 Formal planning

The following sections outline the commentary received from small and large breweries that conduct formal planning as part of their current operation.

5.4.1.1 Small breweries

Respondent 2: “Because people forget, and to tell you the truth, a small business like this is terribly hard work and you have a lot of stuff to do, I don’t think people know how much work goes into a small business. You don’t have an accountant to do, you don’t have a sales team, you don’t, to forget something that is of importance for next month is very easy. So I found he (Referring to his partner) will talk to me about something and we will make a plan. And two weeks later we talk about the same thing again and we need to make the same plan and this time we come up

with a different plan. So this is why we started writing stuff down where we say, right, this is what we have done, this is what we decided and this is what we will do.”

Respondent 5: Respondent 5 has recently purchased a new brewery that will take their production capacity up from 5000 litres per month to 40 000. With this in mind his comments regarding his current planning are “... you don’t suddenly go from 5 000 to 40 000 litre and then sell it tomorrow”. For this reason Respondent 5 said that they are “for the expansion now, for the enlargement of the brewery we developed a broad business plan coupled to a financial plan.”

5.4.1.2 Large breweries

Respondent 3: Responding to whether or not Respondent 3 has formal planning activities ongoing in the current business, Respondent 3 said “Ja, budgets, uhm, production forecasting, costing, ja we do a lot of that now” and “Well, a lot has to do with sales, your sales has to be, sales and marketing has to lead production, there’s no point in me, our first problem were , production would lead sales focus, our focus was predominantly on production and very little on sales, it was lucky in that we were riding the wave, but now it’s turned around you know, now we need to sell the beer before we can produce it. Rather than produce it and then try sell it. You understand. It’s a different mentality.” Clearly, formal planning has been incorporated into Respondent 3’s current business.

Respondent 4: Before the interview, Respondent 4 was busy with a daily operations meeting. Respondent 4 had also said “..they have meetings. Believe me, oh, every week, whatever. I have just returned now from the tenth week in Sweden” referring to the regular meetings with the major shareholder in the company. Respondent 4 also referred to ongoing planning around investment into the brewery. It was clear that formal planning was entrenched in this business.

Respondent 7: Respondent 7 is currently in the process of expanding their production capacity from 40 000 litres per month to 250 000 litres per month. His

comments regarding their current planning activities were “Phase one was me getting going on a gut feel of no market research, just liking the idea. Phase two is four years later. It's raising the capital to capitalize on the market opportunity, the opportunity within the market. There you definitely need a plan for that.”

5.4.2 Informal planning

The following sections outline the commentary received from small and large breweries that undertake informal planning in their current business.

5.4.2.1 Small breweries

Respondent 6: Respondent 6 have come to realise that he needs to “free up my time so I can spend more time planning than business issues rather than just balls to the wall, focusing on brewing and getting that beer out.”. Because of this he stated that “Planning is now a lot more medium- to long-term rather than just the hand-to-mouth short-term just get it going. The focus is on growing capacity and ability to provide rather than just let's get some beer out there. It wasn't clear from the interview whether or not Respondent 6 have developed a formal written down plan and for this reason Respondent 6 is included under informal planning.

Respondent 9: Respondent 9 is in the process of deciding to purchase a brewery system. With this in mind, his comments regarding his current planning are: “I'm just this guy who's just excited to be having his beer sold somewhere, to start thinking of exactly how to firstly know where I want to go, what style of beer I want to make and what is my target market going to be, just to be kind of closing down to. And the figures, I want to play around with the figures... “. Respondent 9 was referring to the development of a financial model and a marketing plan, similar to the informal pre-start-up planning done by other small breweries.

Respondent 12: Respondent 12 did not indicated that the current intent of the business was to find and sell to good customers (E.g. selling to customers that will

repeat purchase). He also pointed out that their planning is currently simple: “Turn cash into stock, stock into debtors and turn debtors into cash”. There does not seem to be written down business plans for the business, instead Respondent 12 is planning to grow slowly with the assets they currently have available to them.

5.4.2.2 Large breweries

There does not seem to be large breweries that develop some informal plans.

5.4.3 No planning

The following sections outline the commentary received from small and large breweries that undertake no planning in their current business (e.g. decisions are made on an ad-hoc basis).

5.4.3.1 Small breweries

Respondent 1: Respondent 1 indicated that he does not do a lot of time planning in their current operation: “Ja, uhm, I don’t spend too much time planning, but I’ve always got ideas and stuff in my head. I’m always plighting and scheming, but I never, like I don’t have a formal business plan per se”. He indicates that the basic plans that was developed pre-start-up is currently used as guiding principles for operations and decision making: “Uhm, ja, well look, I just had the plan going in, and when I walked in I knew, this is what I needed to do. Pushed as hard as I could to get the sales and make the beer and not spend too much money whilst doing all of that. But I had a kind of idea in my head, because I had already done the math, but I didn’t refer back to it regularly.” Also, unlike any of the other brewers, Respondent 1 does not want to continue brewing beer, instead he wants to contract brew on someone else’s system: “Uhm ja, I don’t see, for me personally I don’t see any value in building a bigger brewery, cause there a lot of big big big ones out there, and in this business, scale of economy is key, you’re making 9000 litres a day, and I’m making 300 like, rather just ask the oak who’s making 9000 to make you 9000 once

a month and you can spend your time doing the more important stuff, the marketing the sales, well the relationships, doing the distribution...”

Respondent 11: Apart from annual shareholders meetings, Respondent 11 does most of the planning on an ad-hoc basis: “We talk almost daily, new customers, new product lines, problems in the brewery. There’s not huge formal planning going forward.”

5.4.3.2 Large breweries

Respondent 8: There seems to be mainly ad-hoc type planning combined as defined by the comment: “No, I don’t have budget plans. Because I don’t have investors, I have promises.” So instead, the Respondent seems to be running his business based on the guidelines set out by the pre-start-up plans.

Respondent 10: Responding on a question to the value of his pre-start-up plans, Respondent 10 said “Yes it was important but since we’ve got up and running the realities of and the nuts and bolts of running a small business very quickly sort of, you know they outrun what will, the plan that we have in place so ja, it was a huge guide and a good way to gather our thoughts but it’s certainly not something that we have looked to or have been able to stick through to the letter at all.” Similar to Respondent 8, Respondent 10 is currently planning on an ad-hoc basis and using the pre-start-up plans as guiding documents.

5.5 Future planning

Asking the respondents about their future planning activities delivered the results shown in Table 7. The following sections will report on some of the commentary received from the various respondents.

Table 7: The number of breweries that anticipate planning, informal planning or no planning in their future operation.

	Small Breweries	Large Breweries
Formal planning	3	5
Informal planning	3	-
No planning	1	-

5.5.1 Formal planning

The following sections outline the commentary received from small and large breweries who anticipate formal planning as part of their future operation.

5.5.1.1 Small breweries

Respondent 2: Respondent 2 pointed out early in the interview his intent to continue formal planning by saying “You know and I often think if I had to open up another business my planning would be even better. I read up a lot of books on how to do business planning, like I think I went through about three books and I still have my original book in which I did my original business plan.”. When asked whether or not his current planning activities will change in the future of his business, he said: “you know not really, the principle will remain the same compared to what we are currently doing, we will definitely be more people, perhaps more electronic stuff will happen and it may take a bit longer”.

Respondent 5: Respondent 5 anticipates formal planning that revolves around production and sales and the balance thereof: “Well, at the moment we have this project (Referring to the upgrade of their current capacity) that we must setup. As soon as the thing is standing we will transition to a manufacturing mode and then the planning will naturally be to look at the pipeline and to see how much product

needs to be produced so we can anticipate what to make. We make four different styles, one of which sells more, so the planning will be a production schedule with the objective of having your stock ready. And then the planning around functions and festivals, markets, any function that we have here (Referring to their facility) to ensure we have the right amount of beer on time...”

Respondent 6: Similar to Respondent 5, Respondent 6 anticipates that planning will become “more of a business function than a passion function. So, the business starts off with passion and, you know, passion's what carries on the trips and down.”

5.5.1.2 Large breweries

Respondent 3, 4 and 7 indicated that they would be continuing their current formal planning activities into the future. The nature focus areas would change however.

5.5.2 Informal planning

The following sections outline the commentary received from small and large breweries who anticipated informal planning as part of their future operation.

5.5.2.1 Small breweries

Respondent 11: Respondent 11 appointed someone to dedicate time towards sales. Respondent 11's response to the anticipated changes in future planning was: “Well, I mean with Don joining us on the sales side we will, you know, have a lot more informal/formal meetings on the sales side so...”. This seems to a slightly different from the current ad-hoc planning activities.

Respondent 12: Respondent 12 seemed to plan for a continuation of the current activities into the foreseeable future. This means, that some informal planning activities will be taking place as they systematically grow their output.

5.5.2.2 Large breweries

Large breweries tended to either follow their pre-start-up plans with ad-hoc planning or anticipated the development of new formal plans. Informal planning was not indicated as an option in the future.

