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TO PLAN OR NOT TO PLAN: IF AND WHEN BUSINESS PLANS HELP ENTREPRENEAURIAL VENTURES GROW?

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Abstract

This study investigated the relationships between business planning and venture growth while also exploring the moderating variables of entrepreneurial pre-entry knowledge and industry dynamism. Scales that allowed for empirical testing were collected and collated from the broader business planning literature. Using a sample of 103 entrepreneurs from three industries, entrepreneurs were surveyed in an attempt to measure entrepreneurial business planning practices in a South African environment.

The results of the study indicated that while planning is an important process of an entrepreneurial venture its effectiveness depends on planning combinations and contextual factors. Specifically, it provided evidence for planning's positive impact on venture growth; when an entrepreneur engaged in prior business planning and then implemented the plan. Furthermore the extent of an entrepreneur's pre-entry knowledge was shown to have a positive impact on venture growth. While a synergy effect was observed when entrepreneurs had both pre-entry knowledge and engaged in prior planning. In contrast, the findings suggest that when an entrepreneur launches a business and has pre-entry knowledge it is more valuable not to implement these plans. Lastly the results suggested that planning practices were more likely to positively impact venture growth in industries experiencing lower levels of dynamism.

Keywords: Entrepreneurship, business planning, pre-entry knowledge of the entrepreneur, industry dynamism

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.

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MATTHEW MACASKILL

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DATE

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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Research Title

TO PLAN OR NOT TO PLAN: IF AND WHEN BUSINESS PLANS HELP ENTREPRENEAURIAL VENTURES GROW?

1.2 Why this Topic is Important

The creation of new ventures through entrepreneurship provides important growth and prosperity for countries (Acs & Armington, 2006; van Stel, Carree, Thurik, 2005; Wennekers & Thurik, 1999). Entrepreneurship is a fundamentally important aspect in developing countries to help combat the unemployment rate as well as increasing the economic viability of the country. It is no different in South Africa where according to the Quarterly Labour Force Survey that was conducted by Statistics South Africa for the first quarter of 2010, unemployment levels are 25.2% for people between the ages of 15 to 65 (Statistics SA, 2010). In South Africa there is also the heightened importance of the unemployment figure because surveys have shown that on average every employed person in South Africa provides food and basic essentials for six other family members. Therefore it makes the need for job creation and economic growth in South Africa even more prevalent.

The value that can be created from new venture growth has been proven to be hugely beneficial to countries in creating jobs, increasing economic growth and creating prosperity (Birch, 1979, 1987; Brock and Evans, 1989; van Stel, Carree and Thurik,

2005). This is why it is so pertinent in South Africa that we are able to create new ventures that will in turn create employment and wealth for the country as a whole.

Due to the importance of new venture creation; what is concerning is that figures and statistics suggest that new business survival rates are relatively low. The key component can be contributed to the dynamism around the entrepreneurial activity. The justification is that the entrepreneurial environment is inherently uncertain which could increase the possibility of failure (Sarasvathy, 2001). This means that the entrepreneur needs to do everything possible to increase his chances of success in a highly volatile environment. Therefore the entrepreneur attempts to try and limit their risk and uncertainty by doing certain business activities such as planning, legitimisation, environmental scanning and an overall assessment of the attractiveness of the business venture and market. Therefore due to the significance of entrepreneurial ventures it is important to try and establish if the business planning which an entrepreneur does contributes to the growth of the venture they create.

1.3 Definition of Problem and Purpose

1.3.1 Definition of Problem

The field of entrepreneurship attracts substantial interest from many different sources such as, governments and the private sector due to the economic growth and job creation that it is able to create (Birch, 1979, 1987; Carree and Thurik, 2000). There is strong academic as well as practical discourse supporting two very different beliefs that planning either contributes positively or negatively to the growth of new ventures

(Saravathy, 2001). Thus, in a South African context it is uncertain if business planning is beneficial in creating new venture growth for the entrepreneur or not.

The business planning the entrepreneur does; essentially forms the central core of a road map that the entrepreneur wants to follow moving into the future. It indicates the strength and weaknesses of the business that the entrepreneur is starting (Sahlman, 1997). Also, it helps the entrepreneur to try and realise their goals and vision of starting their own company. The business plan is a fundamentally important requirement to have when the entrepreneur is trying to acquire funding for their venture because the entrepreneur must be able to show that their company has the potential to succeed in the future. If this funding comes from venture capitalists then it is crucial that the business performs to the best of its ability because the performance is going to be closely monitored and hence the importance of business planning is reiterated (Sahlman, 1997).

Furthermore most of the research that has been conducted on the effectiveness of the planning processes used and the entrepreneurial growth of the company have been done in America or in Europe (Lange, Mollov, Pearlmutter, Singh and Bygrave, 2007; Gruber, 2007; Delmar and Shane, 2003).

As a consequence there is an opportunity to do research in this field to try and give insight into the effectiveness of new venture planning in South Africa and whether it has a positive or negative effect on new venture growth.

1.3.2 Purpose of Research

The purpose of this research is to explore the relationship between the business planning process adopted by an entrepreneur and the effect it has on the growth of the venture they create in a South Africa context. First and foremost the research aims to ascertain whether business planning is being undertaken by entrepreneurs in South Africa.

Furthermore this study aims to investigate two interesting elements that surround this field of research. They are, firstly, to determine the influence that entrepreneurial pre-entry knowledge has on the new ventures growth and secondly, to investigate the influence that industry dynamism has on new venture growth.

CHAPTER 2: THEORY AND LITERATURE REVIEW

Below is the literature review where the different variables and moderators are discussed using the relevant literature.

2.1 Broad Definition of Planning

One of the many definitions regarding early-stage business planning is the "process by which the entrepreneur, in exploiting an opportunity, creates a vision of the future and develops the necessary objectives, resources, and procedures to achieve that vision" (Sexton & Bowman-Upton 1991, p. 118).

With that definition we see the need for the entrepreneur to gauge a better understanding of the different components that make up the planning process. Examples of these components are the pre-entry knowledge of the entrepreneur and the dynamism in the industry the entrepreneur is entering.

These elements all make it difficult for the entrepreneur to determine the best possible method of planning which adds to the many challenges facing the entrepreneur.

2.2 Definition of Entrepreneur

Before continuing it is important to try to establish a better understanding about the definition of entrepreneur. There are many different thoughts and beliefs in the actual definition of an entrepreneur from the very simple to the hugely elaborate definitions.

One simple definition is that “Entrepreneurs are, by definition, founders of new businesses” (Mescon & Montanari, 1981, p. 153).

As early as 1816 people have been trying to define the word entrepreneur and even now there is not solely one definition of the word entrepreneur. Cole (1969) sums up the problems facing defining the word entrepreneur below.

“My own personal experience was that for ten years we ran a research centre in entrepreneurial history; for ten years we tried to define the entrepreneur.
We never succeeded. Each of us had some notion of it-what he thought was, for his purposes a useful definition and I don't think you're going to get farther than that” (Cole, 1969, p. 17).

To this day there is not one clearly identified definition of entrepreneur which immediately creates a quandary. So essentially the word entrepreneur can mean many different things to many different people but for the purposes of this research we shall regard an entrepreneur as a person who has created his own business from its inception.

2.3 Different Beliefs Regarding Business Planning

When it comes to discussing the role of business planning in the entrepreneurial context there are many different and conflicting schools of thought as to the practicality and benefits that the entrepreneur can gain from planning. There are many different paradoxes that occur when discussing the businesses planning

processes. There is literature that is strongly opposed to the idea of business planning and then there is literature that strongly agrees with the planning process of entrepreneurial activity. Below the different views are divided into the two types of literature to give the key points of both sides of the arguments.

2.3.1 Argument for Business Planning

Firstly I shall start by reviewing some of the literature that has been written that supports the business planning process.

The main sources of literature regarding positive attributes for business planning are compiled by Shane and Delmar (2003). They are in support of entrepreneurial business planning and from their extensive research they believe planning can have major benefits on the performance and the growth of the ventures. They believe that if entrepreneurs plan correctly then they are able to holistically increase their chances of survival as well as benefit from better product development. They do, however, clearly state that there are many other factors that contribute to the success or the failure of the business and that the responsibility does not solely fall upon business planning. Factors such as the nature of the venture and passing of time also play key roles that are outside the control of the entrepreneur (Shane and Delmar, 2003).

There are also five key benefits to planning that can be highlighted that could be hugely valuable to the entrepreneur and need to be taken into consideration.

Firstly business planning can facilitate a resource saving function. This is because decision making is done faster due to identification of important information for the entrepreneur and business. Thus the entrepreneur saves resources due to not committing resources to certain activities that would usually be used in methods such as a trial and error (Ansoff, 1991).

Secondly there is a time saving advantage that can be created by planning. By planning the entrepreneur can create a better fluidity to the operation because they will be able to productively manage the supply and demand of resources. By doing this they are able to negate any possible obstructions in the operations of the business (Armstrong, 1982).

Thirdly, by planning the entrepreneur also realises the future steps that need to be taken in order to achieve the goals of the company. Giving them a chronological order to follow in a bid to try and reach the targets set (Brews & Hunt, 1999).

Fourthly, planning also allows for the necessary correction when the company has departed from the companies goals. By planning the entrepreneur can identify this departure and get the company back on track timeously, thus decreasing time wasting (Smith, Locke and Barry, 1990).

Lastly, one of the key points of planning with regards to the entrepreneurial process is that planning makes the communication of the goals to other people easier and faster. This can be of huge benefit to the entrepreneur due the importance of being able to

get the objectives of the goals across to employees and investors alike (Locke and Latham, 1980).

Following the same pattern of positive thought regarding planning is Gruber. He believes that planning is beneficial for the entrepreneur however; he does say that there needs to be different types of planning done depending on the dynamism of the company (Gruber 2007).

Gruber (2007) states that in a highly dynamic company the entrepreneur should focus around information gathering, the marketing mix as well as their customer relationship planning. He also believes that entrepreneurs should speed up their planning process, which is a very interesting point that will be elaborated upon when the negative aspects are discussed in the literature (Gruber, 2007).

In a company that has low dynamism Gruber's research indicates that they also perform better when they have gone about planning. So, overall Gruber believes that planning can have a positive effect on the entrepreneur's performance in both high and low dynamic companies which will facilitate future growth (Gruber, 2007).

Brinckmann, Grichnik and Kapsa (2010) have also found that planning has a positive effect on the growth of a new venture but they have also identified specific contributing factors that need to be taken into consideration for entrepreneurial growth of the business. These considerations include where the business is at in its development, the cultural setting present at the business and the actual process of

business planning that was used. Interestingly from their research they found that very often the entrepreneurs will go through their planning processes without valuable support structures being in place to help the planning process to be the most beneficial. They found that for these reasons the planning processes used can undermine all the hard work done by the entrepreneur (Brinckmann et al., 2010).

2.3.2 Arguments against Business Planning

Discussed below is the literature that is critical of the planning processes used by entrepreneurs and their contribution to growth. There are three noteworthy elements that argue against business planning to be done by the entrepreneur.

Firstly, one of the most recognised and cited critics of the business planning process is Bhide (2000). In his book he states that he believes the entrepreneur gains very little advantage from planning due to a number of different factors. One such factor is that he believes that planning causes the entrepreneur to waste valuable time that should be used to further increase the physical development of the business. Therefore he believes that planning is an impediment for the growth of the venture (Bhide, 2000).

Secondly, entrepreneurs work in turbulent and ever changing environments where quick decisions and actions need to be made to ensure the most positive contribution towards the growth of the venture. Quick, decisive actions also need to be taken in order to get the best advantage from opportunities and therefore increase the growth of the venture. While by planning the entrepreneur will slow this process of quick

decision making down and possibly miss the opportunity due to being distracted by the planning processes, thus hampering growth (Bird, 1988).

Thirdly, Allinson, Chell and Hayes (2000) believe that the entrepreneur can recognize and appraise the opportunities in the market better due to their intuition. This makes the argument that as an entrepreneur it is better to rely on your intuition instead of using planning process (Allinson et al., 2000).

Therefore overall this literature states that the actual value of the planning process is diluted due to the ever-changing environment and circumstance surrounding the business.

Also other literature, such as Dencker, Gruber & Shah (2009), argue that the business planning process disrupts growth of the entrepreneurial firm because they have found from their research that high levels of planning actually increases the failure rates of the firms. They attribute this to many factors but the main factor that their study revolved around was related to the pre-entry knowledge of the entrepreneur which will be discussed in more detail below (Dencker, Gruber & Shah, 2009).

2.4 Factors Influencing the Success of Business Planning

There are many different factors that become apparent when reading the literature about business planning and growth in entrepreneurial ventures. These factors vary from the dynamism surrounding the venture to the pre-entry knowledge of the

entrepreneur. These different factors surrounding the planning processes used by the entrepreneur will be discussed below.

2.4.1 Dynamism

Different aspects regarding the industry will play substantial roles in the type of planning that the entrepreneur does as well as what effects this planning would have on the growth of the company.

Aldrich and Fiol (1994) state that factors, such as the type of industry the entrepreneur enters will pose different challenges along the entrepreneurial journey that the entrepreneur has to overcome.

They argue that ventures entering new markets have to deal with, amongst other things, creating a new market and convincing sceptics to invest capital with their company. Whereas entrepreneurs that enter markets that are more established can follow similar steps to other people that have joined the industry before them. (Aldrich & Fiol, 1994) This point can be compared to the different challenges that a fast food entrepreneur would have if they were to either buy a franchise or start a new fast food venture. The franchise would have a set plan in place that would be very structured and given to the entrepreneur. Whereas the new fast food entrepreneur would have to create the business plan themselves and investigate all the different components associated with the business planning process.

Ventures in their infancy also have to negotiate themselves around the problem of having limited information in comparison to that of established businesses. This can have an effect on the growth of the business because with better information the entrepreneur is able to plan more effectively which could then transpire to increased growth. Therefore more established businesses in the industry might find it easier to plan successfully than entrepreneurial ventures in the same industry and thus the growth patterns might reflect that (Brinckmann et al., 2010).

