# Fundamental entrepreneurial planning processes: resource assessment and opportunity evaluation

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***Abstract:*** *Research focused on new venture planning has received much attention in the entrepreneurship literature. However, while this stream of research has enjoyed substantial development, it also faces numerous challenges that must be addressed to ensure future progress. This paper identifies existing challenges in research focused on entrepreneurial planning and offers resolution via the development of a more parsimonious but fuller conceptualization of new venture planning. Focus is placed specifically on the most basic and fundamental planning processes and on the identification of important internal and external factors that influence how entrepreneurs progress through these fundamental planning processes.*

***Keywords:*** *entrepreneurial planning; new venture planning; start-up planning; resources; entrepreneurial opportunities*

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Start-up, early-stage or entrepreneurial planning has recently become increasingly popular in academic curricula and among nascent entrepreneurs. New venture planning has become more widespread in business curricula, as 78 out of the top 100 business schools offer courses on business planning or business plan development; and numerous top business schools, including Harvard, Stanford, Wharton and MIT, host or endorse business plan competitions (Brinckmann *et al*, 2010). The popularity among practitioners is clearly evident, considering that approximately 10 million business plans are written annually (Karlsson and Honig, 2009).

Empirical results pertaining to the benefits of engaging in pre-start-up planning are often conflicting, though it has been established that in some contexts business planning can certainly enhance performance. Numerous studies have investigated the performance benefits which can potentially be gained from engaging in start-up planning (Delmar and Shane, 2003; Dencker *et al*, 2009; Gruber, 2007). The majority of this research has focused on formal new venture planning, which often concentrates on the development of the almighty business plan. Unfortunately, it remains unclear as to how and when the performance benefits of entrepreneurial planning are likely to be realized (Bhide, 2000).

More importantly, business ideas are often conceptualized and generally developed some time before an entrepreneur even considers the development of a formal business plan, and surely before the entrepreneur engages in any type of formal ‘business planning’. Therefore, this paper focuses explicitly on the fundamental business planning process that all entrepreneurs engage in: resource assessment and opportunity identification and evaluation. The framework and conceptualization developed here are aimed at resolving the current challenges evident in business planning research. In doing so, three distinct research questions are addressed: What has contributed to the challenges and inconsistent findings in business planning research? What framework can be employed to overcome these challenges? What are the implications of applying such a framework?

First, a review of recent developments in business planning research is provided and various challenges and shortcomings are identified and discussed. Second, the resource assessment and opportunity identification and evaluation planning processes are delineated. Third, the conceptual model is presented along with the implications for future research focused on business planning. Finally, conclusions and implications are discussed.

## Literature review

*Entrepreneurial planning*

In academia, business planning has proved to be an important area of research within strategic management and subsequently in entrepreneurship. In fact, much of the planning literature in entrepreneurship stems from research into strategy investigating the benefits of strategic planning that could be gained by existing firms. However, contradictory perspectives have emerged concerning the potential benefits of new venture planning. It has been suggested that entrepreneurial planning literature has evolved to become what can be described as preoccupied with formal business planning techniques and development of the business plan (Honig, 2004). Other researchers have criticized the emphasis on planning, arguing that intuition and feedback are more valuable (Mintzberg, 1991). Further, there is some evidence that formal planning and the development of a business plan are not required to achieve new venture success (Bhide, 2000). Others appear to have even bleaker perspectives on planning, suggesting that it may be detrimental to business performance, as planning detracts time and attention from more valuable tasks (Dencker *et al*, 2009). Business planning is also viewed by critics as being potentially detrimental because the fast pace of entrepreneurial situations undermines the value of business planning; it leads to a potential illusion of control over information; it leads to decision-making errors in estimation; and planning can lead to overcommitment and organizational inertia as founders will tend not to deviate from plans even if environmental conditions suggest doing so (Bhide, 2000; Bird, 1988; Mintzberg, 1994).