5.5.3 No planning

The following sections outline the commentary received from small and large breweries who anticipate no planning as part of their future operation.

5.5.3.1 Small breweries

Respondent 1: The overarching plan objective for Respondent 1 is to contract brew his beer with another brewer's system. He does not seem to have clear plans on how or when this will be done. He made the following statements: "Currently, we've reached capacity, but I'm not really too keen to take millions now and put myself into a place where I could potentially screw it up, if you understand what I'm saying, so ja, so I'd rather, I'd rather just maybe lose out on a bit of money in the short term just to make sure that I don't get grey hair about this thing, you know what I mean, because it's been pretty cruisy so far and I've enjoyed it as a life style and ja, I don't wanna be one of those guys went balls to the wall and failed when you actually had something that was pretty decent before you went overboard." Instead he wants to contract brew beer and focus on "brand oriented activities instead as opposed to production oriented activities". All of this seem to indicate an ad-hoc approach to the development of his business.

Respondent 9: Unlike the other small brewers in the sample, Respondent 9 have not experienced the pains of brewing full time on a low capacity system. He anticipates that he will need to define a business model: "I have to come up with a business model that's unique enough to sell, allow you to sell" and find a niche that other brewers aren't tapping into: "And to cut out a lot of competition. You don't want

to do what almost everyone is doing.” It does not seem like he has given the role of future planning much thought. For this reason Respondent 9 is included under the “No planning” section.

5.5.3.2 Large breweries

Respondent 8: Respondent 8 had a couple of guiding ideas around his business in the future: “I need to increase my number of customers. I'm getting great feedback. I've got one, going forward now, dealing with – So, my plan now going forward, is to focus on good customers, over-delivering, focus on sourcing the best raw materials or the right raw materials for my ingredients.” This does not seem to imply formal planning, instead the planning seems to be on an ad-hoc basis.

Respondent 10: Respondent 10 had similar views on the planning they will be doing in the future: “We really had different, we're busy evolving the business now as well where we're setting, we're very much focused on production only and production and distribution and we're shifting the focus now with the establishment of a tasting room to selling more of our own product on our own premises, so ja, I mean things are, I think with a lot of small businesses, things move quickly and change regularly, so a lot of the planning is done on the fly, on the go and, ja, until things settle down, not ready to see us, you know putting, doing it in a more formal fashion”.

5.6 Planning content

The following sections will highlight the major differences in plan contents between small and large brewers for pre-start-up, current and future plans. Appendix XXX shows a comparison of planning focus areas between large and small breweries from pre-planning to future planning.

5.6.1 Pre-planning activities

There were some distinct differences in the pre-planning activities undertaken by small breweries compared to large breweries.

5.6.1.1 Small breweries

Most of the small breweries started their businesses with home brewing systems. The interviews did not go into how the information they gained from home brewing influenced their planning activities. However it can be assumed that they would have gained a clear understanding on the product input costs (E.g. the price of bottles, labels, hops, barley and yeast) and the brewing time. What they would not have realised is the time required to market and sell a new product and the time and cost of distribution.

Small breweries underestimate the time it takes to market and sell a product:

This assumption is valid as Respondent 2 mentioned that his business plan did not anticipate “the amount of work it requires to sell a bottle of beer. When I wrote my business plan, I was under the impression people was going to be standing queues at this door buying our product. In a real world it doesn’t work like that, you can’t sell everything.” Respondent 2’s partner mentions that “I’ve also got uhm like a big friendship group and I remember saying to Respondent 2, don’t worry, all of my friends will buy a case a month, a hundred friend is a hundred cases a month. Bru, like when we started, one or two okes would buy a case, but it didn’t help”. The issue wasn’t unique to Respondent 2. Practically all the other respondents experienced this issue in some way or form.

Small breweries underestimate the need and cost associated with distribution:

Respondent 11 recognised three months into their operation that they would need a distributor: “Ja, so what happened is as well is by about month 3, I realised I wasn’t going to be able to brew and do my own distribution and run this other business so we’ve got a distributor”. Respondent 11 did not anticipate the cost associated with distribution with his comment that “it’s a big chunk of change that we give them (the distributor) every month but I’ve got one delivery, that’s one delivery address which

is 2km's from us and then they collect the money, they pay us 15 days after the end of the month”

Small breweries underestimate the time it takes to brew large volumes of beer on small batch systems:

All of the small brewers started with small volume systems and found that, by attempting to brew large volumes of beer on a small batch system, they were spending all their time brewing and had little time available to sell. This situation, combined with an underestimation of the time it takes to sell a bottle of beer, results in a catch 22 situation.

All of the small breweries illustrated versions of the above issues in their current businesses. This suggests that all of them underestimated the time it takes to produce, distribute, sell and market a new beer. Their pre-planning activities therefore did not provide the information required to develop efficient pre-start-up plans.

5.6.1.2 Large breweries

The large brewery respondents did not generally have home brewing experience. Instead, these respondents opted to obtain skills in the business of brewing and selling beer before the development of a business plan. The skill seemed to ensure that the respondents better understood the market size, better estimate the system capacity that will best serve that market in relation to the time spent on selling and brewing.

Four of the five large brewers (Respondent 3, 4, 7 and 8) spent a lot of time considering the appropriate facility to establish their business in. The fifth brewer (Respondent 10) is currently considering a facility that will add the most value to the existing business. Only two of the small brewers seemed to consider a facility as an important part of the business (Respondent 5 and Respondent 6).

It is worth noting that, for Respondent 5 (A small brewer) whose current capacity expansion will see him amongst the large brewers, incorporating skill into the business was also important. He has this to say regarding the partners (who are distributors in the wine industry) he brought on-board: “They frequently talk with wine, spirits and beer managers overseas and the guys ask the ‘But we have now received wine from you, we want spirits and beer too’. And now we will be bringing beer and maybe later we will add spirits as well. So we already have a pretty good feeling. We tested the export market and we got a good feeling that we might be successful there”. In other words, the small brewers who are making the transition into the big leagues do so by adding skill into the business.

5.6.2 Differences in pre-start-up planning

This section will highlight the major areas of difference between the small and large companies in terms of the brewer’s pre-start-up planning content.

Small companies tended to plan for marketing and sales, but omitted planning for distribution and brewery size:

Respondent 1 mentions the following regarding his marketing and sales plans pre-start-up: “Just a marketing plan pretty much was also quite key to figure out where am I going to sell the beer, what outlets I’m looking out for”, he does not however mention how he will distribute the product or how he chose the brewery size. Respondent 2 completely underestimated the time and effort required to sell a beer. The following quote relates to Respondent 2’s planning detail with regards to marketing and sales: “If I had to start over I think I would have paid more attention to how I will sell beer, but I, ‘how to sell’ in my business plan is probably a paragraph long, because everyone will call me and I will use Facebook and when I hit Facebook, my friend, then I won’t be able to keep up with beer production. No, it doesn’t work that way”. No mention is made of distribution or brewery size as part of the pre-start-up plans. Instead the decision was made on a brewery that was for

sale, rather than a practical consideration. Similar stories exist with the other small brewers.

Large brewers gather reliable information first and then develop plans for a new brewery. Pre-start-up planning then targets the entire business as a unit:

Large breweries planned for marketing, sales and distribution. Respondent 3, for example, said that, after they expanded their initial capacity, “a lot has to do with sales, your sales has to be, sales and marketing has to lead production, there’s no point in me, our first problem were , production would lead sales focus, our focus was predominantly on production, and very little on sales, it was lucky in that we were riding the wave, but now it’s turned around you know, now we need to sell the beer before we can produce it. Rather than produce it and then try sell it”. In other words they had to integrate their planning when they expanded their production capacity. All the business functions had to be designed to work together. The same can be said for the other large breweries in the sample.

5.6.3 Differences in current planning

The following illustrates the differences in planning activities that small brewers are conducting compared to large brewers.

Current planning for small breweries are centred on correcting the misassumptions around capacity, marketing, sales and distribution made at pre-start-up phase:

Respondent 1 was planning on exiting the brewing space and opting to contract brew on another brewer’s system. The reason he gave for this was: “For me personally I don’t see any value in building a bigger brewery, cause there’s a lot of big big big ones out there, and in this business, scale of economy is key, you making 9000 litres a day, and I’m making 300 like, rather just ask the oke who’s making 9000 to make you 9000 once a month and you can spend your time doing the more important stuff,

Trevor Bruns | 63

the marketing the sales, well the relationships, doing the distribution and you can add value to their business as well, so, that's where I'm, that's where my mind is."

Respondent 2's has come to the realisation that "our actual business isn't the making of beer, anybody can make beer, our actual business is the selling of beer. So that's the thing". And with that realisation Respondent 2's current planning revolves around the establishment of a sales force: "We recently got two ladies in to do the sales for us, and I think I should have done this a long time ago, and in the first week that we had them, our sales pushed up by 50%. Uhm, so ja, it's going quite well there".

Respondent 5 is increasing his capacity significantly and have brought skill into the business.