Sarasvathy (2001) makes a similar point by proclaiming that "creating a firm in an industry that does not yet exist calls for strategies very different from those used for penetrating a predefined and well-structured market" (Sarasvathy, 2001, p. 19).

Bhide (2000) also adds to this train of thought by stating that often entrepreneurial ventures enter niche markets rather than established markets. He deduces that due to this, information is not as readily available to the entrepreneur as it would be in established markets. This would play a part in how effective the entrepreneurial business planning process was, as well as the possible growth benefits that would be associated with the planning processes used (Bhide, 2000).

As an entrepreneur there is often a large amount of dynamism and risk involved with the creation of a new venture. This can be very challenging and problematic while choosing the planning process used. The literature around this states that the less dynamism the entrepreneur faces, the more beneficial the business planning can be for the business. Similar to this is that the more accurate and reliable the information

the entrepreneur is able to gain access to, the better the planning process can be for the entrepreneur, thus giving them the best chance of an increased growth and survival rate (Brinckmann et al., 2010).

Studies have also found that the importance of the businesses planning process could be limited with an increase in the dynamism surrounding the business. This dynamism could decrease the performance of the business, resulting in researchers believing that the business planning process is of little benefit to the entrepreneur, which may not be the case in practice (Forbes, 2007).

Brinckmann et al. (2010) accompanies this theory by adding that cultures with higher dynamism avoidance present are more likely to stick to their plans from the outset. They see this as an action that might hamper the growth of the venture in the future due to the entrepreneur being more unwilling to change the business planning in the future due to dynamism surrounding change. The opposite of this applies to environments that have lower dynamism avoidance present (Brinckmann et al., 2010).

However, throughout the topic of dynamism one must remember that even if the market has a low dynamism and thus it is being fairly predictable, markets can change unexpectedly. So as best as possible the entrepreneur must try to prepare for the unforeseen because there will always be an element of dynamism in the business environment.

2.4.1.1 A Conceptual Argument around different industry Uncertainties

The way the study has been set out means that there is a conceptual argument that needs to built around the different characteristics for three specifically selected industries. The three industries that were selected were the information technology industry, the advertising industry and then lastly the construction industry.

Prior studies have found that different industries are inherently diverse due to certain fundamental differing consistencies. Industries are intrinsically different due to a number of factors, namely, fast paced industries are characterised by rapid changes in product and process technologies (Nadkarni and Narayanan, 2007). Whereas slow paced industries are characterised by slower product developments and process technologies. These essential differences cause the strategy for both form of industries to vary because it is harder to get and keep a sustainable advantage in an industry that is always changing then one that is fairly constant (Eisenhardt, 1989; Fines, 1998; Henderson, Miller and Hambrick, 2006).

This comparison of industries that are fast paced or slow paced was coined as industry 'clockspeed' by Fines (1998). Clockspeed was defined to capture the rate of industry change that was driven by three factors. These factors were the product, the process and the organisation.

Fast and slow clockspeed industries differ in both the potential for sustainable competitive advantage. In fast clockspeed industries building sustainable competitive advantage is difficult because firms cannot long protect existing products and

processes. (Eisenhardt and Martin, 2000; Williams, 1994). To survive in such industries, firms must introduce new products and processes technologies faster. Firms in slower clockspeed industries can protect existing core competencies and achieve sustainable competitive advantage by building isolating mechanisms that retard imitation (Williams, 1994).

When observing this information it can also be said that the flexibility that is required by companies in different industries has to be different (Fines, 1998; Williams, 1994). For example, in a high clockspeed industry companies have to be flexible in being able to develop different products and process in a timeous manner to stay competitive. This creates many challenges in the process and hence the companies have to be flexible to meet these challenges.

Conceptually based on the literature all three of the chosen industries differ from one another. The information technology industry can be grouped into the industry with the highest level of dynamism. The advertising industry can be classified as having a moderator level of dynamism and lastly the construction industry has been defined for purposes of this research as having a low level of dynamism.

2.4.2 Pre-entry Knowledge and the Experience of the Entrepreneur

Pre-entry knowledge and the experience of the entrepreneur play a large role in the literature surrounding the business planning processes and the growth they are able to create.

Dencker et al. (2009) literature highlights that the venture does not actually increase the chances of survival by doing planning but rather the important factor in venture survival is the pre-entry knowledge of the entrepreneur. As Dencker et al. (2009) point out that "founders with low levels of pre-entry knowledge and management experience are twice as likely to fail as those with high levels of pre-entry knowledge and management experience" (Dencker et al., 2009, p. 20). This shows how important pre-entry knowledge can be as well as the possibility that this subject is often overlooked in the growth achieved by the entrepreneurial venture.

Building on from this is the argument that if the entrepreneur has pre-entry knowledge then they are able to use this knowledge to enhance the planning process and increase their chances of survival and growth. Read, Dew, Sarasvathy, Song & Witbank (2009) recount that entrepreneurs with pre-entry knowledge are able to increase the benefit they receive from information acquired whereas other entrepreneurs without experience struggle to gauge the same benefits (Read, et al., 2009).

Huber (1991) epitomizes the whole subject well quoting, "What an organization knows at its birth will determine what it searches for, what it experiences, and how it interprets what it encounters" (Huber, 1991, p. 91).

Research has also shown that experience has a positive impact on the performance of the business when there are higher levels of dynamism surrounding a particular dilemma. This indicates that pre-entry knowledge is also valuable when unforeseen

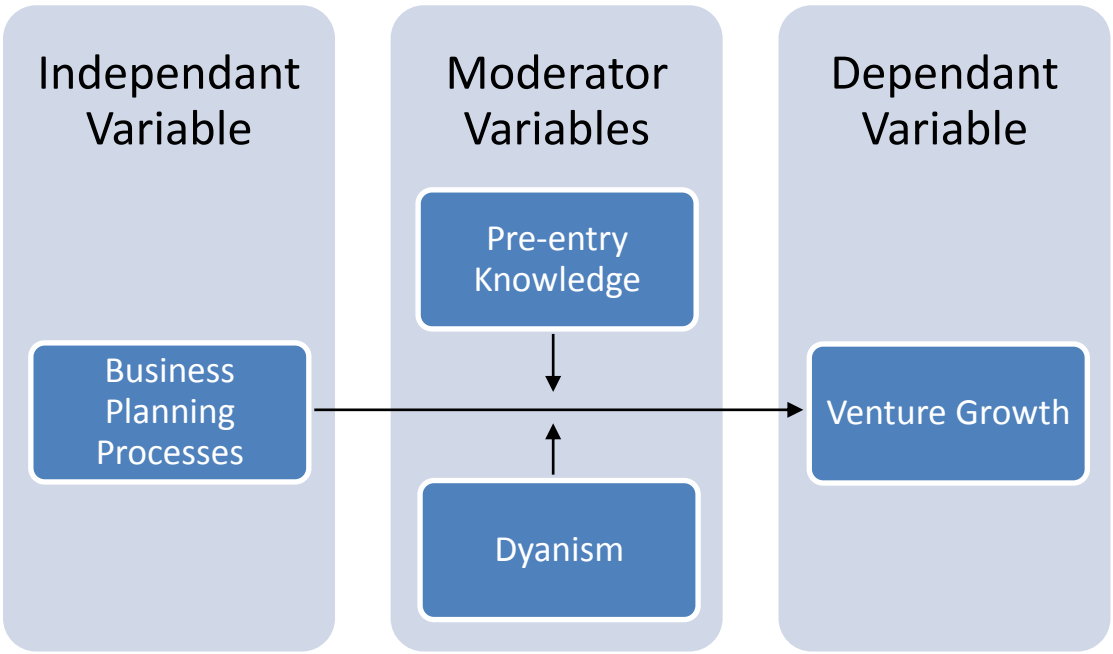
problems arise that deviate from the planning process which could normally negatively impact on the growth of the entrepreneurial business (Perkins & Rao, 1990).

So an important lesson from the literature is that one must never underestimate the importance of the pre-entry knowledge the entrepreneur brings to the venture. We must also not take for granted the contribution that this knowledge suggests to the survival and the growth of the entrepreneurial venture when looking at the business planning process.

CHAPTER 3: HYPOTHESES DEVELOPMENT

The hypotheses that have been developed for the research revolve around the four main variables that are illustrated below.

Figure 1: The different variables that are being analysed in this research paper



3.1 The Independent Variable

The independent variable in this research is the formal business planning process that is used by the entrepreneur. This will be measured by assessing whether the entrepreneur has a formal business plan in place or not.

3.2 Dependant Variable

The dependant variable in this research is growth. The performance indictor that is often cited as the most important for new venture success is growth (Brush and Vanderwerf, 1992; Danson, 1999). The objective measures used to establish growth

will be the same as those used in prior research, which are the new ventures average revenue growth and the growth in the number of employees (Heilmski and Baron, 2009; Lange et al., 2007).

3.3 Moderators

In this research there are two different moderators. The first moderator is the entrepreneur's pre-entry knowledge which will consist of two different dimensions. The first dimension is the extent to which the new venture is related to the entrepreneur's prior work experience (Dencker et al., 2009) and the second dimension is that of entrepreneurial experience (Hmieleski and Baron, 2009). Entrepreneurial experience refers to whether the entrepreneur has previously launched a new venture.

The second moderator is the dynamism surrounding the new venture. This will be measured on the extent of change within the industry that the entrepreneur operates in. Three Industries have been chosen and they will be categorised as experiencing high, moderate or low levels of change. The three industries that have been chosen for the research are the information technology, the advertising and the retail industry. The categorisation of industry change will be based on prior research.

3.4 Hypotheses

Now that the variables that surround the research topic have been examined, we can develop the hypotheses that this research will be based around. Below are the three key hypotheses that will be present for the research.

From prior research such as Shane and Delmar (2003) we have found that business planning has a positive effect on the new ventures performance and growth (Shane and Delmar, 2003). By doing business plans you set goals that will also help guide the internal decision making which makes you better suited to growth (Timmons and Spinelli, 2007).

Even Bhide (2000) who is commonly cited as providing evidence against the need for business planning does admit that in certain contexts business plans may be beneficial. This context is when the ventures are highly ambitious and complex with high growth potential (Bhide, 2000).

Thus prior research supports the view that planning is important to create new venture growth and therefore the first hypothesis is:

Hypothesis 1	• Having a formal business plan contributes positively towards new venture growth

The pre-entry knowledge of the entrepreneur is an important aspect that will contribute to the ventures growth (Lange et al., 2007; Hmieleski & Baron, 2009). In this research two elements of pre-entry knowledge have been identified as having a significant positive effect to new venture survival and growth. Firstly it has been found in previous research that specific industry experience influences new venture growth (Gimeno, Folta, Cooper & Woo, 1997; Dencker et al., 2009) and secondly the person's entrepreneurial experience also has an effect on venture growth (Hmieleski and Baron, 2009).

The reason for this positive relationship is because an entrepreneur with pre-entry knowledge knows what information to use and where to get it in order to plan more effectively (Brinckmann et al., 2010). This pre-entry knowledge is also seen to be a benefit to venture growth because the entrepreneur has a better understanding of the dynamics that are associated with that industry which would in turn make their business plans more applicable (Shane and Delmar, 2003; Lange et al., 2007)

Hypothesis 2

- The positive relationship between business planning and venture growth will be stronger as the level of the entrepreneur's pre-entry knowledge increases

Dynamism in the industry will affect the planning that the entrepreneur does as well as the growth of the venture they are able to create. Entrepreneurs will benefit from a plan less when the industry is high in dynamism (Read et al., 2009). Planning is more beneficial when the industry has low dynamism due to the entrepreneur being able to predict the future more accurately and thus plan more effectively (Sarasvathy, 2001; McMullen and Shepherd, 2006). This literature leads to the third and final hypothesis, being:

Hypothesis 3

- The positive relationship between business planning and the venture growth will be weaker when the venture is being founded in a dyanmic industry

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

4.1 Choice of Methodology

This study aimed at exploring and investigating aspects of entrepreneurship to establish if there was a relationship between the business planning processes adopted by the entrepreneur and the growth of the venture they created.

The research was done in a quantitative and descriptive manner. Descriptive research was most applicable for this research because it is was designed to describe characteristics of a population or phenomenon (Zikmund, 2003). Robson (2002) also described the objective of descriptive research to be an attempt to portray an accurate profile of people, events or situations (Robson, 2002).

This research was also explanatory in nature because it attempted to establish the relationships between different variables. The relationships that this research studied were that of the relationship between the planning processes chosen by the entrepreneur and how that related to the growth that the business experiences (Saunders, Lewis and Thornhill, 2009).

This research attempted to answer the following questions:

1. Were entrepreneurs using planning techniques in South Africa?
2. What was the relationship between planning done by the entrepreneur and the growth in the venture they created?

3. What was the influence that entrepreneurial pre-entry knowledge had on the ventures growth?
4. What was the influence that dynamism had on the ventures growth?

4.2 Scope and Unit of Analysis

The unit of analysis that was used in this research was entrepreneurial ventures in South Africa. It was deemed an appropriate unit of analysis due to this study being an investigation into the relationship between business planning and venture growth. However, for the unit of analysis franchised businesses were excluded. The reason for this was that often these franchised businesses would have had plans in place that had been given to them by the main franchise body. This could have potentially skewed any data received because the entrepreneur had not made these plans themselves. We had also identified three industries that were utilised for the purposes of this research. The reasoning behind this will be explained below.

4.3 Population of Relevance

The population for this research can be defined as entrepreneurial ventures that were between two and ten years in age and that were not franchises. An entrepreneur was defined as a person who had started a venture themselves and that person still assumed accountability and responsibilities for the business, thus they were actively involved. There was also three industries that were be targeted in the research stream. The three industries were the information technology industry, the advertising industry and the construction industry. The reason for choosing these three industries was so that the research could be categorised into three main levels of dynamism

being, high, moderate and low. This was an important distinction in order to allow for the testing of the moderator variable of dynamism.