In direct contrast, careful business planning consisting of gathering and analysing information can enable entrepreneurs to develop a thorough and realistic understanding of what will be required to make the business successful (Delmar and Shane, 2003). It has also been argued that planning enables firm founders to make decisions more quickly, manage resource supply and demand more efficiently, and convert abstract goals into concrete operational activities more proficiently (Delmar and Shane, 2003). Planning has been found to be of particular importance when tasks are uncertain and decision makers cannot rely on previous experience to process information.

The purpose here is not to become engaged in the ongoing debate about whether formal business planning is beneficial, but instead to concede that all entrepreneurs necessarily engage in some type of planning, be it formal, informal, emergent or improvisational in nature. All individuals who consider founding an enterprise certainly conduct some form of evaluation or assessment of potential resources, strategies, opportunities and outcomes before deciding to form a new business venture. Therefore, I build on existing literature that identifies the various benefits of planning while also considering the various aspects of the planning process and how cognitive, environmental, cultural and other contextual factors may influence the planning processes that entrepreneurs engage in, and address how these various processes may have subsequent effects on business outcomes.

Business planning is defined broadly as those efforts by a firm's founders to gather information about a business opportunity and to specify how that information will be used to create a new organization to exploit the opportunity (Castrogiovanni, 1996; Delmar and Shane, 2003). Included as part of business planning are the processes of gathering and analysing information, evaluating required tasks, identifying risks and strategy, projecting financial developments and documenting these things in a written plan (Castrogiovanni, 1996; Sexton and Bowman-Upton, 1991). Entrepreneurs engage in other types of business evaluations that may be purely cognitive and are not likely to be included in a formal business plan. The most recent developments in entrepreneurial planning research are summarized in Table 1 (for a more extensive review, see Castrogiovanni, 1996).

## Challenges in entrepreneurial planning research

As reflected in Table 1, even recently a considerable amount of literature has been produced which attempts to identify the various benefits of start-up planning.

**Table 1. Developments in new venture planning.**

| Authors | Proposed theory | Study | Key results |
|---|---|---|---|
| Delmar and Shane (2003) | Business planning is an important precursor to actions and helps firm founders in making decisions, balancing resource supply and demand, and turning abstract goals into clear operational steps. | Investigated the effect of business planning on new venture disbandment, product development, and facilitation of venture organizing activity using a sample of Swedish new ventures. | Findings show that business planning prior to start-up results in substantial reduction in the hazard of venture disbanding, increases in product development, and increases the level of venture organizing activity. |
| Shane and Delmar (2004) | Based in goal-setting theory, it is argued that writing business plans before undertaking marketing activities should decrease the likelihood that the venture will be terminated. | Investigated the importance of the sequence in which business planning is conducted using a sample of Swedish new ventures. | Results suggest that completing a business plan prior to talking to customers and prior to initiating marketing activities substantially reduces the hazard of termination. |
| Honig (2004) | Based on the Piagetian model, it is suggested that, because entrepreneurs must focus on the science of invention and the institutional constraints of the marketplace, success is determined through the observation, interpretation and re-evaluation of new products and activities rather than pre-planned activities. | N/A | The theoretical model developed suggests a contingency approach to teaching entrepreneurship, which consists of divergent thinking exercises such as experiential simulations and contingency models of entrepreneurial education. |
| Gruber (2007) | Provides a process and contingency perspective of entrepreneurial planning, suggesting that while planning is beneficial, planning processes should be governed by the founding environment. | Hypotheses were investigated using a sample of 100 start-ups founded by venture capital located in Germany. | Results show planning can have a positive effect on venture performance. Specifically, planning is found to be most beneficial in dynamic environments when focus is on specific activities and planning is done quickly; and in environments with low dynamism, entrepreneurs who spend more time planning perform better. |
| Haber and Reichel (2007) | Provides a resource-based view combining the entrepreneurial process with resource accumulation. Argues that physical capital resources, human capital resources and organizational capital resources affect small venture sustainability. | Used a sample of 305 small tourism ventures in Israel to investigate both short-term and long-term performance using both subjective and objective measures. | Findings suggest that entrepreneurial human capital (experience, training, intelligence, relationships, insight of management) has the strongest effect on venture performance, while physical capital resources (physical location, technology, equipment) had a moderate effect on performance; and organizational capital (formal/informal planning) had only a minimal effect on performance. |
| Karlsson and Honig (2009) | Provide an institutional perspective on business plans, which suggests that business plans are probably developed because of institutional isomorphic pressures to gain legitimacy. | Used a multiple case study consisting of six new ventures, gathering longitudinal data through observations and interviews. | Found that in these cases business plans were developed largely to gain legitimacy from external actors, only adopting a business plan as a tool symbolically, and that plans were loosely coupled with actual operations. |
| Dencker, Gruber and Shah (2009) | Argue that pre-entry knowledge and managerial experience increase firm survival through the moderating effects on learning activities – specifically early-stage business planning and product-line change. | To test hypotheses, the authors used a sample of 436 individuals in the Munich region who founded firms as an alternative to long-term unemployment. | Results suggest that pre-entry knowledge and management experience increase the survival benefits of early-stage planning and product-line change. It is also found that high levels of planning are associated with increased failure rates, while product-line shifts are associated with decreased failure rates. |