Respondent 6 has indicated that he needs to create time for himself to work on strategic and administrative admin issues. This is his comment: I've done all the brewing, all the, everything, so far. We now – we've got James who's sort of a friend-of-a-friend recommendation-type thing and his now joining us as assistant brewer. So, his taking a lot of the actual physical labor off my hands so that I can actually concentrate on business issues and admin". His also adding capacity to the brewery and has this to say if were to start over today: "The bootstrapping method is incredibly difficult to sustain it on a profitability level. Once you've got the capacity you can sell that capacity. But to (indistinct 00:14:28) capacity and to try and grow that capacity is difficult because you've got to try and – you're not going to save enough money to grow capacity organically from a small system. So start bigger rather than smaller.

Large breweries current planning are centred on the operations of the business and growing into new markets:

As mentioned earlier, Respondent 4's interview started after the daily operations plan and Respondent 4 had just returned from a regular shareholder's meeting. On asking what their current planning objectives where the first answer was: "To

produce as much beer as possible without dropping our standards, and standards is first and foremost, quality, quality and quality again. So, like in real estate, it's position, position, position". With the increased production Respondent 4 also mentioned that sales accounts were key. In other words they need to find markets for the produced products. The other large brewers had similar comments on their current planning activities. The ones who had formal plans were expanding on capacity, and the ones who didn't have formal plans were trying to expand into new markets with the objectives of maxing out their existing capacity.

5.6.4 Differences in future planning

The differences of future plans for small and large breweries seem to be similar to that of current plans. Small breweries are trying to correct the misassumptions made at pre-start-up by increasing production capacity and sales capabilities and large breweries are searching for new markets with the objective of utilising their installed capacities to the maximum.

5.7 Summary

The table shown in (Appendix iii) summarises the responses that were received by the twelve respondents with regards to pre-planning, pre-start-up, current planning and anticipated future planning activities.

In summary, there seems to be a significant difference in the planning activities that different sized brewers undertake. The major reason for the difference is the activities that brewers do before they start with planning activities. Before brewers start their planning activities, they need to gain information about the business they need to run. They need to understand the costs associated with the establishment of a brewery, they need to understand the time it takes to brew beer, they need to understand how beer is marketed and they need to understand how beer is transported and sold. Brewers collect this data before they start with planning activities. The collection of data can be through a partnership with an entity that has

access to some or all of this data, or it can be created by running and experiencing a brewery business.

The brewers that managed to gain information about the nature of a brewery business the earliest, tend to be the largest. Respondent 4 partnered with a company that had been brewing for many decades.. Respondent 3 was sourced into the new brewery because of his technical experience in the wine industry. Respondent 3 also had the luxury of having access to capital. This allowed for the opportunity to experiment with a sizable brewery before establishing the brewery they currently run. Respondent 7 had excessive retail experience and could assess the market by contract brewing first without the need to risk a lot of capital. Respondent 8 sourced in skills to help setup his brewery.

None of the smaller breweries can tell the same story. They tend to experience brewing at a micro scale, on home brew equipment first and then attempt building a business out of systems that are slightly larger than the homebrew systems based on the data gathered from home brewing. These brewers soon realise that they have either underestimated the time it takes to brew beer or the time it takes to sell it. In the end, they need to adapt the planning exercises to right the misassumptions made during their pre-start-up planning phases.

CHAPTER 6: Conclusions

The objective of this chapter is to analyse and interpret the results presented in Chapter 5 in relation with the literature review presented in Chapter 2 and the research questions presented in Chapter 3. The questions that will be discussed are:

- What pre-start-up planning activities add the most value to a new craft beer business in South Africa?
- What is the focus of planning after start-up and are these focus areas influenced by the pre-start-up planning activities?
- How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?

6.1 What pre-start-up planning activities add the most value to a new craft beer business in South Africa?

The respondents that were interviewed all had different approaches to the development of their companies. However, these approaches can still be categorised into either a creation or discovery approach as defined by Alvarez and Barney (2007). This section will outline the different approaches taken and how these approaches had affected the performance of the different companies.

6.1.1 Taking a discovery or creation approach

Only four of the twelve companies (Respondent 2, Respondent 4, Respondent 10 and Respondent 11) that were interviewed, developed formal written business plans prior to the establishment of their companies. This suggests that the majority of the companies interviewed took a creative approach to the development of their breweries by either not planning at all, or by developing basic plans coupled with ad-hoc planning activities as the business developed.

The companies that followed a creation perspective gained valuable information on the new company and how growth could be achieved. In other words, companies that follow a creation perspective align with the recommendations of Brinckmann et al. (2010) by gaining information on their business first before developing formal business plans. The creation group can be subdivided into one company that decided to minimise their capital outlay at the start by opting to contract brew and the rest of the companies that, without much research, decided to purchase small batch brewing systems (In varying sizes). The companies that opted to contract brew their beer, and the companies that purchased systems capable of brewing more than 15 000 litres beer per month are amongst the large breweries in the sample. This seems to indicate that the former gained information out of a contract brewery that motivated the establishment of a larger brewery. The latter had the luxury of having capital available to experiment with larger breweries and in the process realised the market potential and gained information to develop formal business plans later in the firms' development.

The four companies that followed a discovery perspective, by developing formal start-up plans prior to establishment, had varying degrees of success. Two of the companies are currently considered large (Respondent 4 and Respondent 10) and the other two are small. It seems the major reason for this difference is the source of the information they based their pre-start-up plans on. The one sourced a partner with decades of brewing experience and the other, presumably, had the benefit of having access to information considering the founder's business school background. The companies that fall within the "small brewery" category had developed their business plans out of information gained from brewing beer on home brewing systems.

This does seem to suggest that new companies could be successful whether they choose to start under either discovery or creation contexts. Under a discovery context, the source of information used to plan the new venture seems to be the key

in achieving fast growth. In a creation context the key is to create the information required to plan for the development of a larger brewery.

Using the framework outlined by Alvarez and Barney (2007), pre-start-up planning for the different companies can be summarised as per the following sections.

6.1.1.1 Leadership

Alvarez and Barney (2007) asserted that under a discovery context leadership should be based on expertise and experience while under a creation context leadership should be charismatic. The interviews did not delve into the respondents' respective leadership styles. What was clear however was that most of the respondents were adopting a discovery approach to planning in their future businesses. This suggests that even if any of the respondents had relied on their own charisma as guiding force during the early stages of their companies, they would be relying on their experience in the future.

6.1.1.2 Decision making

Alvarez and Barney (2007) suggests that decision making under a discovery context is based on "risk-based data collection tools" and "risk-based decision making tools". For a creation context decisions are made iteratively, inductively and incrementally. The respondents had either developed formal written business plans, informal plans that consisted of basic marketing strategies and financial models or did not develop any plans. The definitions developed by Alvarez and Barney (2007) suggest that those who developed either formal or informal plans took a discovery approach towards decision making. However, none of the respondents seemed to develop plans as a mechanism to decide on market entry. Instead these pre-start-plans, basic and formal, were used to guide future business decisions.

6.1.1.3 Human resources practices

Only one respondent's pre-start-up plans (Respondent 4) seemed to align with Alvarez and Barney (2007) ascertain that a discovery approach require the appointment of specific human capital. For all the other brewers human resource practices seem to align with a creation perspective as they did not seem to plan for a specific workforce at pre-start-up. The large brewers do seem to align with a discovery perspective with regard to their current and future planning activities.

6.1.1.4 Strategy

As with the human resource practices most of the strategies, at pre-start-up planning phase, follow a creation perspective as the strategies seem to be emergent and changing. Only one respondent seems to have had a complete and relatively unchanging strategy from inception (Again Respondent 4).

6.1.1.5 Finance

Only one of the respondents, Respondent 11, developed pre-start-up plans in an attempt to raise capital for the funding of their brewery. This respondent did so with the objective of raising funds from family members. This suggests that all of the brewers in the sample took a creative approach towards funding of their businesses as defined by Alvarez and Barney (2007).

6.1.1.6 Marketing

None of the brewers seemed to plan for a specific product mix during pre-start-up. Some of the breweries did refer to specific required product characteristics (Such as ease of drinking) in their current and future products. This seems to suggest that a creative approach to product mix was the norm for all of the brewers at pre-start-up, but a discovery approach will be taken in the future.

6.1.1.7 Sustaining competitive advantage

It was unclear from the interviews whether or not the different respondents fall under a creation or discovery approach as far as sustaining competitive advantage is concerned.

6.1.1.8 Other

Alvarez and Barney (2007) did not include certain entrepreneurial activities in their framework that seem to be critical at pre-start-up for South African craft beer companies.

6.1.1.8.1 Sourcing information

It is clear from timing of the development of the respective business plans that there is a process of sourcing information, required to plan, that occurs prior to the development of formal and informal pre-start-up plans. The method by which data is source could be construed as following a creative or a discovery approach. Some companies sourced skill into the business prior to the development of business plans. These companies could develop plans, based on industry information, prior to the establishment of their respective businesses. As this would imply a risk based approach to the development of the new business, this strategy could be construed as being discovery based. Other companies developed business plans after a period of business operation. These companies developed formal business plans some way down their business' development path with the information and experience gained in the course of running their businesses. As this could be construed to be a iterative approach to the development of a new business, this strategy could be construed to be creation based.