4.4 Sampling Method and Size

A mixed sampling method was used which will took the form of a convenience-snowball sampling method. Convenience-snowball sampling method was used in order to obtain the entrepreneurs that were most conveniently available. This sample was accessed through the use of different networks and industry associations. The disadvantage of using this sampling technique was that the likelihood of the sample being representative was relatively low. The advantage was that it was relatively cost effective and it had the ability to get a large number of questionnaires completed in a timeous manner (Zikmund, 2003).

The target sample size was 100 entrepreneurs. All of these sample entrepreneurs had qualified for the questionnaire by meeting the sample criteria. Any entrepreneurs that did not qualify to the sample criteria were disregarded. These sample criteria were factors such as the business age and the industry the business had been founded in.

Non-probability sampling was also applicable for this research. This was a technique in which the probability of being selected from the population was not known and it is impossible to answer research questions or to address objectives that require you to make statistical inferences (Saunders et al., 2009).

4.5 Research Instrument and Data Collection

A mono-method was utilised, which means that a single data collection technique in the form of a questionnaire with quantitative data analysis procedures was implemented. People that had been selected were phoned, emailed and invited to partake in the research questionnaire. Once that had been established the next step in the procedure was to take the questionnaire to the entrepreneur and be present while they completed the questionnaire. The reason for the face-to-face presence was to ensure that any problems or queries that arose from the questionnaire could be addressed immediately and therefore more valid information was able to be acquired and it limited the amount of corrupted data collected. It must be noted that even though face-to-face interaction took place, vigilance still had to be implored in order to ensure that leading the entrepreneurs to specific answers did not occur because this would have corrupted the data collected. Any uncompleted responses and responses that had been corrupted were excluded from the data set. This was to ensure the consistency and the validity of the data because there was a possibility that the data could have skewed the results if it was not properly correlated together.

A research stream involving 10 other people was also used. This procedure of data collection ensured that the target sample size was met and that different networks and associations were accessed in order to give a better variance of the sample.

4.5.1 Outline of the Questionnaire

A questionnaire was used and it began with a covering letter explaining why this research was being conducted and what it was aiming to explore. It also contained

other factors such as researcher's statement and clear indications that the questionnaire was confidential. Furthermore, it also comprised of clear instructions that guided the respondents towards successfully understanding and completing the questionnaire. Following this was a consent area where the respondent had the choice to decline participation in the study. The next page evidently showed what sections the questionnaire was divided into in order to give the respondent another indication of the areas of study.

In the main questionnaire body the first section covered questions that related to the pre-entry knowledge of the entrepreneur. These questions focused on two different dimensions in order to test the moderator accurately. The first dimension related to the prior industry work experience of the entrepreneur. These prior industry work experience questions were sourced from previous research done (Dencker et al., 2009) and they were measured on a five point Likert scale that ranged from 'strongly disagree' to 'strongly agree'. An example of a question was for the entrepreneur to assess the extent to which the new business activity was related to their prior work experience.

The second dimension in this section was the entrepreneurial experience and it was measured on a dichotomous scale question (yes/no). The question asked if the entrepreneur had previously founded a venture or had been involved in working with a start-up company. (Cooper, Folta, & Woo, 1995; Forbes, 2005)

The second section asked questions that revolved around the demographic profile of the entrepreneur and their venture. Such as the entrepreneur's age, the entrepreneur's gender, the education of the entrepreneur, how many founders there were and what ethnicity the founders were as well as the interviewee. These were measured as interval data (for the age of the firm and entrepreneur's age), dichotomous data (for the gender of the entrepreneur and ethnicity) and categorical data (for the education of the entrepreneur and the industry they operate in).

The third section assessed the planning the entrepreneur had done. The questions that encompassed this section were based on prior research that had been conducted on the topic of business planning (Mulford, Shrader and Hansen, 1988). These variables were measured on a five point Likert scale that ranged from 'strongly disagree' to 'strongly agree'. There was one question in a second part of this section that was in the form of a dichotomy scale which was a 'yes/no' question. The question was whether or not the business still actively had a written business plan in place.

Then the last section asked questions that referred to the business domain they operated in and the growth of the business. The questions that were asked varied from what industry the entrepreneur operated in to more sensitive questions revolving around the company's revenue growth and break even points (Hmieleski and Baron, 2009). The majority of the questions were answered in a numeric data format.

A copy of the questionnaire can be found in Appendix A.

4.6 Method of Analysis

All the data collected from the questionnaires was gathered and used as quantitative data. A statistical programme called SPSS was used to calculate certain statistical calculations and regressions. There were three main procedures that were used to create inferences from the data.

Firstly, the programme was used to calculate the specific frequency percentages from the data. Then factor analysis was used to identify different groups that had similar response patterns (Brace, 2008). It essentially reduced numerous questions down to as few factors as possible without losing the significance and representation (Saunders et al., 2009).

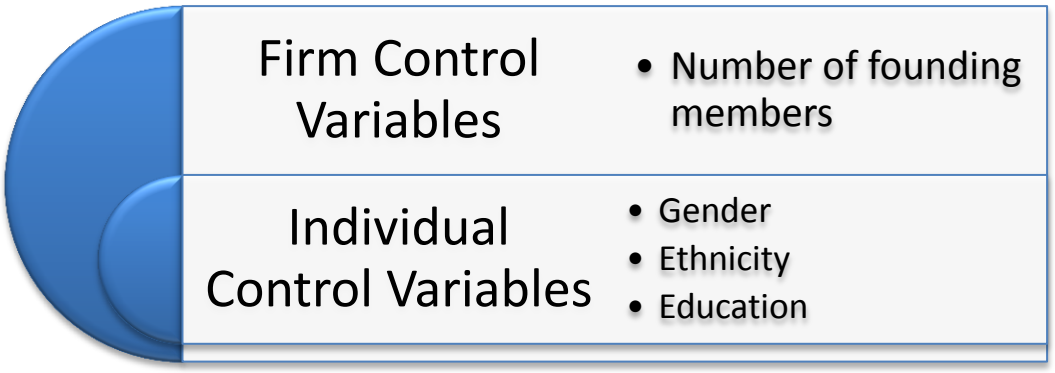
Once the various factors had been identified then Ordinal Logistic regression analysis was conducted. The reason this type of statistical analysis, regression was used was because by using this procedure the relationship between business planning and venture growth could be assessed while also looking at a moderator variable. This procedure was used to exam the relationship between the business planning used by the entrepreneur and the growth of the venture they create, as well as the proposed moderating effects of pre-entry knowledge and dynamism. It must be noted that the data cannot be inferred to the population as a whole due to non-probability sampling techniques being used (Saunders et al., 2009).

4.7 Controls

The research was measuring many different variables in the questionnaire due to the nature of the research stream. Due to this control variables were utilised to allow for the testing of the hypotheses. By using control variables it ensured that testing was done on the venture growth in relation to business planning rather than extraneous unpredicted variables (Saunders et al., 2009).

The control variables that were utilised could be divided into a firm control variables and individual control variables as used in prior research (Hmieleski and Baron, 2009).

Figure 4.1: The control variables



4.8 Research Limitations

4.8.1 Subject or participation error

This was a threat because by asking entrepreneurs to complete the questionnaire at different times of the week the response given might have been skewed. For example if the entrepreneur was very rushed they might not have read the questions correctly

and it would have undermined the data that had been obtained. Therefore, the way we tried to limit this threat was to ensure that the questionnaires were completed at a convenient time that suited the entrepreneur. This threat was also applicable to the research stream and thus it was clearly conveyed to ensure that correct handling of the data collection was used.

4.8.2 Retrospective bias

There was the very real possibility that when the entrepreneur was asked questions regarding the planning processes used they might have had retrospective bias. This is when the respondent misrepresents the historical details surrounding the venture by either omitting information or enhancing the historical information. In an attempt to try limit the retrospective bias in this research the entrepreneurs were completely anonymous and therefore there were no negative connotations surrounding the findings from the questionnaires that could have been used against them.

4.8.3 Sample bias

Non-probability sampling was utilised in this research and therefore the sample was not being randomly selected. This meant that due to the sampling technique chosen the research was not representative of the population and therefore any findings could not be inferred to the population as a whole. This research was also only conducted on businesses that were still in existence in specified industries which could

have caused a sample bias, however this was deemed to be an acceptable limitation (Saunders et al., 2009).

4.8.4 Contextual factors

Contextual factors such as the economic climate played a role in the research limitation due to numerous factors that could have effected the growth the venture, such as an economic recession. However even though this could be a serious limitation it was deemed to be an acceptable limitation because this research could not control for contextual factors (Saunders et al., 2009).

4.8.5 Interviewer bias

The method of data collection the research stream used was face-to-face interviews which meant that there was a possibility of interviewer bias being present. This is where the interviewer attempts to introduce bias when conducting the interview or where the appearance or behaviour of the interviewer has the effect of introducing bias in the responses given (Saunders et al., 2009). Interviewer bias was controlled for by ensuring the research stream understood the correct interviewer procedures and that the interviews were carried out in a professional manner.

CHAPTER 5: RESULTS

This chapter provides results from the statistical analysis performed on data from the completed questionnaires.

5.1 Descriptive Statistics

The statistical analysis was performed on raw data using the SPSS data analysis software system. The data was 'cleaned' to be ready for analysis by firstly removing respondents who were not eligible to be used in the data. These respondents were removed due to being outside the sample criteria that was proposed in the methodology as well as further respondents that had not completed the questionnaire in its entirety.

The data thus cleaned consisted of a matrix with respondents answers to five main questions with further sub items under each of these main headings. A mixture of Likert-type scales were used as well as binominal questions. The matrix questions included questions based on pre-entry knowledge, business planning, dynamism, growth and then control variables such as the founder's gender, race, the number of founding members and education.

After the data was collected and complied it was then coded. The reason the data was coded was to ensure that the data was in a format that was ready to undergo certain statistical analysis.

5.1.1 Sample Description-Responses

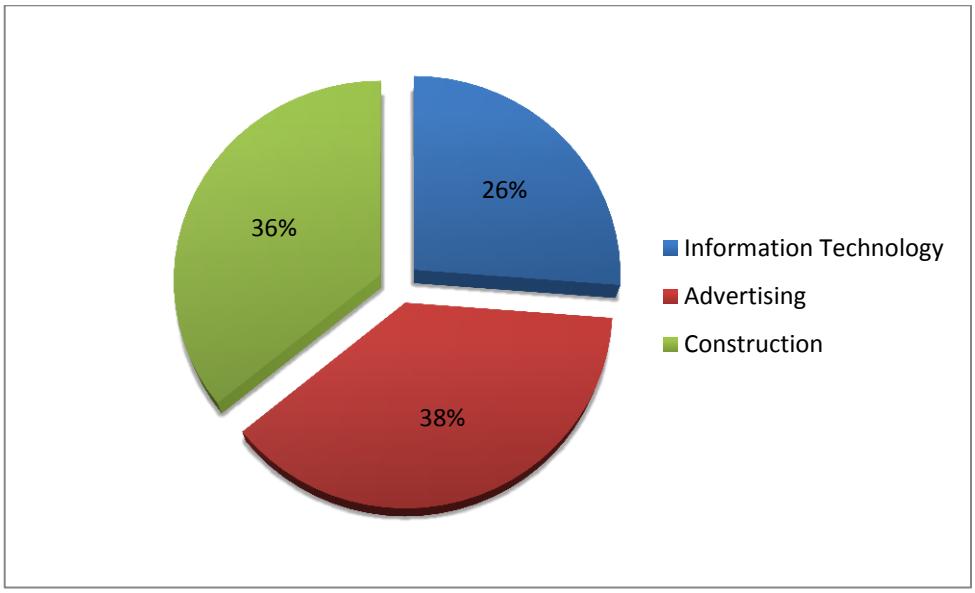
Of the 121 responses received, 18 were excluded. Of these 18, 9 were excluded as a result of the questionnaires being incomplete and 9 were excluded for being outside the specific business age criteria that had been set (businesses between two and ten years old). Therefore, after the data cleaning this left the total number of usable responses at 103 for the purpose of analysis.

5.1.2 Sample Description-Demographics of Respondents

Respondents Industry

When observing the frequencies of the different industries that the respondents operate in, it can be seen that the responses are all around a similar percentage. In figure 5.1 the lowest of the three industries is the information technology industry which is represented by 27% of the respondents. The construction industry is next which comprises 36% of all the respondents and then finally comes the advertising industry which is represented by 37% of the respondents.

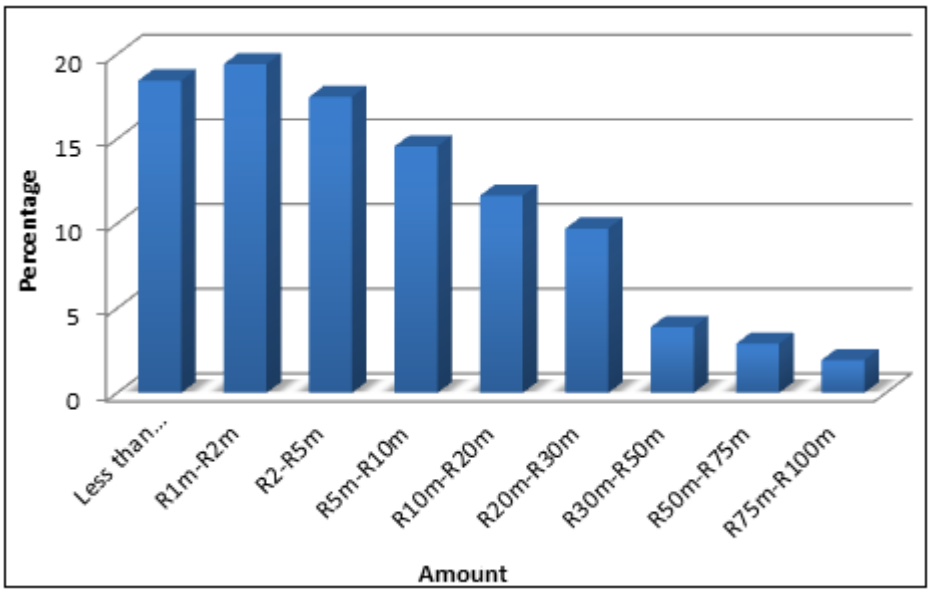
Figure 5.1: Percentage of respondents in each industry



Business's Revenue Size

In terms of the size of different businesses revenue we recognize that the majority (55%) of respondents fall within the first three revenue sizes. The rest of the respondents all fall within the next six revenue sizes as illustrated below. The median for the business revenue size is between R2-5 million with 38% of respondents falling below the median and 45% falling above the median. Upon analysis the sample seems to be dominated by smaller revenues of below R5 million per annum. This is very interesting and may indicate that we should have been more specific in these three groups below R5 million and possibly divided them into further revenue groups. Noticeably no respondents were found to have company revenues of over R100 million.