*Continued*

**Table 1.** *Continued*

| Authors | Proposed theory | Study | Key results |
|---|---|---|---|
| Brinckmann, Grichnik and Kapsa (2010) | Argue that business planning in small firms increases performance; established small firms benefit from more increased performance from planning than do new small firms; the outcome of business planning has a greater effect on performance than the planning process; and business planning has a greater effect on performance in countries with low uncertainty avoidance. | A meta-analysis is performed consisting of 46 studies on 11,046 organizations including both new and established small firms. | The results suggest that business planning increases firm performance. The impact on performance is found to be lower for new small firms when compared with existing small firms; and higher uncertainty avoidance index (UAI) values have a negative impact on the planning–performance relationship. The study also highlights the important contextual determinants which moderate the planning–performance relationship and the importance of planning outcomes and processes. |

Much has hinged on identifying potential moderators to the performance benefits that can be gained through formal business planning activities (for example, Brinckmann *et al*, 2010; Gruber, 2007; Gruber *et al*, 2008; Haber and Reichel, 2007). However, only the contextual elements and environmental conditions have received adequate attention. Although some research has acknowledged the influences of the experience and knowledge of the founders (Dencker *et al*, 2009; Haber and Reichel, 2007), the individual circumstances and processes that the entrepreneurs engage in have been largely overlooked.

For instance, although some research considers the previous knowledge and experience of entrepreneurs, additional information about planning processes is required to develop a better understanding of new venture planning. Assessing the available resources and opportunities the individuals have can lead to further insight into the planning process. Furthermore, some studies concentrate on individuals, while other studies on planning do not differentiate between individual entrepreneurs and founding teams, which play an important role in the planning processes and associated assessment of a new venture opportunity. Additionally, while previous research considers (or controls for) some contextual and environmental factors, the circumstances of the individual, including resources available, goals/objectives, risks and potential opportunities, are usually not considered. Other research, which criticizes the planning school, provides explanation of why entrepreneurs do not and should not engage in formal planning, much of which is also based on environmental factors (Bhide, 2000; Dew *et al*, 2009; Sarasvathy, 2001). While this research often accounts for the entrepreneurs' specific resources available and how these resources are utilized in the venture creation process, it does not consider the various planning processes that are likely to occur even when decision making is emergent and improvisational in nature. Finally, some of the entrepreneurship research pertaining to planning does not differentiate between small entrepreneurial firms and new businesses, which is problematic because the decision-making processes differ substantially (Brinckmann *et al*, 2010). The following sections provide an attempt to shed light on the investigation of entrepreneurial planning processes, which integrates numerous theoretical perspectives and considers resources, objectives, capabilities, risks and opportunities, while also considering various cognitive and contextual factors in order to develop a more holistic view of entrepreneurial planning.