6.1.1.8.2 Sourcing production equipment

Only one of the respondent seemed to consider the sourcing of specific production equipment at pre-start-up phase. The rest of the respondents either contract brewed

or purchased a system as per their own financial constraints. As these respondents operated their systems and sold their products they realised the market potential and the time required to perform other business functions (Specifically marketing, distribution and sales). Based on these experiences some brewers developed formal plans, later in their businesses life, that called for production systems based on the market demand and integration into other business functions (Marketing, distribution and sales). This suggests that, at pre-start-up phase, entrepreneurs in the craft beer space have an option to purchase systems based on market potential and/or based on financing capabilities. Those that choose production systems based on market potential do so with information backing the decision. This suggests a discovery approach. The alternative suggests a creation approach.

6.1.1.8.3 Product distribution

Most of the brewers did not understand, at pre-start-up phase, the implications of self-distribution or using distributors in their respective businesses. For the large brewers who took a predominantly discovery approach (Respondent 4), the use of distributors were clear. For the rest of the respondents a trial and error, or creation, approach to the distribution of their products were taken. All of the companies do however understand these implications in their current and anticipated future businesses specifically how these activities interact with other business functions (Specifically production). A discovery approach to the planning of product distribution would be to understand how a chosen distribution method impacts on other planned business operations (From a cost and time perspective). A creation approach would be to discover this on a trial and error basis.

6.1.2 Deciding on market entry

Only one respondent (Respondent 6, a large brewer) mentioned that, if he had developed a formal pre-start-up plan, he may not have entered the craft beer market. This is due to the relentless red tape associated with the establishment of an alcohol producing company. This contradicts the decision's theoretical perspective

Trevor Bruns | 72

developed by Chwolka and Raith (2012) which states that the rational entrepreneur benefits from pre-start-up planning by terminating poor venture project before starting. Instead it seems that the comments made by Bhide (1994) holds true in this case. If this respondent had developed a detailed pre-start-up plan, he would have identified numerous problems and one of the large brewers may not have existed today.

None of the other respondents developed either formal or basic plans with the objective of deciding to enter the beer market or not. For most of the respondents the decision to enter the beer market preceded the development of any formal or informal plans. This may be attributed to most of the respondents having had prior experience in the production of craft beer in some way or form. This prior experience may have given the respondents the confidence to decide on a market entry before developing formal plans. This seems to be constant with the findings made by Bhidé (1999).

6.1.3 Dealing with uncertainty

Liao and Gartner (2006) found that companies that developed business plans early in uncertain business environments and late in certain environments are likely to persist with their ventures. The respondents all seemed to develop their business plans at different times in their respective business' development paths. It is therefore difficult to assess, on a persistence basis alone, when business plans need to be developed.

Chwolka and Raith (2012) make the assumption that pre-start-up planning in uncertain environments offers an entrepreneur the opportunity to learn more about the consequences of alternatives courses of action. Although the companies that developed pre-start-up plans did so with the objective of understanding the implication of different courses of action, they did so with different levels of information. Some companies sourced information in the form of external expertise,

others based their plans on information gained from home brewing experience and the rest had not yet developed formal plans and were busy generating the information required to plan. The different levels of information suggest that there are different levels of uncertainty present in the different companies. It is therefore no wonder that multiple respondents commented that their basic or formal pre-start-up plans did not prepare them well enough for future business requirements.

The development of pre-start-up plans without the necessary information does not offer an entrepreneur the opportunity to learn more about the consequences of alternative courses of action. If an entrepreneur can gain the necessary information early in the establishment of a new business, the development of a pre-start-up plan would be recommended. This seems to agree with Alvarez and Barney (2007). However, if an entrepreneur cannot gain the necessary information, the entrepreneur would be better off to plan later in the business' development as suggested by Brinckmann et al. (2010).

6.1.4 Planning and learning

Only one respondent referred to his pre-start-up planning activity as a learning experience. The other respondents who had developed either formal or informal pre-start-up plans did so in an attempt to manage future decisions in line with the findings of Burke et al. 2010 and, Delmar and Shane (2003).

6.1.5 Planning detail

This section will outline some of the planning focus areas for small and large breweries at pre-start-up as outlined by Laurea (2014).

6.1.5.1 Raw product supply

All respondents who had developed either formal or informal pre-start-up plans included the sourcing of raw products, specifically barley/malt and hops, in their pre-start-up plans. All of the respondents also identified the sourcing of raw products as

a major risk in their businesses as all the pale malt (A base ingredient in all South African beer) is produced and sold by South African Breweries (SAB) and all darker malts are imported. If SAB chose to stop the supply of pale malt to craft brewers, the craft brewers would be unable to produce their brand of beer. Imported dark malts are either imported by middle men or, if sufficient scale is reached, by the brewer. Large and small brewers addressed these risks differently.

Large brewers realised that, because of their planned size, they would have sufficient buying power to overcome the dark malt supply risks. Due to their planned size they would also have the power to overcome the SAB supply risk if needed.

Small brewers all identified the supply risks and noted that they need to address those risks. Their lack in scale does seem to hamper their abilities to overcome these risks even though they identified these risks before starting their businesses.

6.1.5.2 Machinery supply

All of the respondents had identified the need to source machinery for the production of beer. The methods they used to identify the appropriate machinery differ between the large and small breweries.

Small breweries tended to grow from a home brewing background. The systems they bought were of small batch scale capable of producing a couple hundred litres of beer per day. These systems are essentially larger versions of home brewing systems and still require a significant amount of manual labour, not dissimilar from home brewing systems. These smaller systems are also prone to bacterial infections in the beer which significantly influence the beer quality. Almost all of the small brewers mentioned that they need to flush a lost batch at some point in time due to a bacterial infection that negatively impacted the product quality. In choosing the brewing systems the small brewers did not seem to recognise the implications of brewing commercial quantities of beer on their preferred small batch systems. Instead the decisions seemed to be based on the founder's available capital.

Trevor Bruns | 75

The large brewers planned to import brewing systems from Europe or China. These systems are designed to produce large quantities of beer with little manual input from the brewers. These systems are also designed to reduce the potential for any bacterial infection. Brewers chose these systems because of their system attributes.

6.1.5.3 Beer production

The major concern for small and large brewers were the production of consistent quality beer. Small brewers tended to focus on developing interesting beer styles while the large brewers tended to produce beer that they knew most consumers would enjoy. Large brewers therefore took a mostly customer centric perspective around the beer they would produce and small brewers a product centric perspective.

6.1.5.4 Retail

Small brewers tended to underestimate the effort required in selling a final product. The comment made by Respondent 2 summarises the sentiment that most small brewers had: “I thought that everyone will be breaking down our door to have our product, but it doesn’t work that way. Not even Coke can sell everything, there’s a limit on how much you can sell. So it continues, it’s about feet on the tar, knocking on doors, talking to people, that’s the only way you can sell beer”. The comment by Respondent 2 was shared amongst most of the small brewers which suggests a severe underestimation (At pre-start-up phase) of the retailing effort required in selling a final product considering that the small brewers also act as the marketer, distributor and sales person in their company. The retail effort underestimation lead to a cap in the amount of beer that could be produced in a small brewery (Since the brewer needs to balance the time spent brewing with the time spent selling).

For the large breweries there was a clear understanding of the effort required in selling their final product. These breweries seemed to understand the organisational

structures early in the development of their businesses that would allow for the marketing, distribution and sales of their products.

6.2 What is the focus of planning after start-up and are these focus areas influenced by the pre-start-up planning activities?

This section will outline the planning activities that small and large brewers are taking in their current businesses.

6.2.1 Taking a creative or discovery approach

Of the four large brewers, two took a discovery approach at pre-start-up and the rest a creative approach. All, but one of the large brewers, seemed to have moved away from a creative approach and have transitioned into a purely discovery approach to the development of their respective companies. These companies are using the information gained during the early development stages of their respective companies in planning for the future.

Some of the small brewers were continuing with a creative approach to planning while others were transitioning to a discovery approach. The companies that were transitioning to a discovery approach were using the information gained from producing and selling beer at a small scale to motivate investment into new and larger breweries. These companies realised that, by increasing the available production capacity, brewers could spend less time brewing and more time selling final products.

6.2.2 Dealing with uncertainty

Since all the companies had been operating their businesses for some time at the time of the interview, a lot of the uncertainties at pre-start-up phase had been converted to risk. This seems to be the major reason for brewers switching from a creation perspective to a discovery perspective in their current businesses.

6.2.3 Planning and learning

None of the respondents who were developing business plans in their current business were doing so with the objective of learning through planning. All the planning that occurred in the current businesses were with the objective of predicting the future based on their experience to date.

6.2.4 Planning detail

The following sections outline the planning content that were present in the brewer's current business.