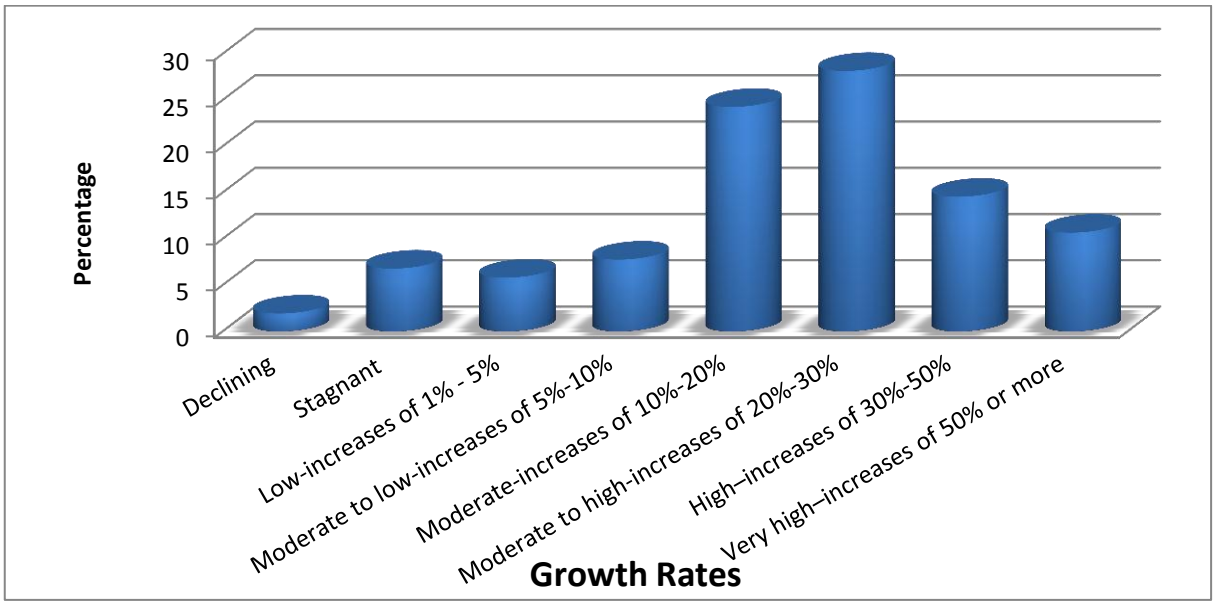
Figure 5.2: Business revenue size



Business Revenue Growth Rate

The business revenue was expressed in terms of business revenue over the past three years and it was communicated in a percentage format. When looking at the revenue growth rates over the past three years we see that the majority of respondents experience moderate and moderate to high annual growth rates accounting for 52%. Also it is important to note that less than 2% of respondents have experienced declining revenues over the past three years and less than 7% have experience stagnant growth rates. This indicates that the majority of companies have had a high growth rate for the past three years.

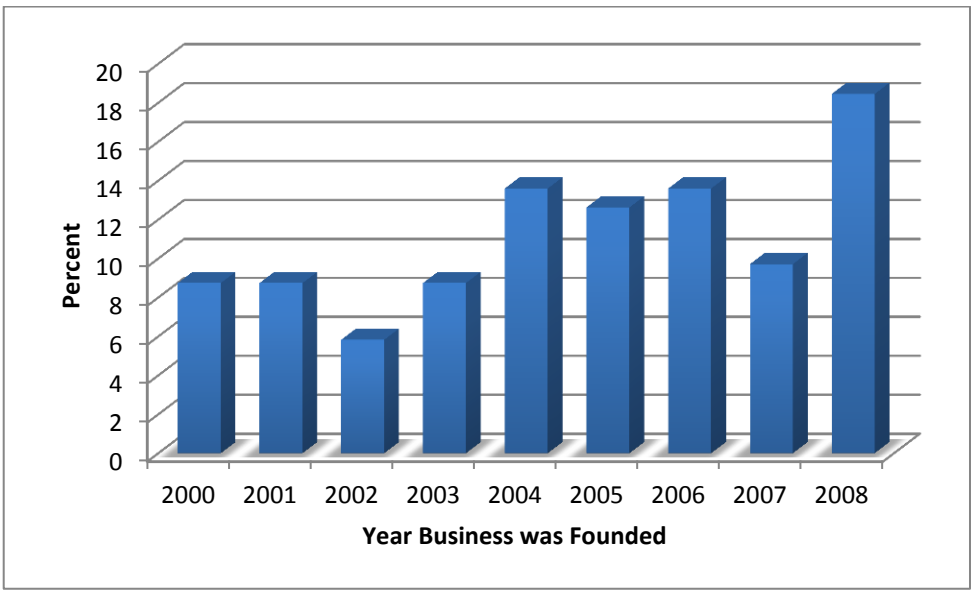
Figure 5.3: Business revenue growth rate



Business Age

With regards to the total number of years that these entrepreneurial businesses had been in existence for we can see that the most frequent age of the businesses that were observed were two years old. At two years 18% of all the respondents fall into this category. The large majority of businesses are located from six years and less which account for a total of 66% of the respondents. Therefore, we see a larger frequency of respondents comprising of earlier stage ventures.

Figure 5.4: Year business was founded

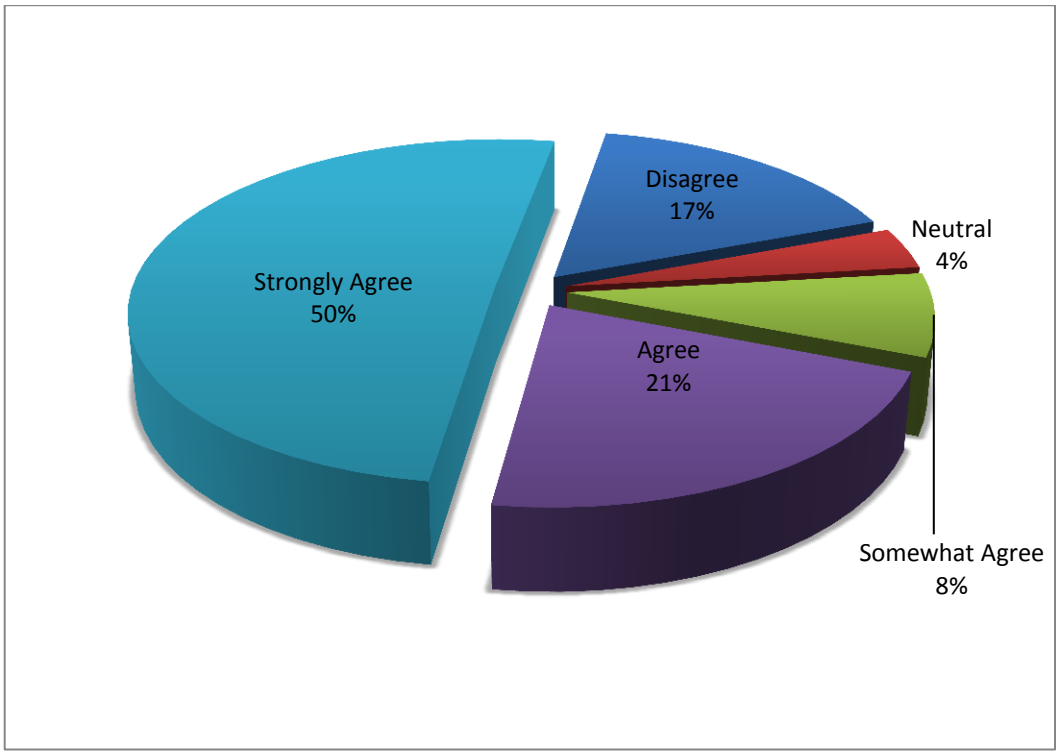


5.1.3 Descriptive Statistics per Scale

Respondents with Pre-Entry Knowledge

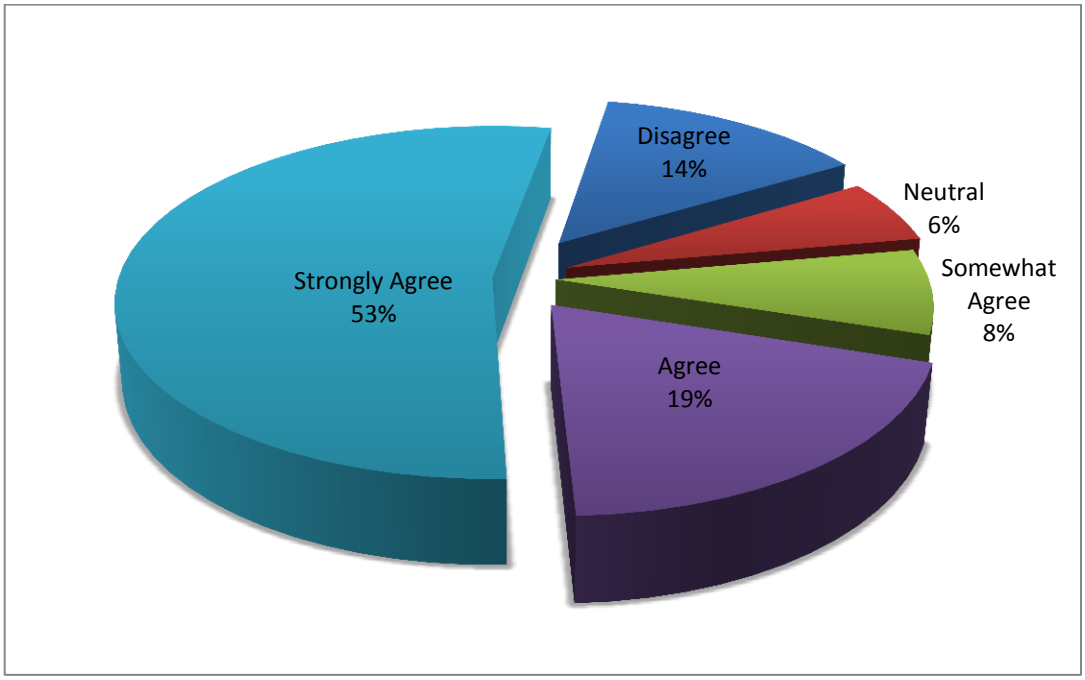
When looking at the pre-entry knowledge of the entrepreneur we can see from two very interesting pie charts below that most people strongly agree with both of the statements. The percentage of people who strongly agreed that their business were related to their previous work experience is at just over 50% and a similar percentage of people also answered strongly agree for their previous work experience being important in their decision to pursue the business opportunity as both are seen below.

Figure 5.5: Percentage of respondents whose business was related to previous work experience



Below is figure 5.6 which indicates how entrepreneurs have view the importance of their previous experiences in starting their ventures.

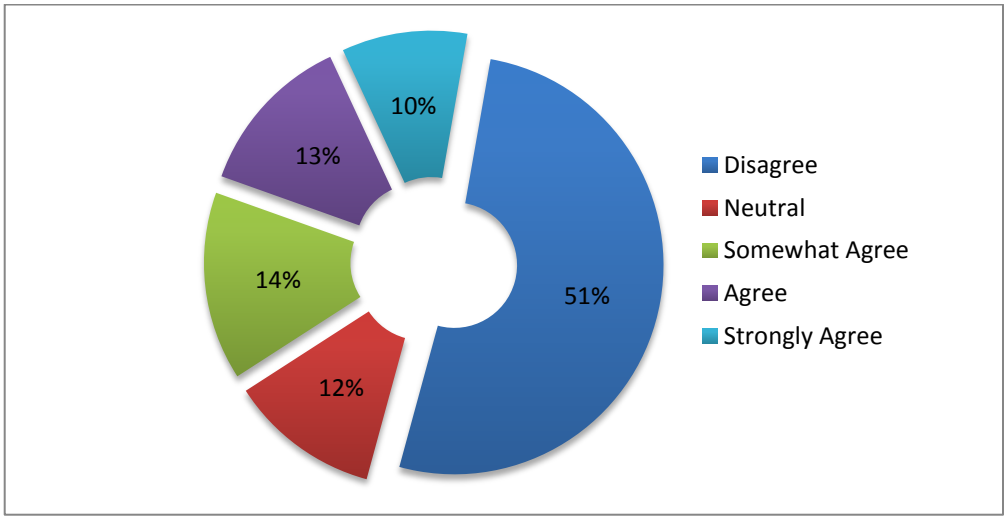
Figure 5.6: Percentage of respondents whose decision to start a business was due to previous work experience



Respondents Business Planning Patterns

Figure 5.7 illustrates the percentage of respondents that prepared a full written business plan when launching their businesses. The number of respondents that disagree with having written a full business plan is 51%, with another 12% feeling neutral to having written a full business plan. A total of 37% of respondents agree to some extent on having prepared a full written business plan as revealed below.