## Theoretical development

### *Resource assessment*

Resources – both tangible and intangible – have been found to be particularly important to start-up or early-stage firms (Chandler and Hanks, 1998; Davidsson and Honig, 2003; Dencker *et al*, 2009; Haber and Reichel, 2007; Sarasvathy, 2001). Additionally, resources associated with the entrepreneur, founder or founding team have been found to have substantial impacts on new venture outcomes (Haber and Reichel, 2007; Ireland *et al*, 2003). Almost all other processes associated with business planning, either formal or informal, would be difficult to undertake without making an assessment of both the resources already possessed, and those that can potentially be acquired or developed. Thus, *resource assessment* processes are among the initial processes that entrepreneurs engage in while considering an entrepreneurial opportunity.

The conceptualization of the resource assessment process is theoretically founded in the resource-based view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984) and dynamic capabilities research (Barreto, 2010; Dierickx and Cool, 1989; Teece *et al*, 1997). According to the RBV, firms possess tangible and intangible assets that can be used to choose and implement strategies; these assets are referred to as resources (Barney, 2001; Priem and Butler, 2001). It is likely that individual entrepreneurs and founding teams also possess various tangible and intangible assets. Further, resources are heterogeneous in nature; firms own and control different bundles of resources; and, due to the differences in the unique resource bundles owned by separate firms, resource immobility exists (Barney, 1991; Priem and Butler, 2001). Therefore, it is argued that possessing, developing or accumulating resources that are rare or valuable can lead to a competitive advantage (Barney, 1991; Wernerfelt, 1984). It is also argued that, due to the idiosyncratic nature of some resources required, they must be developed as they cannot be bought and sold on the open market (Dierickx and Cool, 1989). Thus, resources that are difficult for competitors to duplicate (inimitable) and cannot be purchased in factor markets (non-substitutable/non-tradeable) can potentially lead to sustainable competitive advantage (Barney, 1991; Dierickx and Cool, 1989; Priem and Butler, 2001).

Dynamic capabilities can be viewed in part as an extension to the RBV, as the framework suggested by the RBV is used in grounding the arguments associated with dynamic capabilities, and dynamic capabilities have been effectively used as a response to some criticisms of the RBV (Teece *et al*, 1997). Dynamic capabilities have been defined as a firm's abilities to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece *et al*, 1997) and later as the firm's potential to solve problems systematically, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions and to change its resource base (Barreto, 2010). Due to the nature of dynamic capabilities, these competences and resources cannot be acquired from markets and therefore must be internally developed by firms, making dynamic capabilities rare, difficult to imitate or substitute. Thus, dynamic capabilities can enable firms to gain or retain a sustainable competitive advantage (Barreto, 2010; Teece *et al*, 1997).

The RBV and dynamic capabilities literature has been most commonly used in research pertaining to established firms in order to describe how some firms may be able to establish competitive advantages. However, this framework is also applicable to entrepreneurial firms and the creation of new ventures, and may prove to be especially important in the resource assessment stage of business planning (Ireland *et al*, 2003). Although there are multiple conceptualizations of resources possessed by, or important to, new business ventures, most viewpoints concentrate specifically on the resources that are possessed by the entrepreneur or the founding team (Zahra *et al*, 2006).

First, from a strategic standpoint, Ireland *et al* (2003) differentiate between financial capital, human capital and social capital, suggesting that all must be managed strategically. Haber and Reichel (2007) use a slightly different conceptualization differentiating between physical capital resources (PCR), human capital resources (HCR) and organizational capital resources (OCR), which are said to affect new venture sustainability. Finally, the theory of effectuation first presented by Sarasvathy (2001) is also largely a resource-based perspective, although it is not traditionally presented as such. The theory of effectuation is instead presented as a set of cognitive decision-making processes that are non-predictive in nature and are heavily reliant on available resources. Of particular importance are the 'means' an entrepreneur possesses, which are said to be what they know, who they are and whom they know – a conceptualization very similar to social and human capital resources. Although effectuation has been disassociated with planning, as Sarasvathy and colleagues have adamantly explained that the processes are non-predictive in nature, this perspective is still applicable to the resource assessment stage of business planning processes.