6.2.4.1 Raw product supply

Most of the current planning activities, with regard to raw product supply, revolves around the management of constant supply of locally sourced pale malt and internationally sourced dark malts. Due to South Africa's geographic location this has resulted in the need for an increased working capital for all of the breweries. The reason for this is attributed to some unreliability in the South African port systems and sometimes unpredictable supply of pale malt from SAB. Although most of the brewers had predicted, during pre-start-up planning, this to be a risk in their businesses, it seemed as if they had underestimated the impact this risk might have on their business' working capital.

6.2.4.2 Machinery supply

The small breweries that had moved to a discovery perspective were currently planning to increase their per batch production capacity. Most of these efforts were required due to misassumptions made during the pre-start-up phases. Most of the small brewers tended to realise that their existing systems could not be realistically used to produce large volumes of beer. Instead the small brewers needed to increase their per batch capacity to allow more time for retail purposes.

Large brewers had purposefully oversized their per batch capacities. Their current planning activities were focussed on finding markets that would utilise the latent available capacity.

6.2.4.3 Beer production

Large brewers did very little different from their original plans as far as beer production and specifically product qualities were concerned.

Small brewers had come to realise that their small batch systems were subject to bacterial infections which periodically impacted on their product quality. This is a partial motivator for most of the small brewers to plan for the upgrading of their current systems.

6.2.4.4 Retail

For large brewers the current planning activities revolved around the utilisation of excess production capacity by finding new markets around South Africa. This involved the adaptation of their existing organisational structures and operational day to day planning activities. Most of the large brewers spoke of a balancing act between sales and production.

The small brewers had realised that their current production systems did not allow enough time for the retailing of their final products. Due to these pre-start-up planning misassumptions, the small brewers need to increase their per batch production capacity to increase the time available for selling purposes. This meant that their current planning activities centred on increasing the brewers' available time by planning increases in their production system capacity.

6.3 How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?

The following outlines the planning that the small and large breweries anticipate in the future of their operations.

6.3.1 Taking a creative or discovery approach

Most of the breweries anticipated formal planning in their future businesses. This suggests that the breweries, small and large, all anticipate the adoption of a discovery approach to planning. The reason for this change is attributed to gained business knowledge.

6.3.2 Dealing with uncertainty

At the time of the interview most of the respondents had turned uncertainties into risks in the opportunity enactment process. This motivates the transition from a creation perspective to a discovery perspective in current and future operations.

6.3.3 Planning detail

The following section highlights the anticipated planning detail in the future of small and large breweries.

6.3.3.1 Raw product supply

The raw product supply risks, for large breweries, are not expected to change in the future of the large breweries. Because of this, large breweries planning activities relating to raw product supply, was not expected to change.

Small breweries anticipated significant growth in their businesses due to an increase in production capacity. Although this implies a requirement to increase the working capital (As identified by large breweries in their current businesses) in the business, none of the brewers spoke of this requirement.

6.3.3.2 Machinery supply

Both small and large brewers tended to speak of increasing certain monthly capacity issues such as the implementation of bottling plants and increasing fermentation capacity. For small brewers this anticipation was based on the successful implementation of the per batch capacity increases as planned for in currently.

6.3.3.3 Retail

For all the brewers the future efforts were anticipated to be focussed on finding markets that will utilise latent monthly production capacity.

6.4 Conclusion summary

The results showed that there are certain planning activities that add more value to a craft beer start-up in South Africa compared to other planning activities. In answering the first question:

What pre-start-up planning activities add the most value to a new craft beer business in South Africa?

The result is as shown in the following table. Respondents used a mixture of discovery and creation in their pre-start-up plans. Table 8 summarises what brewers planned for under either a creation or discovery perspective:

Table 8: Summary of planning activities and the associated planning value

	Discovery Context	Creation Context	Planning Value
Leadership	Experience based leadership	Charisma based leadership	Both styles of leadership seem equally valuable at start-up, but experience based leadership is critical for mature breweries.
Decision making	Developing decision making tools at pre-start-up based on collected data. Data	Developing basic decision making tools based on collected data. Data sourced	Developing financial models that will help guide future financial decisions is critical. These models need to consider the cost of production and distribution (Small breweries tend to exclude the

	Discovery Context	Creation Context	Planning Value
	sourced from industry expertise.	from home brewing and small scale beer production.	cost of distribution). Data should be collected from industry experts, not from information gained out of home brewing.
Human resource practices	Recruitment: Specific human capital recruited broadly	Recruitment: General and flexible human capital recruited from pre-existing social networks	Developing a human resource plan as part of the pre-start-up plans seems less important at pre-start-up. A creative approach may be applicable at pre-start-up phase
Strategy	Relatively complete and unchanging	Emergent and changing	Emergent and changing strategies seem to be effective at pre-start-up phase.
Finance	External capital sources: Banks and venture capital firms	'Bootstrapping' and 'friends, families, and fools'	None of the firms interviewed seemed to follow a discovery approach to the financing of their businesses. Planning at pre-start-up should be geared towards raising funds from friends and family.
Marketing	Changes in marketing mix may be how new opportunities manifest themselves	Marketing mix may fundamentally change as a result of new opportunities that emerge	A creative approach to the product mix is applicable at the pre-start-up phase.
Sourcing information for the purpose of plan development	Sourcing business and market information from industry experts by partnering with a, employing a, or consulting an industry experts.	Generating business and market information by operating a small scale craft beer business. This information is then used to inform the development of a larger brewery. The larger brewery is then developed from a discovery perspective	A discovery approach seems more efficient as far as scaling a brewery quickly is concerned. A creative approach may result in a large brewery over time, but developing a craft brewery in a creation context takes longer than developing a brewery in a discovery context.
Sourcing equipment	Source equipment based on an estimated market size and the time and costs	Source equipment based on available capital alone	A discovery approach to choosing production equipment is critical at pre-start-up phase.

	Discovery Context	Creation Context	Planning Value
	<p>associated with other anticipated business functions (Such as marketing, distribution and sales)</p> <p>Economies of scales is considered when choosing production equipment</p>		
Product distribution and sales	<p>Understand the costs and time implications associated with the sales and distribution of a product</p>	<p>Assume that production, distribution and sales can be performed by the brewer</p>	<p>Most small breweries underestimated the cost and time associated with sales and distribution. A discovery approach to planning product distribution and sales seems significantly better than a creation perspective.</p>

What is the focus of planning after start-up and are these focus areas influenced by the pre-start-up planning activities?

Pre-start-up planning activities seems to influence the growth path that breweries take as they develop. It became clear that a predominantly creation perspective at pre-start-up phase results in breweries that develop plans, in their current businesses, toward increasing production capacity. For breweries that developed pre-start-up plans on a discovery bases, the current planning activities centred on the utilisation of excess production capacity.

How do brewers anticipate the planning activities to change in the future and are these plans influenced by their current and pre-start-up plans?

Pre-start-up plans do not seem to influence what brewers anticipate planning to be in the future. Instead the current planning activities seems to influence the anticipated future planning activities. Most of the breweries were taking a predominantly discovery perspective in their current planning activities. And most

breweries anticipated planning in the future to centre on the utilisation of excess production capacity.

CHAPTER 7: Discussion of Results

7.1 Summary of key findings

The research found that goal setting theory, as defined by Smith and Locke (1990), was accurate in suggesting that all entrepreneurs plan. Entrepreneurs plan differently depending on whether or not they choose to follow a discovery or creation approach to planning. In craft beer, both discovery and creation approaches to pre-start-up planning, can result in successful craft beer companies. However a discovery based pre-start-up plan that uses information gained from industry experts, seems to be more efficient in the establishment of a new craft beer business. A discovery approach seems dependent on whether or not the entrepreneur has access to information that will allow for discovery type planning. If the information is not available to the entrepreneur, a creation perspective is the only alternative which results in a seemingly slower, but still potentially effective, growth path. A high-level overview of the planning activities associated with these two approaches are shown in Table 9.

Table 9: Summary of the planning activities associated with a discovery and creation approach to the development of a new craft beer business.

	Discovery Context	Creation Context
Data collection	Sourcing business and market information from industry experts by partnering with a, employing a, or consulting an industry experts.	Generating business and market information by operating a small scale craft beer business. This information is then used to inform the development of a larger brewery. The larger brewery is then developed from a discovery perspective
Pre-start-up planning	Develop a financial model to guide future decisions based on data collected	Develop a financial model to guide future decision based on assumptions

	Discovery Context	Creation Context
	Choose production equipment based on market characteristics Decide on broad characteristics of product mix Production equipment typically oversized Consider economies of scale Consider the costs and time implications of product distribution and sales	Source equipment based on available finance only
Planning in the current business	Plan for the utilisation of existing production capacity	Use information gained in past operations to motivate and plan for a larger production system
Anticipated planning activities in the future	Plan for the utilisation of existing production capacity Plan to increase production capacity	Plan for the utilisation of existing production capacity

7.2 Recommendations to entrepreneurs

In the craft beer industry, and potentially other artisanal food businesses, formal pre-start-up planning can be valuable. The value however lies in the information that is available prior to the development of pre-start-up plans and the content within the plans. Entrepreneurs who plan to establish an artisanal food business will gain significant information by consulting, partnering and/or employing an expert who have operated a business in the industry in question. This information and insight is critical in the development of pre-start-up business plans.