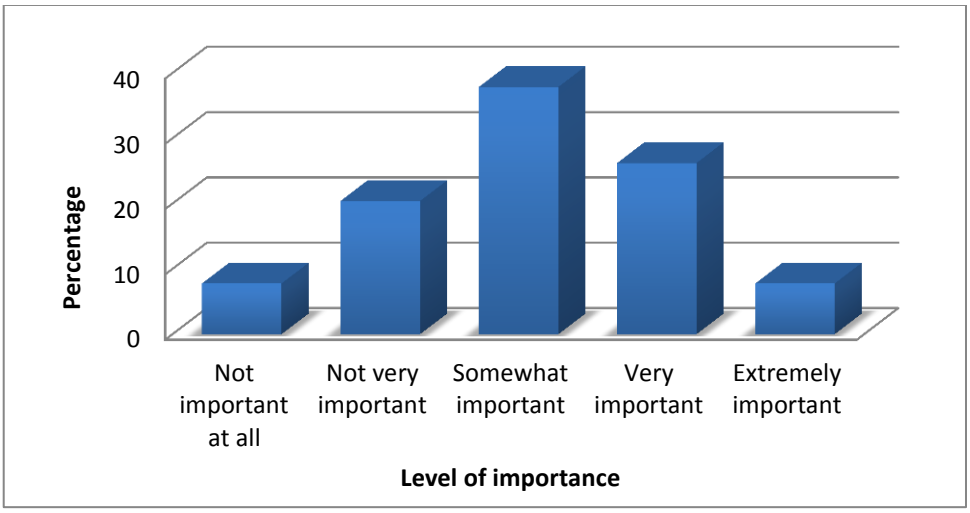
Figure 5.7: Percentage of respondents that prepared a full written business plan



Respondents Perception of Business Planning

The question was asked 'how important do you think prior planning was to your business?'. Fig 5.8 Shows the percentages that respondents felt prior planning was important to their business. The largest majority of the sample 'somewhat agreed' with this statement and they accounted for 39% of respondents. This was followed with 26% of respondents answering 'very important' to this question and 20% of respondents answering to 'not important' which indicates an interesting contrast.

Figure 5.8: How important did respondents perceive prior planning to be for their business



Summary of Descriptive statistics per scale

Table 5.1 below represents the descriptive statistics per scale. The reason that the minimums are negative two and the maximums are three is due to the way the data was coded. The coding was done with negative two representing a disagreement with the statement and a three representing a strong agreement with the statement. For a neutral emotion towards the statement the coding that was used was a zero.

Table 5.1: Descriptive statistics per scale dimension

	N	Mean	Median	Mode	Min	Max	Std. Dev	Skewness
Prior Business Planning	103	.000	.81777	-1.75	-2	3	1.000	.027
When Launching the Business	103	.000	-0.018	-1.415	-2	3	1.000	-0.193
Pre-entry Knowledge	103	.000	.470	0.768	-2	3	1.000	-1.249

As can been seen in the last column of table 5.1, all but one of the response distributions were negatively skewed, particularly so in the case of responses to pre-entry knowledge (-1.249). This suggests that the majority of the respondents agreed with the statements that were made towards pre-entry knowledge.

Below is table 5.2 which shows the individual descriptive statistics for each industry. The reason this was done was to illustrate the descriptive statistics, but due to the nature of the data it could not be calculated the same way as in table 5.1. Using this table below the descriptive statistics can be clearly displayed.

Table 5.2: Descriptive statistics for the different industries

What broad industry does your company operate in?		Prior to launching	When launching	Pre entry Knowledge
Information Technology	N	27	27	27
	Minimum	-2	-2	-2
	Maximum	3	3	3
	Mean	0.32	-0.11	-0.05
	Median	0.48	0.12	0.15
	Std. Deviation	1.03	0.95	0.99
	Skewness	-0.37	-0.37	-1.30
Advertising	N	39	39	39
	Minimum	-2	-2	-2
	Maximum	3	3	3
	Mean	-.10	0.06	-0.03
	Median	-.21	-0.01	0.47
	Std. Deviation	1.07	0.98	1.06
	Skewness	0.00	-0.21	-1.12
Construction	N	37	37	37
	Minimum	-2	-2	-2
	Maximum	3	3	3
	Mean	-0.13	0.02	0.07
	Median	-0.01	-0.01	0.45
	Std. Deviation	0.85	1.06	0.95
	Skewness	-0.44	-0.11	-1.49
Total	N	103	103	103
	Minimum	-2	-2	-2
	Maximum	3	3	3
	Mean	0.00	0.00	0.00
	Median	-0.01	-0.01	0.47
	Std. Deviation	1.00	1.00	1.00
	Skewness	-0.15	-0.19	-1.25

As we can see from the above table the information industry was proportionally underrepresented. When observing the total sample, the skewness for 'prior business planning' and 'when launching' are found to be in very similar zones. In comparison pre-entry knowledge on the other hand is more negatively skewed.

5.1.4 Psychometric Properties of the Scales

The internal consistency for each of the scales was then explored, focusing on the Cronbach's alpha per scale as a measure of internal consistency. Cronbach's alpha is the average value of reliability coefficients one would have obtained for all possible combinations of items when split into two half-tests (Gliem and Gliem, 2003). George and Mallery (2003) provided the following rules of thumb for the value of Cronbach's alpha:

>.9 – Excellent
>.8 – Good
>.7 – Acceptable
>.6 – Questionable
>.5 – Poor
<.5 – Unacceptable

A high value for Cronbach's alpha thus indicates a good internal consistency of the items in the scale. Taking into account Gliem and Gliem (2003) with regards to an alpha of .8 being a reasonable goal, two dimensions were found to have reasonable and 'good' internal consistency, (over 0.8), lending to their reliability as seen in table 5.3. One dimension was found to have an 'acceptable' Cronbach alpha of over 0.7 and therefore it will be used for the purposes of this study. However one dimension (previous start-up knowledge) was found to have a 'questionable' Cronbach alpha of 0.601. This was deemed to be below the threshold of acceptance for internal consistency. Therefore, 'previous start-up knowledge' was removed from the study on the grounds of not being internally consistency. The possible weakness of 'previous start-up knowledge' revolved around the fact that the question was measured in a binary response format which drastically decreased the chances of the items being internally consistent. This was a limitation when looking in retrospection.

Table 5.3: Internal consistency of items per scale

	Cronbach's Alpha
Prior planning	.881
When launching the business	.738
Pre-entry knowledge	.819

5.2 In Response to the Research Hypotheses

There were two major steps that took place for the hypothesis testing, namely:

1. Factor Analysis
2. Ordinal Logistic Regression Analysis

Furthermore with the Ordinal Logistic regression analysis there are two tests that were run to ensure the validity of the hypothesis testing being done. These tests are the 'Goodness of Fit test' and the 'Omnibus test' which will both be explained within the motivation for this type of regression analysis.

5.2.1 Motivation to use exploratory factor analysis

The purpose of the factor analysis as a measure of interdependence was to further understand the structure of the set of variables in this study – the business planning and pre-entry knowledge dimensions (Zikmund, 2003). The factor analysis was used to identify a relatively small number of factors from the business planning and pre-entry knowledge sections of the questionnaire in order to represent the relationship among the business planning and pre-entry knowledge dimensions.

Principal Components Factor Analysis was the method used in order to identify the best combination of variables in the sense of accounting for most of the variance in the data as a whole. Before acceptance, the emerging factors were checked against the criteria, as outlined by Zaltman and Burger (1975). Firstly the value of the Eigen value was greater than 1.0 (at a .05 level of significance). Secondly the variance explained by all factors was greater than 40 percent and no variable had significant loading on more than one variable.

The analysis was exploratory in that the relationship amongst business planning and pre-entry knowledge was not known with great certainty prior to the analysis. What was revealed from the factor analysis was that two clear factors are evident from both business planning as well as pre-entry knowledge as seen below.

For business planning there were seven questions that loaded into one factor which was named ‘prior planning’. The factor named ‘prior planning’ represented the planning the venture did before launching the business. Then another two questions that loaded into another factor named, ‘when launching’. This factor named ‘when launching’ represented whether or not the prior business plan was implemented or referred to once the business had been launched. Below are tables that show the eigenvalues which represent the amount of total variance explained by that factor (Pallant, 2007).

Below is table 5.4 and it signifies the ‘prior planning’ factor and the percentage variance that this individual factor accounted for.

Table 5.4: Eigenvalues for 'prior planning'

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.091	58.441	58.441	4.091	58.441	58.441

Below is table 5.5 and it signifies the 'when launching' factor and the percentage variance that this individual factor accounted for.

Table 5.5: Eigenvalues for 'when launching'

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.596	79.796	79.796	1.596	79.796	79.796

Factor analysis was also done on pre-entry knowledge of the entrepreneur again two factors were identified named, 'previous work experience' and 'previous start-up experience'. However, 'previous start-up experience' Cronbach's alpha was below the acceptable limit of >.7 and therefore we had to eliminate it from the Ordinal Logistic regression analysis for purposes of this study. The factor named 'pre-entry knowledge' represented the role that the entrepreneur's previous work experience played in the launching of the venture.

Below is table 5.6 and it signifies the 'pre-entry knowledge' factor and the percentage variance that this individual factor accounted for.

Table 5.6: Eigenvalues for pre-entry knowledge

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.694	84.700	84.700	1.694	84.700	84.700

Additionally once these factors were identified we were able to reduce them into their different factors for further scrutiny using Ordinal Logistic regression analysis.

Table 5.7: Different factors after factor analysis

	Factor 1	Factor 2
Business Planning	Prior to Launching the Business	Once the Business had been launched
Pre-Entry Knowledge	Previous Related Work Experience	

5.2.2 Motivation to change Hypotheses after conducting factor analysis

After the factor analysis had been completed it became clear that there was a need to change the hypotheses in order to make the research more relevant to the results obtained. This was due to identification of different pertinent factors that arose from performing the factor analysis. Even though the hypotheses have changed the fundamental literature arguments still hold true.

Therefore, based on the factor analysis findings the original hypotheses needed to be modified. Below are the new hypotheses that reflected the findings and thus becoming more relevant for purposes of this study and the data obtained.

Hypothesis 1a: *Having a formal business plan prior to launching a business contributes positively to venture growth.*

Hypothesis 1b: *Having a formal business plan prior to launching a business and then implementing this business plan contributes positively towards venture growth.*

Hypothesis 2a: *The positive relationship between prior business planning and venture growth is stronger as the level of the entrepreneur's pre-entry knowledge increases*

Hypothesis 2b: *The positive relationship between prior business planning and venture growth will be stronger as the level of an entrepreneur's pre-entry knowledge increases; providing this business plan is implemented*

Hypothesis 3a: *The positive relationship between prior business planning and venture growth is weaker when a venture is being founded in a dynamic industry*

Hypothesis 3b: *The positive relationship between prior business planning and venture growth is weaker when the venture is founded in a dynamic industry providing the business plan is implemented*

5.2.3 Motivation to use Ordinal Logistic Regression Analysis

For all of the hypothesis tests Ordinal Logistic regression analysis was applied through the use of a generalized linear model. The reason for this was due to the data being ordinal in nature as well as ensuring that at least two variables could be tested thoroughly. In each hypothesis there are different variables that are brought into the equation however the variables that remain constant are both the independent

variable (business planning) and the dependant variable (venture growth). Venture growth was calculated by taking the respondents revenue and calculating a figure in conjunction with the number of years that they had been in existence for. This method of regression analysis allowed for the inclusion of business age to be used as an 'offset' which is a structural predictor. It was determined that the scope of the analysis required a further understanding of business revenue and thus a linear regression or straight line method of dividing revenues by the business age would have proved to be insufficient for the purposes of the data analysis.

To summarise, business planning was divided into two different factors that were 'prior to launching the business' and 'once the business was launched' as discussed earlier. Pre-entry knowledge was also made into one single variable through the use of factor analysis as discussed earlier.

When running the Ordinal Logistic regression analysis the parameter estimator method that was used was the Fisher method, pertaining to this was the scaled parameter component which was a deviance method. The reason these methods were used was to ensure the variables being compared were done in a manner that ensured the data was analysed appropriately as well as to increase the robustness of the model.

There were also four controls variables that were present in all of the hypotheses testing and regression analysis. They were the gender of the interviewee, the race of the interviewee, the highest education level of the founder(s) and lastly the number of

founding members that were involved with the business. The reason control variables were used was to ensure that the outcome being measured was caused by the independent variable alone rather than any unpredicted variables (Saunders et al., 2009).

Within the Ordinal Logistic regression analysis two important tests were run to determine if the model generated using this type of regression would be applicable to use. Below are the two test results which are from the 'Goodness of Fit test' and the 'Omnibus test' as well as a motivation for using both of them.

5.2.4 Motivation to use the Goodness of Fit Test

The 'Goodness of Fit test' determines whether the model that has been developed is reliable enough to be used. This test looks at aspects regarding both the data fit as well as the model analysis reliability. The 'Goodness of Fit test' is poor if it is indicated that a significance level of less than .05 is achieved. Thus we want a value that is greater than .05 in order to support the model that has been developed (Pallant, 2007).

Findings:

Below is the table that indicates the 'Goodness of Fit test'.

Table 5.8: Goodness of Fit

	Value	df	Value/df
Deviance	576.060	793	.726

A programme called RGui (Fox and Anderson 2005) was then used to calculate the P-value for this model. The P-Value was calculated to be .9999 which is greater than .05, therefore indicating support for the model that was developed. Thus we can conclude that this model is appropriate for future analysis and it can be used for inferences about predictors and responses.

5.2.5 Motivation to use the Omnibus Test

The 'Omnibus test' gives an overall indication of how well the model performs, over and above the results obtained from the 'Goodness of Fit test'. The optimal outcome for this test is to achieve a highly significant value (the significance should be less than .05).

Findings:

As depicted below the significance value is .000 (which actually depicts p<.0005) which is indicative of a feasible model that can be used for inferences about predictors and responses.

Table 5.9: Omnibus Test

Likelihood Ratio Chi-Square	df	Sig.
212.960	23	.000

5.2.6 Hypothesis 1

For the first hypothesis the relationship that was explored was between the independent variable (business planning processes) and the dependent variable (venture growth) without considering any of the moderator variables. The hypothesis now consisted of two sections (*1a* and *1b*). The first section of the hypothesis testing revolved around the business plan and the second section comprised of whether or not this plan was followed or referred to.

> ***Hypothesis 1a:*** *Having a formal business plan prior to launching a business contributes positively to venture growth.*
>
> ***Hypothesis 1b:*** *Having a formal business plan prior to launching a business and then implementing this business plan contributes positively towards venture growth.*

As expressed previously an Ordinal Logistic regression model was used to test these hypotheses in order to determine the effects between the two variables and to analysis the significance that was present.