The perspectives on resources described above have much in common, and all consider both tangible and intangible resources. Thus, the conceptualization of resource assessment presented here as part of the entrepreneurial planning process can be considered an integrative view borrowing from various perspectives of entrepreneurial resources. First discussed is the assessment of tangible resources, which can be viewed as the more simplistic type of resources to be analysed. Entrepreneurs can often readily assess tangible resources that are available for the development of a new business venture. Additionally, financial and physical capital resources can potentially be acquired from a variety of sources, which may lead an entrepreneur to engage in more formal business planning processes, as most potential investors require a formal plan (Kirsch *et al*, 2009). Human and social capital probably play a more important role in the assessment of resources, as these types of resources have been identified as determinants of what tangible resources (such as financing and physical resources) can be acquired by the firm (Haber and Reichel, 2007). Furthermore, research has suggested that human capital and financial capital may be substitutable, because human capital can be used instead of financial capital (Chandler and

Hanks, 1998) or to gain access to financial capital (Karlsson and Honig, 2009).

Although potentially more important than financial or physical capital, human and social capital may prove much more difficult to assess. However, research suggests that human and social capital play an integral role in the creation and development of a new business venture. Thus, the assessment of human and social capital is probably essential to the early stages of the entrepreneurial planning processes. Human capital is primarily associated with the knowledge and skills possessed by an individual or a firm that are relevant to the task at hand, along with the capacity to add to these skills, knowledge and experience through learning (Covin and Slevin, 2002; Dess and Pickens, 1999; Ireland *et al*, 2003). Social capital refers to the set of relationships between individuals and between individuals and organizations, and is collectively the total set of value-creating resources that accrue throughout a network (Ireland *et al*, 2003). As previously stated, human and financial capital can be to some extent substitutable. For example, Chandler and Hanks (1998) found that firms possessing high levels of human capital and low levels of initial financial capital performed in a similar way to firms that possessed low levels of human capital and high levels of financial capital.

These findings suggest that founders with strong background experience may be able to start successful firms with fewer financial or physical resources. Also supporting the usefulness of human and social capital that is derived from previous experience and knowledge, Dencker *et al*'s (2009) findings suggest that pre-entry knowledge and managerial experience increase the survival chances of the firm. Conversely, it was also reported in their findings that formal early-stage business planning was associated with decreased firm survival. However, when the assessment of social and human capital is included in the planning process in a holistic conceptualization of planning processes, these results can be interpreted differently. It could be that firms possessing less human and social capital engaged in formal early-stage planning processes because resource assessment suggested that certain resources were lacking. Additional support for the usefulness of human capital resource assessment is provided by Haber and Reichel (2007), as their findings suggest that entrepreneurs and their human capital form the core of venture creation. Social capital has been identified as a predictor of entry into an entrepreneurial venture, and has been shown to a have positive effect on venture performance (Davidsson and Honig, 2003). Ireland *et al* (2003) also suggest that both human capital and social capital influence the amount of financial capital a new venture can accumulate. Further, they suggest that both of these intangible resources are critical components to a firm's success.

In sum, previous research suggests that social and human capital are likely to be more rare, valuable, inimitable and difficult to substitute or develop, as these resources are heterogeneous, idiosyncratic and largely possessed primarily by the entrepreneur and/or the founding team. Therefore, it is argued that these resources can sometimes lead to the development of dynamic capabilities and therefore must be effectively assessed as an early part of the entrepreneurial planning process. The assessment of such unique and valuable resources can potentially determine decisions made pertaining to other entrepreneurial planning processes. Only when human and social capital resources are effectively assessed can the full benefits of the entrepreneurial planning process be achieved, because these resources have the potential to be extremely valuable and may determine future options and opportunities that may be realized or developed through the other entrepreneurial planning processes. Furthermore, if human and social capital are not fully assessed, it is unlikely that all potential opportunities will be realized and subsequently exploited.