There seems to be three critical planning activities required during the development of a pre-start-up plan. First, entrepreneurs need to develop financial models of the planned business to support future business decisions. Second, entrepreneurs need to choose production equipment based on the market size, economies of scale and time and costs associated with other anticipated business functions (Such as marketing, distribution and sales). Equipment should not be chosen based on the available capital only. Third, entrepreneurs need to consider distribution and sales activities associated with their chosen product. Often entrepreneurs, in the South African craft beer industry at least, underestimate the time and costs required to distribute and sell a product.

7.3 Recommendations to educators

The research suggests that new craft beer businesses can be successful without formal pre-start-up plans, but that formal pre-start-up plans, informed by the right information, add the most value to a new craft beer business. Educators need to note that both development routes could be successful, but that different action is required after a business starts operations. For a business that started with a well-informed pre-start-up plan, the business planning following start-up centres on the utilisation of production capacity. For a business that started without a well-informed pre-start-up plan, the business planning following start-up centres on gaining experience and business data. This experience and data needs to be used in subsequent planning activity to increase production capacity.

This research suggests that certain planning activities are more important than others in the development of a pre-start-up plan. Most pre-start-up planning courses tend to focus on competition, raw product supply, equipment sourcing, operations planning, product line, distribution, marketing, sales, financial models, personnel sourcing, cash flow management and risks. In this research paper three planning activities seemed most valuable: financial modeling, equipment sourcing decisions and understanding the interactions between production and sales. Although all of

the respondents in this research paper spoke of the development of basic plans, very few understood, at pre-start-up phase, the interactions between production and sales. Educators need to teach entrepreneurs how the different aspects of their plans impact on each other. For example: how does production equipment size impact the distribution plans?

7.4 Recommendations for future research

The objective of this research were to understand what entrepreneurs in the South African craft beer industry plan for at pre-start-up phase and how this influences the growth path of craft brewers. This body of research have provided the following opportunities for other research:

- This research was conducted in the South African craft beer industry. This industry is new and has seen significant growth in the past five years. It would be interesting to see if craft brewers, who do not develop formal pre-start-up plans, can achieve similar levels of success when the market reaches saturation. It would also be interesting to see if this research is valid in other artisanal foods industry or geography?
- The research considered the broad planning activities of craft brewers during pre-start-up, in their current business and in their anticipated future business. The research did not look at the level of detail contained in the financial models developed by the different brewers. It would be interesting to understand how the details contained in financial models differed between small and large breweries.
- The research points out the importance of sourcing reliable information prior to the development of pre-start-up plans. Under a creation perspective this information is created in the process of running the business. The question is how to companies capture this information and inform their business development plans?

7.5 Concluding remarks

Previous research into the value of pre-start-up planning have resulted in conflicting results. Some researchers have recommended that entrepreneurs do limited amount of pre-start-up planning (Bhidé, 1999; Karlsson & Honig, 2007, 2009; Zinger & LeBrasseur, 2003), while others have suggested that entrepreneurs would benefit in the development of detailed pre-start-up plans (Burke et al., 2010; Chwolka & Raith, 2012; Delmar & Shane, 2003; Liao & Gartner, 2006; Shane & Delmar, 2004). This research have shown that entrepreneurs, in the South African craft beer space at least, could follow either option, but that the development paths require specific entrepreneurial action.

If an entrepreneur chooses to develop basic plans he/she should at least develop a financial model of the intended business to guide future financial decisions. An entrepreneur who follows this path should also be aware that, at some future time, the entrepreneur would need to develop a detailed business plan before scaling the planned business to the next level of production. Entrepreneurs who follow this development route should realise that their growth would probably be slower compared to a business with detailed pre-start-up plans.

If an entrepreneur chooses to develop a detailed pre-start-up plan, the entrepreneur should source industry knowledge prior to the development of any plans. Industry knowledge can be sourced by employing, partnering or consulting existing industry experts. These individuals/companies will add value information to the planning process. This research report's results suggest that the most important components in these plans seem to be financial models that guide future decisions, choosing the production equipment based on market potential (Not on the available capital only) and understanding the interactions and costs associated with the retailing

(Distribution and sales) of the planned products. The results in this research paper suggests that entrepreneurs who develop plans on the afore mentioned bases, are empowered to purchase larger production systems which allow for faster business growth.

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Appendices

Appendix i. List of craft brewers in South Africa

Province	Name	Start-Up Year
Gauteng	Aces Brew Worx	2013
Gauteng	Agar's Brewery	2014
Gauteng	Backwards Bean Brewery	2013
Gauteng	Black Horse Brewery	2012
Gauteng	Boozah Breweries (Mogallywood)	2011
Gauteng	The Brewery	Unclear
Gauteng	Brew Hogs	2013
Gauteng	Bright Orange Brewing Company (Brickfields Brewing)	Unclear
Gauteng	Copper Lake Brewery	Unclear
Gauteng	De Garve	2007
Gauteng	Draymans	1997
Gauteng	Friar's Habit Craft Brewery	2012
Gauteng	Gilroy's	Unclear
Gauteng	Harlequin Brew Company	Unclear
Gauteng	Hate City Brewing Company	Unclear
Gauteng	Human Brew / Loxton Lager	Unclear
Gauteng	Just Brewing Company	2014
Gauteng	MadMead Brewing Co. (Ubuntu Kraal Brewery)	2012
Gauteng	Oakes Brew House (Modderfontain Brewery)	Unclear
Gauteng	SMACK! Republic Brewing Company	Unclear
Gauteng	Stimela Brewing Company	2014
Gauteng	Swagga Breweries	2014
Gauteng	The 400 Brewing Company	2013
Gauteng	The Cockpit Brewhouse	2002
Gauteng	The Commissioner Brewing Company	2013
Gauteng	The Keghouse Brewery	Unclear
Gauteng	Three Skulls Brew Works	2011
Gauteng	Two Okes Brewery	2014
Gauteng	Wits Micro Brewery	Unclear
Gauteng	Flatdog's Brew Shed	Unclear
Gauteng	Holy Goat Brewing	Unclear
Gauteng	James Brewery	Unclear
Gauteng	Madship Brewing	Unclear
Gauteng	Tuks microbrewery (University of Pretoria)	Unclear
Western Cape	021 Brewing Company	Unclear
Western Cape	Afro Caribbean Brewing Company	2014
Western Cape	Apollo Brewing Company	2013

Province	Name	Start-Up Year
Western Cape	Atlantic Storm Brewery	2013
Western Cape	Badenhorst Family Brews	2013
Western Cape	Bad Dog Brewery	2013
Western Cape	Baked Bistro	Unclear
Western Cape	Beard & Barrel Brew Company	2014
Western Cape	Birkenhead Brewery	1998
Western Cape	Boston Breweries	2000
Western Cape	Brandwacht Breweries	2013
Western Cape	Brothers in Arms Brewery	2012
Western Cape	Cape Brewing Company	2013
Western Cape	Ceder Brew	2013
Western Cape	Citizen	2012
Western Cape	Constantia Brewery (Pastis Brasserie) The Merry Monk	Unclear
Western Cape	Darling Brew	2008
Western Cape	Devil's Peak Brewing Company	2012
Western Cape	Dr Pinnamin's	2012
Western Cape	Dragon Brewing Co	Unclear
Western Cape	Dieks' Bru	2012
Western Cape	Fraser's Folly (former Bulldog Brewery)	2013
Western Cape	Gallows Hill Brewing Company	2010
Western Cape	Garagista Beer Company	2014

Province	Name	Start-Up Year
Western Cape	Harfield Beer Company	2014
Western Cape	Helderberg Breweries	2014
Western Cape	Herold Brewery	Unclear
Western Cape	Honingklip Brewery	2012
Western Cape	Independent Beer and Spirits	2012
Western Cape	Jack Black Beer	2007
Western Cape	Karoo Brewery	Unclear
Western Cape	Karusa	2009
Western Cape	Ken Forrester Vineyards	Unclear
Western Cape	Kings Craft Brewing Company	2012
Western Cape	Lakeside Beerworks	2012
Western Cape	Lilypatrick Craft Brewery	2014
Western Cape	Lithos Wine Farm (Lithos Beer Works)	Unclear
Western Cape	Long Beach Brewery	2013
Western Cape	Long Mountain Brewery	Unclear
Western Cape	Misty Meadows Micro Brewery (Eden Microbrewery)	Unclear
Western Cape	Mitchell's Brewery	1983
Western Cape	Napier Brewery	2010
Western Cape	Ndlovu Brewery	2013
Western Cape	Plebs Breweries	Unclear
Western Cape	Real Beer Brewing Company	Unclear