Findings:

The findings that became applicable after the factor analysis was completed were that there are two major influences at play with the process of business planning. Firstly there was planning that takes place before the business is launched. This was labelled as 'prior planning' and the considerations were items such as an evaluation of the competition amongst many others. The second factor that was identified was how the prior planning was used once the business had been launched. This was labelled as

'when launching' and it took into consideration items such as if the entrepreneur actually followed or referred to his business plan if they had one in place.

After running the Ordinal Logistic regression analysis on the first factor of 'prior planning' we see an interesting result. Below is the table that represents the regression analysis findings. It must be noted that the degrees of freedom (df2) was so high due to the analysis also taking into account the controls variables.

Table 5.10: Prior planning Ordinal Logistic regression results

Source	Type I				
	Likelihood Ratio Chi-Square	F	df1	df2	Sig.
Prior planning	.292	.292	1	793	.589

When observing table 5.10 the evidence reveals that there is no support for the argument that states prior planning contributes positively towards venture growth. This is because the significance level of prior planning is greater than 0.05% ($p>0.05$) which indicates no significance from the hypothesis test. Therefore hypothesis 1a regarding prior business planning reveals that it should be rejected based on the results attained.

However when analysing the data in table 5.11 from the second factor, namely when launching the business, the data indicates an alternative to what was experienced

above. It must be noted that in order for hypothesis *1b* to be tested the business would have had to have had a business plan in place in order to qualify for the testing.

Table 5.11: When launching Ordinal Logistic regression results

Source	Type I				
	Likelihood Ratio Chi-Square	F	df1	df2	Sig.
When launching	7.656	7.656	1	793	.006

As witnessed above in table 5.11 there is a significance level less than .05 which indicates that this is a significant factor. Thus, there is evidence from the data to support hypothesis 1b when both prior planning is done in conjunction with launching the business. In other words what this data stipulates is that venture growth is positively affected when the entrepreneur does business planning prior to launching the venture in combination with implementing this business plan when launching the business.

5.2.7 Hypothesis 2

The second hypothesis takes into account for the moderator variable of pre-entry knowledge and the objective is to determine whether the moderator has the effect of strengthening the relationship between the dependent and independent variables. The hypothesis consisted of two sections (*2a* and *2b*). This section will also look at the

business planning prior to launching the business and whether or not this plan was followed or referred to once the business had been launched.

> ***Hypothesis 2a:*** *The positive relationship between prior business planning and venture growth is stronger as the level of the entrepreneur's pre-entry knowledge increases*
>
> ***Hypothesis 2b:*** *The positive relationship between prior business planning and venture growth will be stronger as the level of an entrepreneur's pre-entry knowledge increases; providing this business plan is implemented*

Findings:

When analysing the data in table 5.12 the verification that pre-entry knowledge is revealing can be seen with the significance level being below .05 ($p<0.05$). Thus initially it can be seen that pre-entry knowledge does play a role as a direct contribution in the relationship between business planning and venture growth. However, upon further investigation the significance levels of pre-entry knowledge when in concurrence with prior planning leads to a highly significant level ($p<0.000$). This specifies that the combination of prior planning and pre-entry knowledge as a moderator contributes positively to entrepreneurial venture growth. This satisfies hypothesis 2a and therefore accept this hypothesis.

Furthermore, while observing the significance levels of pre-entry knowledge as a moderator for the factor 'when launching' it can be deduced that there is little consequence due to the significance levels being 0.127 ($p>.05$). Thus, indicating that there are few implications for deviating from the business plans when launching the

entrepreneurial venture while pre-entry knowledge is present. This therefore does not satisfy hypothesis 2b and therefore this hypothesis is rejected.

Table 5.12: Pre-entry knowledge Ordinal Logistic regression results

Source	Type I				
	Likelihood Ratio Chi-Square	F	df1	df2	Sig.
Pre-entry Knowledge	7.765	7.765	1	793	.005
Prior Planning × Pre-entry Knowledge	14.272	14.272	1	793	.000
When Launching × Pre-entry Knowledge	2.335	2.335	1	793	.127

5.2.8 Hypothesis 3

In hypothesis 3 the relationship between the moderator variable of dynamism is explored in order to establish whether there is any effect from doing business planning in three different industries that have different levels of dynamism. The hypothesis consisted of two sections (*3a* and *3b*) and the three industries that were chosen were the construction, the advertising and the information technology industry. Below the two hypotheses are stated.

> ***Hypothesis 3a:*** *The positive relationship between prior business planning and venture growth is weaker when a venture is being founded in a dynamic industry*

Hypothesis 3b: *The positive relationship between prior business planning and venture growth is weaker when the venture is founded in a dynamic industry providing the business plan is implemented*

Findings:

The three different types of industries that were present were the construction, advertising and information technology industries.

Upon integration of table 5.13 and the results it can be determined that there is no significance for both the industry as a direct variable and prior planning when the industry is a moderating variable. This is due to the data for industry and prior planning having a p-value larger than .05 (p>.05). However, when looking at the data with regards to 'when launching' and the industry as a moderator variable there is a significance present of .014 (p<.05). In this case it can be seen that there is significance and thus further investigation must be conducted to determine which of the industries are significant. Furthermore, hypothesis 3a can be rejected due to there being no significance but hypothesis 3b can be accepted due to there being significance present.

Table 5.13: Industry Ordinal Logistic regression results

Source	Type I				
	Likelihood Ratio Chi-Square	F	df1	df2	Sig.
Industry	4.017	2.009	2	790	.135
Prior Planning × Industry	5.803	1.934	3	790	.123
When Launching × Industry	10.706	3.569	3	790	.014

Below is the table that shows further investigation into which industry or industries are responsible for the significance level of .014. Upon analysis it can be identified that both the information technology and advertising industry are not significant due to the significance levels being over .05. The industry that was found to be significant was the construction industry. The significance levels were found to be at .014 for the construction industry which meant that the p-value was less than .05 hence making it significant. This finding indicated that making a plan and implementing it does play a role in venture growth and this will be explored further in chapter 6.

Table 5.14: Parameter estimates of each industry

Parameter	B	Std. Error	Hypothesis Test		
			Wald Chi-Square	df	Sig.
When Launching × Information Technology Industry	-.023	.9116	.001	1	.980
When Launching × Advertising Industry	.594	.6165	.928	1	.335
When launching × Construction Industry	.893	.3648	5.988	1	.014

Thus, in conclusion the data stipulated that for certain industries there is a difference the role of planning plays but this difference only proved to be significant for the construction industry. Overall the data stipulated that the moderator of dynamism does have a positive effect for venture growth and planning when the dynamism of the industry is low.

5.3 Conclusion

Below is a table showing how whether or not the hypotheses were accepted or rejected.

Table 5.15: Hypothesis findings summary

	Findings	Overall Conclusion
Hypothesis 1a	'Prior planning' was found to be insignificant	Reject hypothesis
Hypothesis 1b	'When launching' was found to be significant	Accept hypothesis
Hypothesis 2a	Pre-entry knowledge as a moderator was found to be significant	Accept hypothesis
Hypothesis 2b		Reject hypothesis
Hypothesis 3a	The industry type as a moderator was not found to be significant	Reject hypothesis
Hypothesis 3b		Accept hypothesis

CHAPTER 6: DISCUSSION OF RESULTS

The purpose of the discussion that follows aims to address the research objectives of the study. It intends to do so by attending to each hypothesis, providing insights into the findings related to the context of the study by taking into account the literature review as well as the results obtained.

As discussed earlier from the factor analysis two important components of business planning were identified. The first was with regards to the prior business planning done before launching the business. The second is related to what the entrepreneur does when launching the business in terms of whether or not they adhere to their prior business plans.

6.1 Addressing the Research Hypothesis

This discussion starts with viewing the literature review surrounding the business planning of the entrepreneurial venture. More specifically with regards to hypothesis 1a and 1b, that are stated below.

6.2 Hypothesis 1

> ***Hypothesis 1a:*** *Having a formal business plan prior to launching a business contributes positively to venture growth.*
>
> ***Hypothesis 1b:*** *Having a formal business plan prior to launching a business and then implementing this business plan contributes positively towards venture growth.*

6.2.1 Literature Comparison

In the literature review in chapter 2 the argument that was developed detailed both the positive characteristics as well as the negative characteristics of business planning from the point of view of previous research studies. In these discussions valid points were made by both sides of the argument.

However when looking at the literature review in conjunction with the results that have been attained we can see a representation starting to form. This representation specifies that prior business planning is not significant in creating venture growth unless the business plan is implemented or referred to.

This would indicate that when the business plan has been made but not followed the literature regarding the arguments against business planning would become applicable. These arguments can be summarised into four main points that represent the problems related to doing business planning.

Firstly as Bhide (2000) states, planning does not help create venture growth but rather inhibits it due to the argument that the entrepreneur misuses valuable time planning instead of creating a sustainable business. This is especially pertinent when the entrepreneur has taken the time to make the plan but then they do not use it. Thus the venture is negatively affected due to the entrepreneur's over-commitment in creating a feasible plan rather than taking actions in developing the business.

Secondly, the planning process has the possibility of distracting the entrepreneur from promising opportunities for growth and hampering the speed that entrepreneurs react to these opportunities (Bird, 1988). This can create an environment that is not conducive to the growth of the venture. Thus the data corroborates the findings of prior research done by Bird (1988)

Thirdly, by using the business planning processes the entrepreneur looses what certain researches believe is fundamental ability of being an entrepreneur. This ability is based on the entrepreneur's intuition and instinct to make decisions without the hindrance of having to look at the business planning that had been done (Allison et al., 2000).
It is possible that prior business planning can hamper venture growth for any or all of these factors stated above. However if the entrepreneur does prior business planning and then follows these plans the significance levels (0.006) indicate that there is a relationship that has positive effects on venture growth.

These positive effects are expressed by the prior literature from chapter two. Thus when prior planning is done and then the business plan is implemented or referred to we see that the significance levels are indicative to venture growth.

As Ansoff notes this may be because of a resource saving function that occurs from doing planning instead of a trial and error approach where time is wasted doing trials (Ansoff, 1991). This resource saving function also applies to times savings that the entrepreneur is able to take advantage of (Armstrong, 1982).

However, the literature that corroborates best with the results is the literature surrounding entrepreneurs ability to use their business plans as company road maps of where there organisation is heading. Subsequently planning ensures that the entrepreneur is able to make the required adjustments when the company has departed from the goals they have set themselves. This has the benefit of decreasing the amount of time that is wasted pursuing non-core activities as well as getting the company back on track timeously (Smith, Locke and Barry, 1990).

Following on from this is that planning ensures that the entrepreneur is able to convey and communicate the company goals more effectively and efficiently from the outset (Locke and Latham, 1980). This helps to create a common vision for the company moving forward.

6.2.2 Evaluating the Sample

When comparing this literature to the findings it is also important to contextualise the impact of the sample. For instance, the business revenue that the respondents were generating was skewed towards the smaller revenue figures. Not one of the entrepreneurial ventures was found to have the largest of the possible revenue figures (+R100 million) and only 19% of the respondents accounted for the last four revenue ranges (from R20 million to R100 million). Therefore what may have increased the usability of the findings would have been to ensure that there was more representation towards the top tier of the revenue figures. Alternatively it is possible

that the revenue figures should have been split into more categories at the lower end of the revenue scale to establish a more accurate picture of how much revenue growth there was. This may have impacted the data and results due to it not being normally distributed and consequently not being truly representative of the targeted data sample.

6.2.3 Overall Finding

Overall it seems that these findings would support certain articles from the prior literature that argues that business planning can have positive effects on venture growth but only when this plan is implemented or occasionally referred to.

6.3 Hypothesis 2

In this section hypothesis 2 is explored in detail with reference to the literature review and the results that the data produced.

> ***Hypothesis 2a:*** *The positive relationship between prior business planning and venture growth is stronger as the level of the entrepreneur's pre-entry knowledge increases*

> ***Hypothesis 2b:*** *The positive relationship between prior business planning and venture growth will be stronger as the level of an entrepreneur's pre-entry knowledge increases; providing this business plan is implemented*

6.3.1 Literature Comparison

When looking at the prior literature regarding business planning and venture growth when there is a specific moderator involved, we see some interesting results. For the purposes of this research pre-entry knowledge of the entrepreneur was used as a moderator. It was used as a moderator because the research was trying to establish if pre-entry knowledge had any effect on the ventures ability to grow when business planning was used. More specifically, whether or not this entrepreneurs previous work experience played a key role in business growth.

From the results it can be established that pre-entry knowledge had a significant impact on the ventures development and growth. However it was recognised that when pre-entry knowledge was present along with a business plan it was better to not implement or refer the business plan. This is an interesting finding that will be discussed further in conjunction with prior literature.

Overall the results indicated that pre-entry knowledge was substantial to the entrepreneur's ability to grow.

These findings are aligned with Denker et al. (2008) who stated that the entrepreneurs may not actually increase their chances of survival by planning but rather by having pre-entry knowledge. However what is evident is that when you have done prior planning beforehand and also have pre-entry knowledge the chances of venture growth are higher than without pre-entry knowledge. Also it was found from the data

that pre-entry knowledge and adhering to the plans that were made have no correlation. To be more specific the data indicates that when pre-entry knowledge is present if you do not follow your plans once the venture is launched then there is no significance (0.127). Therefore, the most important components to have present are both a business plan before launching the venture and pre-entry knowledge. This combination gives the business the best chances of success. The context of Denker et al. (2008) study was that they analysed start-up ventures and whether or not they had pre-entry knowledge and had early stage business planning. It did not follow whether or not these entrepreneurs adhered to their proposed plans. Thus there is a notable difference from the literature studies regarding thus subject.

Pre-entry knowledge may also help the entrepreneur due to problem solving. When unforeseen problems arise the entrepreneur is able to use this pre-entry knowledge to direct their way around the problem without influencing the growth of the venture in a negative way (Perkins & Rao, 1990). This is significant because without this pre-entry knowledge the entrepreneur may have stuck to their original business plans rather than deviate from them and this act could have caused an impact on the growth of the venture they were able to create. Campbell (1988) agrees with this theory and he suggests that planning can be beneficial when the entrepreneur's decisions cannot rely on their experience or their habit to process this information (Campbell 1988). In the circumstances related to this study the entrepreneur is able to rely on both the planning that they did before starting the business as well as their previous experience. This combination seems to provide the most optimal growth for ventures.