### *Entrepreneurial opportunities*

Originally, entrepreneurial opportunities were conceived as pre-existing prospects which could potentially be discovered and subsequently exploited by savvy entrepreneurs who possessed the ability to scan the environment effectively and find these opportunities (Chandler and Jansen, 1992; Shane and Venkataraman, 2000). This conceptualization describes the traditional role of the entrepreneur who scans the environment, identifies the most auspicious opportunities, and then formulates strategies that can be used to exploit effectively the opportunities identified (Kirzner, 1973; Mintzberg and Waters, 1982). Opportunities have been found to 'exist' due to a variety of different factors ranging from new developments in science and technology to changes in demographic, regulatory and institutional arrangements (Venkataraman and Sarasvathy, 2010). From this perspective, the opportunity assessment, or evaluation, stage of the planning process becomes fairly simplistic. Entrepreneurs must merely use their experience, knowledge and skills to recognize various opportunities, then engage in evaluative planning processes to envision and evaluate potential outcomes associated with the opportunity. However, more recent research suggests that opportunities are not only found and recognized, but can also be created (Sarasvathy, 2004; Sarasvathy *et al*, 2005; Venkataraman and Sarasvathy, 2010). The perspective that opportunities can be 'created' suggests that entrepreneurs and their stakeholders may end up co-creating new opportunities that could not have been previously predicted (Read *et al*, 2009; Sarasvathy *et al*, 2008; Venkataraman and Sarasvathy, 2010).

This alternative conceptualization of entrepreneurial opportunities adds substantial complexity concerning how potential entrepreneurs may engage in planning processes associated with opportunity identification and evaluation. Further, this more recent stream of research suggests that opportunity evaluation processes associated with new venture planning probably take place throughout the various stages of the business development, rather than only in the earliest stages of the planning processes. Additionally, the potential to make or develop opportunities suggests that in some cases a clear or distinctive opportunity to be exploited need not exist during the earliest stages of the planning processes. Rather, entrepreneurs may consider relying more heavily on the resources they possess in order to develop potential opportunities through bundling and subsequent deployment of both tangible and intangible resources, followed by an evaluation of which combinations of the resource bundles are most valuable. Additionally, some experienced entrepreneurs have been found to generate a *choice set* consisting of numerous market opportunities before they make the decision to pursue the creation of a firm (Gruber *et al*, 2008).

In sum, planning processes associated with opportunity identification (or creation) and evaluation should largely be viewed as a continuous process in which entrepreneurs can remain engaged. This can be done in combination with other planning processes that might enable them to identify opportunities that may not have existed previously. Additionally, concerning opportunity assessment related to planning processes, it seems likely that feedback is an important aspect associated with these processes, as they cannot, or at least should not, be conducted without taking into account various environmental conditions and feedback (which is discussed more extensively in the following section).

## Implications for business planning research

The preceding two sections describe the most fundamental planning processes that all entrepreneurs necessarily engage in before making the decision to pursue an entrepreneurial business venture; whether or not they subsequently engage in formal planning, assessment and evaluation of resources and potential opportunities are required. Thus, resources and opportunities form the fundamental core of business planning processes. The following sections consider the various internal and external influences that affect, and in some cases determine how entrepreneurs in different environmental contexts, with different goals, experiences and skills might progress through these fundamental stages of the business planning processes. The associated conceptual model is depicted in Figure 1.