Province	Name	Start-Up Year
Western Cape	Red Bridge Brewing	2012
Western Cape	Red Sky Brewing Company	Unclear
Western Cape	Riot Factory	Unclear
Western Cape	Robertson Brewery	2012
Western Cape	Roca Micro Brewery (former Dieu Donne)	Unclear
Western Cape	Rock Kestrel Breweries	2012
Western Cape	Saggy Stone Brewery	2011
Western Cape	The Sedgefield Craft Brewery	Unclear
Western Cape	Silvermine Brewing Company	Unclear
Western Cape	Sir Thomas Brewing Company	2013
Western Cape	South Cape Breweries	2012
Western Cape	Stellenbosch Brewing Company	2013
Western Cape	Stellenbrau	2011
Western Cape	Stickman Brewery	2014
Western Cape	Stone Circle Brewery	Unclear
Western Cape	The Brew Cru	2014
Western Cape	The Bru House	Unclear
Western Cape	The Kitchen / Maison Estate	Unclear
Western Cape	Triggerfish Brewing	2010
Western Cape	Wagon Trail Brewing Company	Unclear
Western Cape	Valley Brewery (out of business)	2011

Province	Name	Start-Up Year
Western Cape	Wild Beast Brewing	Unclear
Western Cape	Wild Clover Brewery	2012
Western Cape	The Village Brewery (former Barrique Brewery)	Unclear
Western Cape	VonB Brewery	Unclear
Western Cape	Woodstock Brewery	Unclear
Western Cape	Woodstock Cooperative Brewery	2014
Western Cape	Vuil Ale Breweries	Unclear
Western Cape	Bierwerk	Unclear
Eastern Cape	2 Rowdy Boxers Brewing Co.	2013
Eastern Cape	'78 The Brewing Co	Unclear
Eastern Cape	Black Hog Micro Brewery	2014
Eastern Cape	Bridge Street Brewery	Unclear
Eastern Cape	Dockside Brewery	2014
Eastern Cape	Emerald Vale Brewing Company	2012
Eastern Cape	Little Brewery on the River	2012
Eastern Cape	Sneeuberg Brewery	Unclear
Eastern Cape	St Francis Brewing Co.	2012
Eastern Cape	Tsitsikamma Micro Brewery	Unclear
KZN	Bardwell Brewery	2012
KZN	Bassett Brewery	2012
KZN	Clockwork Brewhouse	Unclear
KZN	Doctrine Brewing	2013
KZN	Dragon Mountain Brewery	Not Yet Established
KZN	Kasi Brewery	Not Yet Established
KZN	Lion's River Brewery	2015
KZN	Mo Gravity	2012
KZN	Nottingham Road Brewing Company	2009
KZN	Odyssey Craft Breweries	2012
KZN	Old Balgowan Farm	2013
KZN	Old Main Brewery	2011
KZN	Porcupine Quill Micro Brewery	2010
KZN	Shongweni Brewery	2010
KZN	That Brewing Company	2015

Province	Name	Start-Up Year
KZN	The Toti Brewing Company	2014
KZN	The Standeaven Brewery	2012
KZN	Zululand Brewing Company	1997
KZN	Mtunzini Brewery	Unclear
KZN	Muller Brau	Unclear
KZN	Ivan's Brewery	Unclear
Freestate	Clarens Brewery	2006
Freestate	Kaya Breweries	2010
Freestate	Rhino Creek Craft Beer	2014
Freestate	The Dog and Fig Brewery	2008
North West	Brauhaus am Damm	2013
North West	Chameleon Brewhouse	2011
North West	Drostdy Breweries & Distillery	2011
North West	The Ale House	Unclear
North West	Pilanesberg Craft Brewery	Unclear
Mpumalanga	Anvil Ale	2010
Mpumalanga	Brilou's Brauhaus	2011
Mpumalanga	Hops Hollow Brewery	2008
Mpumalanga	Mad Giant Beer	2014
Mpumalanga	Mountain Stream Brewery	Unclear
Mpumalanga	Sabie Brewing Company	2014
Mpumalanga	Boomslang Brewery	Not Yet Established
Mpumalanga	Dewside Restaurant and Brewery	2011
Mpumalanga	L'abri Fountain Brewery	2013
Mpumalanga	Zwakala Microbrewery	2011

Appendix ii. Interview schedule

The value of planning during start-up and early development in the South African craft beer industry.

May 2015

Interview schedule for semi-structured interview

Interview length: Approximately 60 minutes

About the interviewee

Name:

Surname:

Position:

Company Establishment Date:

Company name:

Date company founded:

Production volume:

Introduction:

Trevor Bruns | 102

Thank you for participating in the interview, please be assured that if you wish so, will remain completely anonymous and no records of the interview will be retained with your name linked to it. Also I would like to ask you for permission to audio record this interview. The main reason behind this recording is to have a set of accurate data of your responses and opinions. Also it will facilitate in the analysis of the data we have to encode for the research project. If you don't have any further questions I would like to briefly introduce you to the subject of this interview.

Stage

Question

Opening

Q1: Do you considered planning to be an essential part of your business success to date?

Body

Q2: Please describe the type of planning you undertook prior to your companies establishment:

Q3: Was a business plan developed prior to the company establishment? If so, what was the business plan objective?

Q4: What planning activities did you spend most time on?

- Competition
- Raw product supply
- Equipment Sourcing
- Operations
- Product line
- Distribution
- Marketing
- Sales
- Economics
- Sourcing personnel
- Cash flow management
- Risks

Q5: Which planning activities were most useful to the business following establishment?

Q6: If you were to start over, would you omit some of the planning activities?

Q7: How has planning activities changed from before your company was established to now?

Closing

Q8: How do you foresee planning to change in the near future of your business?

Final:

Thank you for your time, we have covered a great deal of ground.

Do you have any other comments about what we have discussed, or about the research as a whole?

Do you want to see a transcript of the interview?

I will send you a summary of the research findings some time toward the end of the year, you are welcome to have a full copy of the final report too.

Trevor Bruns | 105

Appendix iii. Summary of respondents planning activities

Table 10: Summary of the respondents, the level of planning they did per planning phase and the activities they undertook per planning phase

Planning phase				
Resp. (Brewer size)	Pre - planning Phase (Formal / Informal / none)	Pre-start-up planning phase (Formal / Informal / none)	Current planning phase (Formal / Informal / none)	Future planning phase (Formal / Informal / none)
	Activity type	Activity type	Activity type	Activity type
Resp. 1 (Small)	No-Planning	Basic Planning	Ad-hoc	Ad-hoc
	Small scale brewing on a fellow brewer's system	Develop financial models and marketing plan	Ad-hoc day to day plans. The current intent is to outsource brewing, no formal plans	Ad-hoc
Resp. 2 (Small)	Formal planning	Formal Planning	Formal planning	Formal planning
	Small scale brewing	Developed formal plans that underestimated the time required for sales and distribution	Develop formal plans around operations and ad-hoc plans to address misassumptions in pre-start-up plans	Develop formal plans around operations and formal plans to increase capacity
Resp. 3 (Large)	No Planning	Informal	Formal	Formal
	Sourced skill into the business and ran an experiment to test the market. Had the luxury of access to capital.	They had a facility in mind, they developed financial models	Currently they have resource plans, marketing plans, sales plans, all of which link up to the installed capacity	The will continue with the planning that is currently ongoing.

Planning phase				
Resp. (Brewer size)	Pre - planning Phase (Formal / Informal / none)	Pre-start-up planning phase (Formal / Informal / none)	Current planning phase (Formal / Informal / none)	Future planning phase (Formal / Informal / none)
	Activity type	Activity type	Activity type	Activity type
Resp. 4 (Large)	No Planning	Formal	Formal	Formal
	Sourced skill into the business in the form of a partner with vast experience levels.	A very formal planning document was compiled that took every aspect of the new business into consideration.	They have formal meetings on a daily basis and record everything. The objective is to utilise the installed capacity.	They have formal meetings on a daily basis and record everything. The objective is to utilise and expand the installed capacity.
Resp. 5 (Small)	No Planning	No Planning	Formal	Formal
	The respondent started producing beer on a small scale and selling to nearby restaurants.	The sales to nearby restaurants later turned into a fulltime business. No systematic planning was done.	The respondent indicated that they are expanding the capacity from 5000 litres to 40 000 litres. This involved detailed formal planning.	Once the new capacity is installed, the planning will turn operational with the objective of finding markets that will maximise the use of the installed capacity.
Resp. 6 (Small)	No Planning	Formal	Informal	Informal
	Respondent 6 started with a home brewing system.	A detailed plan was developed, but discarded as soon as operations started as the plan soon became invalid.	Current activities focused on correcting misassumptions by increasing capacity and employing people for sales and production.	Similar to current activities Respondent 6 is planning on expanding capacity and employing people for sales and production.

