

## **Why don't all entrepreneurs write business plans?**

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*Careful academic research on the business start-up process reveals that many entrepreneurs never write a business plan.*

These studies also show that writing a business plan helps entrepreneurs in a number of ways, including improving their odds of successfully developing a new product, organizing a company, accessing external capital, obtaining raw materials, generating sales and surviving over time. Regardless of what measure of performance academics have looked at, research shows that writing a business plan has a positive impact.

But for observers seeking to understand entrepreneurs, this pattern represents a puzzle. If writing a business plan is so beneficial, why don't all entrepreneurs write them? Academics have several theories:

The first might be called the ignorance theory. Many entrepreneurs don't know what researchers and more experienced practitioners have figured out. So they make mistakes that could be avoided if entrepreneurs would learn more about entrepreneurship before they start their businesses. (This theory, for obvious reasons, tends to be favored by business school professors who teach entrepreneurship.)

The second might be called the Just Do It theory. The Nike motto is very appealing to people eager to get their businesses started. Writing a business plan doesn't have the action-oriented appeal of hiring employees or setting up shop and is skipped by those in a hurry to get their dreams under way. That action orientation, combined with heavy dose of optimism, leads many entrepreneurs to skip the writing step.

The third might be named the don't-look-under-the-hood theory. Some entrepreneurs fail to write business plans because they don't want to test their ideas too much, for fear they won't withstand the scrutiny. Taken seriously, a business plan will show that some businesses should not be started, a possibility some entrepreneurs don't want to confront.

Of course, these aren't the only reasons entrepreneurs fail to write business plans. I'd be curious to hear other explanations. Please tell us what your experiences have been.

**New York Times, New York, Nov. 9<sup>th</sup> 2009, Small Business, online.**