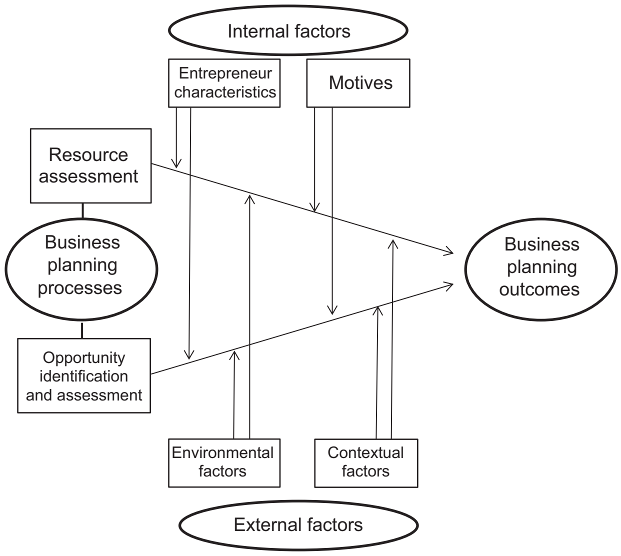


**Figure 1.** Influences on business planning outcomes.

*Influence of motives and characteristics of entrepreneurs*

Both resource assessment and opportunity evaluation processes that take place during the early stages of entrepreneurial planning are likely to be determined by the characteristics of the cognitive framework through which the entrepreneur sees and assesses the various resources and opportunities at his or her disposal. Specifically, entrepreneurs have been found to engage in entrepreneurship with a wide variety of different goals or objectives in mind. Reasons cited for engaging in entrepreneurship range between lifestyle, serial and social entrepreneurs who each may have predetermined goals concerning the outcomes associated with the creation of a new organizational venture. Further, entrepreneurs have been found to pursue multiple goals that may include a diverse set of personal objectives (Baker and Nelson, 2005).

As an example, let us consider the distinction of social entrepreneurship, which specifically examines activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner (Zahra *et al*, 2009). Concerning resources, social entrepreneurs have been found to have access to different sets of tangible and intangible resources, as social entrepreneurs are limited by tapping into the same capital markets as commercial entrepreneurs (Austin *et al*, 2006). In addition to possessing different resource stockpiles, social entrepreneurs garner and deploy resources differently in pursuing their perceived opportunities (Zahra *et al*, 2009). For instance, social entrepreneurs may dedicate all their resources specifically to social wealth generation while completely ignoring economic wealth (Zahra *et al*, 2009). Thus, the social entrepreneur provides only one of many examples in which entrepreneurs may differ substantially in how certain resources are assessed and evaluated throughout the planning process of an entrepreneurial venture.

Similarly, entrepreneurs' evaluation of opportunities will also vary based on individual differences and associated motives (Shane and Venkataraman, 2000). Consider again the previous example: social entrepreneurs will have a different perception associated with the identification and evaluation of opportunities. For instance, an opportunity that might be viewed by most as having the potential to create an exorbitant amount of economic wealth may not even be viewed as an opportunity by a social entrepreneur if there is no way any social benefit could be generated from the venture.

In sum, entrepreneurs vary in how they discover opportunities, set goals and objectives, and assess the resources necessary to pursue opportunities (Venkataraman and Sarasvathy, 2010; Zahra *et al*, 2009). Additionally, motive is only one reason why individual entrepreneurs will conduct early-stage planning processes in different ways that will lead to different outcomes. Entrepreneurs will assess and evaluate both resources and opportunities based on their own specific perspective, experience, identity and social network, along with many other individual characteristics. Additionally, various cognitive factors affect how individuals assess and act on information in the creation of new ventures (Baron, 2009). The planning processes that individual entrepreneurs engage in aimed at resource and opportunity evaluation will differ substantially based on the motives and other individual characteristics of the entrepreneur. However, although there are differences in the way individual entrepreneurs approach, perceive and eventually make assessments in regard to the fundamental planning processes of resource and opportunity evaluation, these processes remain the 'core' of entrepreneurial business planning.

### *Contextual and environmental factors*

Previous research has identified the importance of environment and contextual factors, which may influence or even limit the impact that entrepreneurial planning will have on firm outcomes (Castrogiovanni, 1996). Specifically, planning can be beneficial, but the activities should be governed by the type of environment facing the new venture (Gruber, 2007). In addition, planning processes are beneficial, but contextual factors such as newness and cultural environment have a significant impact on this relationship (Brinckmann *et al*, 2010). Further, retaining flexibility and avoiding organizational inertia may be beneficial while conducting planning processes in environments associated with high levels of uncertainty (Bhide, 2000; Honig, 2004). Findings also suggest that there may be substantial external institutional forces that influence entrepreneurs to engage in extensive planning, which result in the development of a formal plan (Honig and Karlsson, 2004; Karlsson and Honig, 2009). This perspective suggests that entrepreneurs engage in various business planning processes simply to legitimate the creation of a business enterprise, and that plans often do not prove useful to the entrepreneurs (Karlsson and Honig, 2009). Most of the studies concerned with planning and environmental or contextual conditions investigate specifically what type of planning entrepreneurs engage in, how extensive it is, and the performance outcomes or the survival of the firm.