Planning phase				
Resp. (Brewer size)	Pre - planning Phase (Formal / Informal / none)	Pre-start-up planning phase (Formal / Informal / none)	Current planning phase (Formal / Informal / none)	Future planning phase (Formal / Informal / none)
	Activity type	Activity type	Activity type	Activity type
Resp. 7 (Large)	No planning	Formal	Formal	Formal
	Started out by contract brewing beer with an existing brewery.	Respondent 7 used the information and experienced gained from his pre-planning activities to motivate the construction of a 40 000 litre/month brewery	Respondent 7 used the information and experienced gained from his pre-planning and the 40 000 litre plant to motivate the construction of a 250 000 litre/month brewery	Future planning will be around maximising the use of the installed capacity
Resp. 8 (Large)	Formal	Formal	Informal	Informal
	Although there are formal planning done during the pre-planning stages, the appointment of a consultant to help setup the business forms part of these formal plans.	The formal plans are extended and executed over a 4 year period due to some licensing issues.	The plans developed at pre-start-up are used to guide current activities. No formal plans are developed.	The future of the business revolves around maximising the use of installed capacity and increasing the installed capacity by re-investing any profit.
	No planning	Informal	Informal	Unclear

Planning phase				
Resp. (Brewer size)	Pre - planning Phase (Formal / Informal / none)	Pre-start-up planning phase (Formal / Informal / none)	Current planning phase (Formal / Informal / none)	Future planning phase (Formal / Informal / none)
	Activity type	Activity type	Activity type	Activity type
Resp. 9 (Small)	Respondent 9 has just started producing beer under contract on another brewer's system.	Respondent 9 is currently looking to purchase a system for himself. Very basic planning is underway	Refer to pre-start-up, this is what Resp. 9 is busy with	Unclear
Resp. 10 (Large)	No planning	Formal	No Planning	No planning
	Some home brewing was done before the decision to establish a larger brewery. Resp. 10 did an MBA prior to the establishment of the larger brewery.	A formal plan was developed before starting the larger brewery.	Current activity is guided by the formal plan with the objective of selling the latent capacity, but no new formal planning is done	It is anticipated that the current planning activities will continue into the foreseeable future
Resp. 11 (Small)	No Planning	Formal	No Planning	Informal
	20 years of home brewing was done by Resp. 11 and partners before deciding to start a larger brewery business	A formal plan was developed before establishing the company. The formal written plan wasn't very extensive though.	A lot of ad-hoc type planning activities is the norm currently. The ad-hoc activities are focused on addressing some of the misassumptions that were made in the pre-start-up plan	A lot more operational type planning activities are anticipated in the foreseeable future.

Planning phase				
Resp. (Brewer size)	Pre - planning Phase (Formal / Informal / none)	Pre-start-up planning phase (Formal / Informal / none)	Current planning phase (Formal / Informal / none)	Future planning phase (Formal / Informal / none)
	Activity type	Activity type	Activity type	Activity type
Resp. 12 (Small)	No Planning	Informal Planning	Informal Planning	Informal Planning
	Resp. 12 started by home brewing beer and selling it to a number of nearby restaurants.	Informal plans that include financial modelling was done prior to the establishment of the business. The business was started as contract brewing on another brewer's system.	Current planning revolves round finding and maintaining good customers and managing cash flow	Unclear

Appendix iv. List of Atlas.ti codes

Code	Used when:
1 Pre-Start-Up Planning	Respondent refers to pre-start-up planning activities
2 Current Planning	Respondent refers to current planning activities
3 Future Planning	Respondent refers to anticipated future planning activities
A1 FormalPlanning	Formal written down planning is referred to
A2 BasicPlanning	Informal planning, not compiled into a single written plan is referred to.
A3 NoPlanning	Respondents refer to doing, rather than planning
Ad-Hoc	Referring to ad-hoc activities
Administrative	Referring to administrative planning activities (E.g. upfront planning that focusses on tax issues)
Brand	Referring to a brand plan
Capacity	Referring to production capacity
CashFlowManagement	Referring to anything related to cash flow management
Collaboration	Referring to anything related to collaboration with other brewers or service providers
CompanyFuture	Referring to any future plans of the company
Competition	Referring to competition
ConceptTesting	Referring to the testing of a business idea prior to fully committing funds
Contract Brewing	Referring to contract brewing beer on another brewer's production system
Costs	Referring to any costs associated with the running of a craft beer business
Culture	Referring to establishing a specific culture amongst employees
Data	Referring to the gaining of information used in new plans
Distribution	Referring to the distribution of a product either through a third party or by the brewer
Economics	Referring to the development of financial models that guide future financial decisions
Entrepreneur Background	Referring to the respondent's background
EquipmentSourcing	Referring to the choosing and sourcing of production equipment
Experience_Logistics	The type of experience that the different entrepreneurs had
Experience_Marketing	The type of experience that the different entrepreneurs had
Experience_Other	The type of experience that the different entrepreneurs had
Experience_Production	The type of experience that the different entrepreneurs had
Experience_Sales	The type of experience that the different entrepreneurs had
GainingSkill	Referred to entrepreneurs efforts in gaining skill/information prior to the development of plans
Growth	Referred to entrepreneurs' efforts to grow their companies
IfRedoStart	Referring to, if entrepreneurs could start over, what would they change?

LargeBrewery	Referring to brewers who produce more than 20 000 litres beer per month
Marketing	Referring to planning activities related to planning
MarketingUnderestimate	Referring to entrepreneurs opinion that they underestimated the marketing efforts required in selling beer
Omit	Referring to any plans that entrepreneurs would have discarded if they could restart their planning activities
Operation	Referring to any plans related to operations
OpportunisticActivity	Referring to entrepreneurs chasing any opportunity that presents itself without the guidance of a plan or strategy
PlanContent	Referring to any mention of contents in their pre-start-up, current or future plans
Positioning	Referring to entrepreneurs efforts to position their businesses geographically
Pricing	Referring to plans that concern the pricing of final products
ProductionForecast	Referring to linkages between retail (Distribution and sales) and production efforts
ProductLine	Referring to any plans related to a product mix
QualityProduct	Referring to efforts that will ensure consistant quality products
Quotes	Quotes
RawProductSupply	Referring to plans that relate to raw product supply
Retail	Referrign to the distribution and sales of a product
Risk	Referring to the identification and mitigation of risks
Sales	Referring to sales efforts
SalesOverestimate	Referring to the overestimation regarding the selling of a product
SalesUnderestimate	Referring to the underestimation regarding the selling of a product
SeasonalPlanning	Referring to seasonal production forecasts (Beer has different selling characteristics in summer compared to winter)
SmallBrewery	Referring to a brewery that produces <20 000 liters beer per month
SocialMedia	Referring to a marketing channel and the respondent's opinion
SourcingPersonnel	Referring to the sourcing of personnel in plans
SourcingSkills	Referring to the sourcing of skills in plans
StartYear	Referring to the respondent's brewery start year
Underestimate	Referring to a respondent's underestimation, during planning, of effort required for a specific activity
UnderestimateCapacity	Referring to a respondent's underestimation, during planning, of required productionc apacity
Volume	Respondents monthly production volume
VolumeBottels	Respondents monthly production volume in bottels
VolumeKeggs	Respondents monthly production volume in keggs
VolumeTotal	Respondents monthly production volume

Appendix v. Submission documentation

**Gordon Institute
of Business Science**
University of Pretoria

Dear Mr Trevor Bruns

Protocol Number: **Temp2015-01394**

Title: **The value of planning during start-up and early development in the South African craft beer industry**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

GIBS Ethics Administrator

Trevor Bruns | 113

Informed consent form

Thank you for agreeing to participate in this study, which will take place from June to October 2015. This form details the purpose of this study, a description of the involvement required and your rights as a participant.

The purpose of this study is:

To gain insight into the value of planning during the establishment of start-up organisations and how these planning activities change over time. The study samples companies out of the South African craft beer industry.

The benefits of the research will be:

The results of this research may have practical value for start-up companies in refining the type of planning engaged in during the early development phases.

Your participation:

Your participation in this study will consist of an interview lasting between one and two hours. You will be asked a series of questions related to the research topic. You are not required to answer all the questions. You may pass on any question that makes you feel uncomfortable. You are encouraged to ask questions or raise concerns at any time about the nature of the study or the methods I am using. Our discussion will be audio taped to help me accurately capture your insights in your own words. The tapes will only be heard by me for the purpose of this study. If you feel uncomfortable with the recorder, you may ask that it be turned off at any time. You also have the right to withdraw from the study at any time. In the event you choose to withdraw from the study all information you provide (including tapes) will be destroyed and omitted from the final paper. Insights gathered by you and other

Trevor Bruns | 114

participants will be used in writing a qualitative research report. If you have any concerns, please contact my supervisor or myself (Our details are provided below).

By signing below I acknowledge that I have read and understand the above information

Signature _____ of
participant _____ Date _____

Signature _____ of
researcher _____ Date _____

Researcher name: Trevor Bruns

Phone: 076 496 1068

Email: trevor.bruns@gmail.com

Supervisor name: Wayne Sussman

Phone: 076 833 8597

Email: SussmanW@capegate.co.za

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