However, throughout the literature surrounding the pre-entry knowledge the one that has the most correlation with the results is that put forward by Read et al. (2009). This stipulates that an entrepreneur that has pre-entry knowledge is able to use their experience to actually heighten the planning that is done. This particular planning would be done prior to starting the business and therefore they are able to increase their chance for venture growth. Furthermore, all the information that they are able to gather offers more benefits due to them knowing how to interpret this information and gauge which information is pertinent to their business (Read, et al. 2009).

A quote that was used in chapter 2 is "What an organization knows at its birth will determine what it searches for, what it experiences, and how it interprets what it encounters" (Huber, 1991, p. 91). This holistically concludes the effect that pre-entry knowledge can have on businesses.

6.3.2 Evaluating the Sample

A possible limitation from this sample was that it might have been possible that other founding members were the ones that had pre-entry knowledge when starting the venture. If this was the case then this could have been overlooked through the way the data was collected with only one of the founding members being interviewed. In some cases it may have been found that the other founding members had some pre-entry knowledge and the founder being interviewed at the time did not have pre-entry knowledge and therefore this would cause a possible oversight.

6.3.3 Overall Finding

Based on the data and the academic literature we can applicably argue that the pre-entry knowledge the entrepreneur brings to the venture helps in creating growth.

The entrepreneur will be able to achieve the main benefits by conducting prior planning when they have pre-entry knowledge but then not implementing these plans and relying more on their previous experience. Therefore we are able to determine that there is a positive relationship between prior business planning and venture growth when the entrepreneur has pre-entry knowledge.

6.4 Hypothesis 3

This segment will be used to discuss hypothesis 3 in detail with reference to prior literature and the results that were produced from the respondents responses to the questionnaire.

> ***Hypothesis 3a:*** *The positive relationship between prior business planning and venture growth is weaker when a venture is being founded in a dynamic industry*

> ***Hypothesis 3b:*** *The positive relationship between prior business planning and venture growth is weaker when the venture is founded in a dynamic industry providing the business plan is implemented*

6.4.1 Literature Comparison

Of the three industries that were chosen (Information technology, construction and advertising) only one was found to have significance as a moderator for venture

growth in the overall results of the study. This industry was also only found to be significant when prior planning is done and then this planning is implemented or referred to going forward. The one industry that was found to have significance was the construction industry. It was conceptually argued in chapter 2 that these three industries can be classified as in different dynamisms. Information technology was classified as a high dynamism, the advertising industry was classified as moderate dynamism and the construction industry was classified as low dynamism. Therefore, there are findings from this study to suggest that the dynamism of the industry that the entrepreneur enters does play a role in venture growth.

This finding was partly consistent with previous research that indicated the industry the entrepreneur was entering made a difference in venture growth. It was theoretically developed that there was a contextual difference in these three industries and the results were hopeful to prove that this was indeed the case. However when contrasting this to the results it emerges that one of the industries is found to be substantial.

It was already determined in previous research that factors such as the industry the entrepreneur enters will play a role in offering different challenges to the entrepreneur (Aldrich & Fiol, 1994). The examples that were given were acquiring capital as well as creating markets for new products.

The majority of the research (Eisenhardt, 1989; Fines, 1998; Henderson, Miller and Hambrick, 2006; Nadkarni and Narayanan, 2007) identified that the planning a venture

does differ depending which industry they enter. In more mature industries there is less dynamism and therefore the planning can be done more efficiently and it is easier to adhere to these plans. However they it is also important to recognise that the markets that they were generally discussing were ones that were newly established. For example the internet industry when it was non-existent and there was no common knowledge of what it entailed. Thus, they had to create a market for something that was completely unknown. In this study the markets that were analysed did not have to start off from a completely unknown market.

Bhide (2000) states that an entrepreneur that starts a business in a market that is already established will be able to get more information around the industry dynamics. This would entail that they are also able to plan more effectively and thus increase their chances of successful growth of the venture.

Brinckmann et al. (1994) also detailed that the less dynamism the entrepreneur faces the better the quality of planning they might be able to produce. This could have in turn increased the potential the venture was able to grow (Brinckmann et al. 1994). It was also suggested by Brinkermann et al. (2010) that business planning may be done better by companies that are more established in certain industries. To corroborate what Brinckmann et al. (1994) have stated was Forbes (2007), who agreed that an increased dynamism level could result in a decreased performance of the business growth. This holds true for the construction industry which was classified as having low dynamism. However, when observing the other two industries (information technology and advertising) from this study they reflected that there was no

significance difference in which two industries the venture was established in and how much they were able to grow.

6.4.2 Evaluating the Sample

In previous literature studies the research was targeting very early establish industries. It is possible that the industries chosen for this study are too well established to be classified as having high dynamism levels. Another shortcoming from this study is that the dynamism levels were defined contextually and not empirically. Thus for further research it would have been better in hindsight to investigate if there was indeed different dynamism levels in each of the industries.

Also certain market conditions may have been different in the context of the prior research and the research that was conducted in South Africa. For example, the availability of access to capital and the entrepreneurial environment may have differed considerably.

6.4.3 Overall Finding

Overall the findings and results did support that there was a moderator effect caused by industry but only for the construction industry. Thus, the venture growth was not affected by the other two industries that were chosen for this study while having business planning present. For the construction industry to be significant both planning needs to be done prior to launching the business as well as implementing this

plan when launching the business. Prior literature corroborates this finding for a low dynamism environment.

Another finding is that it is possible that the advertising industry and information technology industry cannot be defined as moderate and high dynamism levels. This may indicate that further research could be done to investigate whether these dynamism levels are indeed accurate or if they may be incorrect as this research indicates.

Overall, the main learning would be that in a South African environment the industry that an entrepreneur enters is not necessarily characterised by a major difference in the level of dynamism. In all entrepreneurial environments there will always be a certain element of dynamism, that is the nature of starting a new business, and this is just one of the elements that an entrepreneur has to deal with.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Academic Contributions

Throughout this research there has always been contrasting literature that was opposed to business planning and literature that saw the positive aspects of business planning. This makes it practically confusing for entrepreneurs to see where they are able to gain value from doing planning and where there is no value to be had, in terms of venture creation.

The academic contributions that this research has wished to create revolves around highlighting that it may be possible that both literature points of views are correct to an extent, depending on what the circumstance are surrounding the nature of the business and the environment they operate in. This is an interesting contribution because most research is interested in the aspect of prior planning. It is thought-provoking because planning is mainly used to gain capital in many instances and therefore once capital has been acquired the plan may not be implemented for numerous reasons. This study took this into consideration and tested it statistically from the data obtained, which contributed to an interesting aspect of this research.

Additionally, from the factor analysis it was established that there are two items that comprise of business planning. These were the prior planning the entrepreneur does before launching and then whether or not these business plans are implemented or referred to. This has helped in understanding what components make up the independent variable of business planning when observing the ventures growth

(dependent variable). This is an academic contribution because it offers insight into the planning process and this planning process is continual and not one dimensional as some studies have seemed to indicate. Thus, planning can be an elaborate and complex process. Therefore, it is important that an entrepreneur must not underestimate the potential value that it can unlock in certain circumstances.

Empirical evidence has shown that there is value in an entrepreneur making business plans and then following these plans. This study contributes to further argue the point that planning can be beneficial to entrepreneurial growth. The empirical outcomes also indicated that moderators did play a role on venture growth, which are important reflections to take into account. Building on this point is the fact that this study also contributed in highlighting the importance of pre-entry knowledge and industry dynamism.

7.2 Limitations from the Research and Suggestions for Further Study

One of the most prevalent limitations that this research had was respondent bias. This might have occurred when the respondents were answering the questionnaire but it is hard to gauge the effect of this bias. This bias would have revolved around retrospective bias by the entrepreneur and this could be a problem because some businesses are as old as ten years and therefore the memories of the entrepreneur may not be accurately portrayed. Building on this is the response bias that might have been present from the pre-entry knowledge section of the questionnaire. It is a bias because respondents might have overstated the importance that previous experience played in the role of pursuing the business opportunity. Also, in the section of the

questionnaire that focused on previous start up experience the questions were asked in a way that the response was in a binary format. For future research in may be interesting to see if previous start up experience plays a role in the growth of the venture using Likert scale questions.

A factor to consider as a limitation is that the respondents data received for both business revenues and business age were skewed. This may have influenced the results due to not being truly balanced representation of respondents. It would have been an interest comparison to see if the findings were the same for higher revenue generating companies that were more established in their particular industries.

This study took place in a very different context to previous studies. This study was done in a South African environment with the world coming out of a global recession. This might make it difficult for comparing previous research to this study. The global recession may have played a part in influencing the findings due to the revenue growth that the businesses have experienced.

Furthermore, the sample method that was used may have also been a limitation of the study. The reason for this is because the research stream would likely have only been getting interviews from people in their direct networks. This could be a limitation because it does not get a truly representative sample and the respondent might be very similar to the interviewee that referred them (Saunders et al., 2009). For future research it should be explored if there is a different sampling method that could be used to enhance the varying representation of the respondents.

For future research the relationship between entrepreneurial growth and the industry they enter could be explored in more detail. This could be done by assessing the dynamism that is present in the specific industry the entrepreneur enters. A questionnaire could be developed that empirically tests for these dynamism levels. In this research a limitation due to dynamism is that the argument was contextual in nature when defining what levels of dynamism were present. Thus, the future research could be empirical in nature instead of contextual.

Further research could also be done around pre-entry knowledge. The suggestion is based on the findings that pre-entry knowledge plays a role on venture growth when it is present as a moderating variable. Therefore, it would be interesting what the findings would be if pre-entry knowledge was used as the independent variable for the research. Indications from this study show that there could be a stimulating relationship that could be further explored.

Another area of future research could be done in the same field of entrepreneurial business planning. However, it may be interesting to explore the quality level of business planning that is done in a South African context and whether this has an impact on the venture growth that is experienced. It may be found that higher quality business plans increase the venture growth experience by the entrepreneurial venture.

7.3 Entrepreneurial Implications

The findings have helped to gauge a further understanding of the entrepreneurial complexities in a South African environment. There are some important practical inferences that can be taken from this study.

Firstly, it was found that it does help when entrepreneurial business planning is done and that the businesses follow these plans. However, if business plans are prepared and the plans are not implemented, then there is no relation to venture growth. This could actually hinder the growth due to the time wasting factor, unless you needed the plans to access capital. This is a key implication for entrepreneurs. Practically, if plans are prepared then they should be followed in order to gain the most benefit for venture growth. This is an important aspect for entrepreneurs to consider when starting their businesses.

Secondly, pre-entry knowledge has shown itself to be a very important moderating variable for the growth of the venture. It was determined that when pre-entry knowledge is present the best action to take is to prepare business plans and then not actually implement those plans. A conclusion that was made about this behaviour was because it may be better to use the experience and knowledge already acquired to get around challenges and unforeseeable events that take the business in a different direction. However, without pre-entry knowledge it is better to follow these plans then try an alternative approach because the entrepreneur will not know how best to tackle the challenge. Entrepreneurs must be made aware of how important pre-entry

knowledge is. It may be beneficial to gain this experience before starting entrepreneurial ventures or find founders that can positively contribute in having previous experience and knowledge in the area the entrepreneur is establishing themselves.

Lastly, planning was found to be more effective in a stable industry environment with low dynamism. This was seen to be prevalent with the construction industry. This is due to the fact that there are fewer factors that may surprise the business and therefore planning can be more effective due to a higher level of predictability. Low dynamism industries also do not have to constantly adapt to change as in the case of businesses in high dynamism industries. Thus, they are able to have a lower degree of flexibility. Entrepreneurs need to be aware of these factors and make informed decisions before entering certain industries. Different industries have their own unique challenges and shortcomings. This is where the business planning an entrepreneur does helps to establish whether the business can be sustainable and successful.

7.4 Summary

It is important to realise that entrepreneurship plays a huge role in job creation and economic upliftment of communities and therefore countries. In a South African environment where the unemployment rate is high, it is vital that entrepreneurship is encouraged and supported at all levels.

The more tools that an entrepreneur has at their disposal, enhances the chances that they will be successful. Through this research, it has helped to illustrate that planning

does play an important role in creating venture growth when done in a productive way. Entrepreneurs should not underestimate the importance that pre-entry knowledge plays in helping to creating a successful business. They also need to assess the industry that they enter very prudently. Overall it is important that all entrepreneurs are ready for unforeseen challenges and obstacles. They can overcome these obstacles either by implementing their plans or using their previous experiences. Entrepreneurship is an enabler for economy development and therefore it is important to have a sustainable and attractive business environment for future economic growth.

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Appendix A: Questionnaire

INFORMATION SHEET DOCUMENT
"Entrepreneurship Survey"

RESEARCHERS' STATEMENT

We are asking you to complete a survey as part of a research study. The purpose of this information sheet is to give you the information you will need to help you decide whether to be in the study or not. **It IS NOT part of the actual study.** This process is called "informed consent." Please read the form carefully.

DESCRIPTION/PURPOSE OF RESEARCH

The purpose of this study is to assess how the personal characteristics of entrepreneurs are related to the approach that they take in launching a building a new business.

You have been selected to participate in this study because of you have launched a business in South Africa in the last 10 years.

DATA COLLECTION AND ANALYSIS

All data collected as part of this research will remain confidential. Matching of data will occur through the use of a confidential number. No one but the researchers will see your individual data and the researchers will not be able to associate the data with a specific individual.

RISKS OR DISCOMFORTS

There are no foreseeable risks or discomforts associated with completing this survey.

ALTERNATIVES TO PARTICIPATION

You may choose not to participate in this study. You may withdraw from the study at any point. You are not obliged to answer all the questions.

BENEFITS OF PARTICIPATION

There are no direct benefits to you from participating in this study

CONSENT

By marking that you agree to participate, you give your permission for information gained from your participation in this study to be published in scholarly management literature, discussed for educational purposes, and used generally to further management science. You will not be personally identified; all information will be presented as anonymous data.