When considering the broader conceptualization of planning presented here, environmental and contextual conditions will also be likely to play a vital role in the evaluative planning processes associated with resource and opportunity assessment. Entrepreneurs engaged in these early evaluative planning processes may or may not conduct an extensive environmental analysis. However, various environmental conditions will directly affect the nature and outcome associated with the evaluation of resources and opportunities.

For instance, consider the impact of environmental munificence – defined as the extent to which the environment provides enough resources to support established organizations and new entrants and to enable them to grow and prosper – on the resource assessment planning processes (Castrogiovanni, 2002). When environmental munificence is very low, which is often the case for the social entrepreneur (Austin *et al*, 2006), any resource may have substantially more value when compared with a more munificent environment. In an instance such as this, it may be more difficult to possess or acquire enough resources for the creation of a firm. If resources can be acquired and effectively bundled and deployed, it may in fact be easier to develop dynamic capabilities and potentially gain competitive advantages.

Concerning the evaluation of opportunities, the environmental conditions will also affect these processes and eventual outcomes. Perhaps most notable, environmental uncertainty, which can arise from other environmental conditions such as velocity (Bourgeois and Eisenhardt, 1988; McCarthy *et al*, 2010), volatility (Lawrence and Lorsch, 1967; Pfeffer and Salancik, 1978), complexity (Randolph and Dess, 1984) and dynamism (Child, 1981) certainly influences the evaluation of opportunities. When high levels of uncertainty are present in an environment, opportunities may become much more difficult to evaluate or even identify, because outcomes are extremely difficult or impossible to predict (Milliken, 1987). Thus, entrepreneurial planning processes associated with resource assessment and opportunity evaluation can be significantly influenced by environmental factors or conditions.

## Conclusion and implications

First, this paper provides a brief review of the recent entrepreneurial planning literature, which identifies various circumstances and strategies that have been found to have a positive relationship with new venture performance outcomes. Subsequently, a broad conceptualization of entrepreneurial planning is developed which concentrates on the most fundamental planning processes of entrepreneurial planning. From this perspective, the most fundamental and essential entrepreneurial planning processes are identified as resource assessment and opportunity evaluation. In this view, these fundamental planning processes make up the core planning processes in which all entrepreneurs necessarily engage. The conceptualization presented here suggests that resource assessment and opportunity evaluation, along with the associated personal characteristics, experiences, motives and environmental conditions, are of considerable importance for researchers investigating entrepreneurial planning.

There are no less than three contributions that can be gained by using the broader conceptualization of entrepreneurial planning presented here. First, investigating the initial and fundamental planning processes provides further insight into existing literature on entrepreneurial planning by offering a broader and more inclusive conceptualization and perspective, which provides a partial explanation of the conflicting research results currently found in entrepreneurial planning research. Additionally, taking into consideration the contextual, environmental and personal characteristics of entrepreneurs, which can directly influence the outcomes of resource assessment and opportunity evaluation, provides further insight into new firm performance and survival. Investigation of fundamental planning processes is also practically significant, as it highlights the importance of entrepreneurial planning processes, which lead to initial assessments and evaluations of both resources and opportunities that all entrepreneurs necessarily go through when considering pursuing a business venture. This framework provides a foundation for future research investigating the pertinent questions that entrepreneurs ask themselves when considering potential business ideas. Further investigation may lead to the identification of what entrepreneurs *should* ask themselves in regard to resources and opportunities when considering a business venture, which has clear implications for the design of entrepreneurial education.

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