☐ I agree and choose to participate in this study.

☐ I do not agree and choose NOT to participate.

"Entrepreneurship Survey"

This survey is divided into 4 sections. Each section contains questions and exercises that will aid us to get a deeper insight into the role that individuals play in the process of launching a new venture.

Please answer the questions in each section as thoroughly and conscientiously as possible.

The four areas that will be examined in this research study are as follows:

SECTION 1: PRE-ENTRY KNOWLEDGE CHARACTERISTICS

SECTION 2: FOUNDING TEAM DEMOGRAPHICS

SECTION 3: APPROACH TO LAUNCHING AND BUILDING THE BUSINESS

SECTION 4: THE BUSINESS

SECTION 1: PRE-ENTRY KNOWLEDGE CHARACTERISTICS

Pre Entry Knowledge

This section of the survey will gather information about your work experience prior to launching the business venture that is being examined as part of this research.

	Disagree	Neutral	Somewhat agree	Agree	Strongly agree
My business is related to my previous work experience	1	2	3	4	5
My previous work experience was important in my decision to pursue this business opportunity	1	2	3	4	5
Had you founded a venture prior to launching this venture?	Yes / No				
Had you worked in a start up venture prior to launching this venture?	Yes / No				

SECTION 2: FOUNDING TEAM DEMOGRAPHICS

Founding Team Demographics
This section of the questionnaire will gather information about team that founded the business being examined as part of this research.

How many people were in the team that founded the business?		
To which ethnic group do the members of the founding team belong? *Insert the number of founders from each ethic group next to the ethnic group name*	A. Indian [ ] B. Coloured [ ] C. Black [ ] D. White [ ] E. Other [ ]	
What is the ethnic group of the interviewee?		
What was the gender mix of them members of the founding team?	A. Male [ ] B. Female [ ]	
What is the gender of the interviewee	Male	Female
What education (level and area) did the members of the founding team have at the time of founding the business? *One response for each member of the founding team.* *Insert the education and level of the interviewee first*	Level (High school, certificate, bachelors, honors, masters, doctorate)	Area (engineering, medicine, art, business, science etc.)
What were the ages of the members of the founding team at the time of founding the business *Fill in the age in years of each member of the founding team.* *Insert the age of the interviewee first*		

SECTION 3: APPROACH TO LAUNCHING AND BUILDING THE BUSINESS

Business Planning

This section of the questionnaire will examine some of the actions employed in the process of launching the business.

Prior to launching the business I or we …	Disagree	Neutral	Some-what Agree	Agree	Strongly Agree
Did a six to twelve month forecast on the future economic and business conditions within my industry and assessing their possible impact on sales	1	2	3	4	5
Analysed the possible changes that may take place within a year among my target customers	1	2	3	4	5
Analysed my potential competitive advantage over the competition	1	2	3	4	5
Did a three to five year financial forecast of the proposed business (i.e. income statement, balance sheet, cash flow statement)	1	2	3	4	5
Estimated the sales volumes and the Rand sales the company expected to reach in a period of six to twelve months	1	2	3	4	5
Determined the sales volume required to break even	1	2	3	4	5
Estimated the total annual compensation and the cost of other employee benefits	1	2	3	4	5
When launching my business I…..	Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
Followed my original business plan for a period of six to twelve months	1	2	3	4	5
Occasionally referred to my business plan	1	2	3	4	5
Did not follow my business plan and instead used a trial and error approach	1	2	3	4	5
Prepared a full written business plan	1	2	3	4	5
Does your business still have a written business plan in place	Yes / No				
How important do you think the prior planning was to your business?	Not important at all	Not very important	Somewhat important	Very important	Extremely important

SECTION 4: THE BUSINESS

Business Domain and Growth

This portion of the questionnaire will gather data on the area of business in which you operate and on the growth trajectory of the business.

What broad industry does your company operate in?	Information Technology / Advertising / Construction
If possible, please Indicate a sub-industry or specialization area in which your company operates.	
Please provide a brief description of your company's core function/s. What is the essence of your company? *E.g. This company buys media space in advance and then sells it to corporations and/or agencies as and when they need it for specific advertising campaigns OR This company seeks to work with large corporations to reduce their IT expenses by incorporating open source software into their IT operating environment*	
In which year was your business founded?	
How many people did you employ in the business at the end of year 1 of operation (including the founders)?	
How many people do you currently employ in the business (including the founders)?	
How much external equity (capital) has been invested in the business i.e. What is the total rand value of equity invested in the business?	
How much revenue did the business generate in the most recent financial year?	A. More than R100m B. R75m – R100m C. R50m – R75m D. R30m – R50m E. R20m – R30m F. R10m – R20m G. R5m – R10m H. R2m – R5m

	I. R1m – R2m J. Less than R1m

How would you describe the rate of revenue growth in your business over the past 3 years?	A. Very high – annual increase in revenue of 50% or more B. High – annual increase in revenue of 30% - 50% C. Moderate to high - annual increase in revenue of 20% - 30% D. Moderate - annual increase in revenue of 10% - 20% E. Moderate to low - annual increase in revenue of 5% - 10% F. Low - annual increase in revenue of 1% - 5% G. Stagnant – no increase in revenue H. Declining – revenue has been declining over the past 3 years
In what range are your net profit margins?	A. Very high – net profit margins of 50% or more B. High – net profit margins of 30% - 50% C. Moderate to high - net profit margins of 20% - 30% D. Moderate - net profit margins of 10% - 20% E. Moderate to low - net profit margins of 5% - 10% F. Low - net profit margins of 1% - 5% G. Breakeven – not making profits but also not losing H. Losses – currently making losses
How many years did it take for the business reach breakeven i.e. begin making a profit?	

FOR RESEARCHER USE

The information in this block will NOT form part of the research study. This information is collected as a control mechanism to ensure that each person gathering data collects valid data from a legitimate business started in South Africa in the past 15 years.

RESPONDENT TELEPHONE NUMBER (Ask)

Please record a contact telephone number for the person that was interviewed to gather the data recorded in this questionnaire.

TELEPHONE NUMBER OF RESPONDENT: ……

This number will ONLY be used to follow up with the respondent to ensure that they actually completed the questionnaire under the guidance of a researcher.

RESEARCHER STATEMENT (Researcher to complete)

I certify that all the information in this questionnaire was gathered from a person who purports to have started a business in South Africa in the past 15 years.

RESEARCHER SIGNATURE:……

RESEARCHER NAME:……

Appendix B: Categorical Variable Information

Categorical Variable Information

			N	Percent
Dependent Variable	How much revenue did the business generate in the most recent financial year?	less than 1 million	19	18.4%
		1 - 2 million	20	19.4%
		2 - 5 million	18	17.5%
		5 - 10 million	15	14.6%
		10 - 20 million	12	11.7%
		20 - 30 million	10	9.7%
		30 - 50 million	4	3.9%
		50 - 75 million	3	2.9%
		75 - 100 million	2	1.9%
		Total	103	100.0%
Factor	Highest education	No education	2	1.9%
		High School	18	17.5%
		Certificate	12	11.7%
		Bachelors	34	33.0%
		Honors	18	17.5%
		Masters	15	14.6%
		Doctorate	2	1.9%
		Other	2	1.9%
		Total	103	100.0%
	What is the gender of the interviewee?	Female	15	14.6%
		Male	88	85.4%
		Total	103	100.0%
	What is the ethnic group of the interviewee?	Indian	6	5.8%
		Coloured	3	2.9%
		Black	33	32.0%
		White	61	59.2%
		Total	103	100.0%
	What broad industry does your company operate in?	Information Technology	27	26.2%
		Advertising	39	37.9%
		Construction	37	35.9%
		Total	103	100.0%
	Number of Founding Members	0	1	1.0%
		1	37	35.9%

		2	39	37.9%
		3	12	11.7%
		4	9	8.7%
		5	3	2.9%
		6	1	1.0%
		10	1	1.0%
		Total	103	100.0%

Appendix C: Parameter Estimates for Planning and Pre-entry Knowledge

Parameter Estimates

Parameter		B	Std. Error	95% Profile Likelihood Confidence Interval		Hypothesis Test		
				Lower	Upper	Wald Chi-Square	df	Sig.
Threshold	Revenue generated=1	-5.922	1.9275	-15.926	2.154	9.440	1	.002
	Revenue generated=2	-4.653	1.9313	-14.667	3.490	5.804	1	.016
	Revenue generated=3	-3.671	1.9365	-13.705	4.501	3.594	1	.058
	Revenue generated=4	-2.768	1.9413	-12.815	5.426	2.033	1	.154
	Revenue generated=5	-1.930	1.9425	-11.988	6.289	.987	1	.320
	Revenue generated=6	-.991	1.9401	-11.042	7.253	.261	1	.609
	Revenue generated=7	-.371	1.9388	-10.393	7.898	.037	1	.848
	Revenue generated=8	.570	1.9460	-9.480	8.932	.086	1	.769
Highest education=7		-4.279	2.1207	-14.924	3.750	4.072	1	.044
Highest education=6		.812	2.1158	-9.691	8.872	.147	1	.701
Highest education=5		-.485	1.8270	-10.674	7.214	.070	1	.791
Highest education=4		-2.952	1.7872	-13.106	4.683	2.728	1	.099
Highest education=3		-4.200	1.7609	-14.279	3.362	5.690	1	.017
Highest education=2		-1.367	1.7751	-11.367	6.383	.593	1	.441
Highest education=1		-3.831	1.8307	-13.994	3.929	4.379	1	.036
Highest education=0		0[a]	.	.	.	.	.	.
Gender=1		2.453	.5741	1.079	3.806	18.262	1	.000
Gender=0		0[a]	.	.	.	.	.	.
Ethnic group=3		2.094	.8551	.108	4.120	5.997	1	.014
Ethnic group=2		.271	.8746	-1.735	2.305	.096	1	.756
Ethnic group=1		4.390	1.3451	1.288	7.150	10.651	1	.001

Ethnic group=0	0[a]	.	.	.	.	.	.
Number of founders	.135	.1499	-.206	.489	.815	1	.367
When launching	.127	.4389	-1.169	1.542	.084	1	.006
Pre-entry knowledge	-.802	.2055	-1.329	-.288	15.233	1	.005
Prior planning	.129	.4097	-1.058	1.237	.098	1	.589
Launch * Pre-entry knowledge	.403	.2055	-.088	.904	3.837	1	.127
Pre-entry knowledge * Prior planning	.879	.1841	.455	1.300	22.791	1	.000
(Scale)	.726[b]						

Appendix D: Parameter Estimate for Industry

Parameter Estimates

Parameter		B	Std. Error	95% Profile Likelihood Confidence Interval		Hypothesis Test		
				Lower	Upper	Wald Chi-Square	df	Sig.
Threshold	Revenue generated=1	-8.312	2.2915	.[a]	.[a]	13.156	1	.000
	Revenue generated=2	-7.020	2.2794	.[a]	.[a]	9.484	1	.002
	Revenue generated=3	-6.023	2.3067	.[a]	.[a]	6.817	1	.009
	Revenue generated=4	-5.123	2.3183	.[a]	.[a]	4.883	1	.027
	Revenue generated=5	-4.266	2.3591	.[a]	.[a]	3.269	1	.071
	Revenue generated=6	-3.261	2.3475	.[a]	.[a]	1.930	1	.165
	Revenue generated=7	-2.556	2.3918	.[a]	.[a]	1.142	1	.285
	Revenue generated=8	-1.509	2.4129	.[a]	.[a]	.391	1	.532
Industry=1		.053	.9027	.[a]	.[a]	.003	1	.953
Industry=2		-.607	.6680	.[a]	.[a]	.827	1	.363
Industry=3		0[b]	.	.	.	.	.	.
Ethnic group=0		-.732	1.5853	.[a]	.[a]	.213	1	.644
Ethnic group=1		.923	1.5033	.[a]	.[a]	.377	1	.539
Ethnic group=2		-1.903	.6414	.[a]	.[a]	8.801	1	.003
Ethnic group=3		0[b]	.	.	.	.	.	.
Gender=0		-1.865	.8734	.[a]	.[a]	4.561	1	.033
Gender=1		0[b]	.	.	.	.	.	.
Highest education=0		1.559	2.8796	.[a]	.[a]	.293	1	.588
Highest education=1		-.132	.9322	.[a]	.[a]	.020	1	.888
Highest education=2		3.146	.9250	.[a]	.[a]	11.565	1	.001
Highest education=3		-.644	.7820	.[a]	.[a]	.679	1	.410
Highest education=4		.548	.9519	.[a]	.[a]	.331	1	.565
Highest education=5		2.821	1.1402	.[a]	.[a]	6.124	1	.013
Highest education=6		2.854	1.6105	.[a]	.[a]	3.142	1	.076
Highest education=7		0[b]	.	.	.	.	.	.
Number of founders=0		-2.936	1.9216	.[a]	.[a]	2.334	1	.127

Number of founders=1	-1.013	1.6832	.[a]	.[a]	.363	1	.547
Number of founders=2	-.048	1.6691	.[a]	.[a]	.001	1	.977
Number of founders=3	-1.164	1.8732	.[a]	.[a]	.386	1	.534
Number of founders=4	2.347	1.9505	.[a]	.[a]	1.448	1	.229
Number of founders=5	-1.384	3.0894	.[a]	.[a]	.201	1	.654
Number of founders=6	-21.865	2.8237	.[a]	.[a]	59.959	1	.000
Number of founders=10	0[b]	.	.	.	.	.	.
Industry=1 * prior	.086	.7691	.[a]	.[a]	.013	1	.911
Industry=2 * prior	-.777	.4875	.[a]	.[a]	2.541	1	.111
Industry=3 * prior	.564	.6195	.[a]	.[a]	.830	1	.362
Industry=1 * launch	-.023	.9116	.[a]	.[a]	.001	1	.980
Industry=2 * launch	.594	.6165	.[a]	.[a]	.928	1	.335
Industry=3 * launch	.893	.3648	.[a]	.[a]	5.988	1	.014
(Scale)	.736[c]						