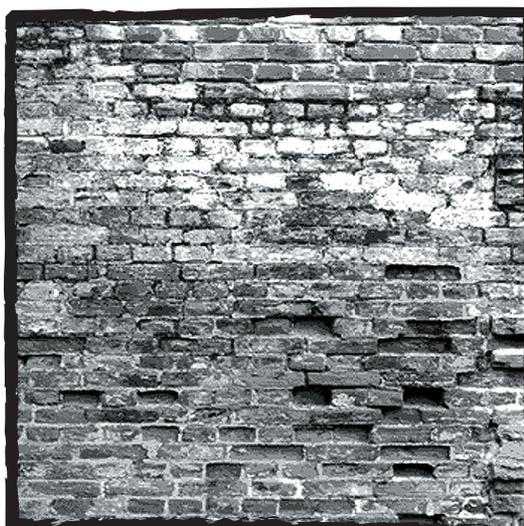


TOMAS KARLSSON

Business Plans in New Ventures

An Institutional Perspective



JIBS
Dissertation
Series

No. 030

TOMAS KARLSSON

Business Plans in New Ventures

An Institutional Perspective

Every year about 10 million business plans are written world wide. About 10,000 business plans are produced in Sweden alone.

Overviews of the research literature on planning and performance show that the relationship between plans and performance is assumed rather than empirically proven.

Why does writing business plans not improve performance? Why do millions of companies do it? Schooling and the provision of easily used templates are important to explain why business plans were written. In other words, business plans are written because entrepreneurs are expected to write them. Once written, they are rarely updated or followed. This offers an explanation as to why plans do not influence performance. There are no clear performance effects because entrepreneurs do not follow the plans.

This study investigates how business plans are dealt with in six new ventures. It applies an institutional perspective as base for its analysis.



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JÖNKÖPING UNIVERSITY

Jönköping International Business School
P.O. Box 1026
SE-551 11 Jönköping
Tel.: +46 36 15 77 00
E-mail: info@jibs.hj.se
www.jibs.se

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Another Brick on the Wall

The front page of this dissertation is an illustration of a brick wall, alluding to Pink Floyd's song "The Wall: part two". The song has always appealed to me. The song's parallels to my dissertation dawned on me in the middle of writing it. Isomorphic pressures exerted by educational facilities as well as the conflict between conformity and emancipation of youths, these are implicit features of the song as well as the dissertation. There are many more clever parallels, as well as obvious differences. I leave them for the reader to explore.

All in all it is just another brick on the wall.

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Jönköping, September 2005

Tomas Karlsson

Abstract

This thesis is about business plans in new ventures. It takes an institutional perspective with a particular focus on how external actors influence ventures through norms, regulations and way of thinking.

Through an intensive study of six new ventures at a business incubator, and a structured, computer-aided analysis, this study probes the following questions: How are new ventures influenced to write business plans, and what sources influence them? What strategies do new ventures use to deal with those influences? What are the consequences of the chosen strategies?

The findings show that entrepreneurs hold strong pre-understandings generated through books and their educational backgrounds. This influences their decisions to write business plans. This pre-understanding may be stronger than the actual external pressure to write the plan. This is indicated by two observations.

First, the studied entrepreneurs write business plans before meeting with external constituents. The external constituents attach some importance to written business plans, but they do not consider plans crucial. Second, new venture managers loose couple the plan from their actual operations. Even the ones with the best intentions to consistently update the plan do not do it. They indicate that their business model develops too quickly and that they want to focus on doing business instead of writing about it.

We may think that inconsistency between the plan and actual operations may aggravate stakeholders. However, entrepreneurs do not show their business plan to many external actors. Moreover, the external actors in this study rarely demand having a look at a business plan. Neither do they check to see if it is an updated one. The internal consistency of new ventures may be difficult and costly to investigate, and loose coupling could be conducted without loss of legitimacy. It is performance of the venture rather than formal appropriateness that drives legitimacy.

Theoretically, this study develops a framework for understanding why new ventures write business plans (despite their questionable effects on efficiency and legitimacy). Companies are influenced by the ease and norms about business plans. In this way, their bounded choice to adopt the business plan institution becomes rational. The symbolic adoption of a business plan also generates a mimetic pressure for adoption, since mimicry often does not hinge on in-depth investigation of the mimicked organization.

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1. Business Plans in New Ventures

A central assumption in entrepreneurship and strategic management literature is the importance of planning to performance (Lumpkin, Shraeder & Hills, 1998). The entrepreneurship field virtually abounds with normative advice about the virtues of business plans. Overviews of the research literature on planning and performance show that the relationship between plans and performance is assumed rather than empirically proven to be efficient (Schwenk and Shrader, 1993; Castrogiovanni, 1996; Ford, Mathews, Baucus, 2003). Modest calculations show that 10 million companies writing business plans world wide. If business plans cannot be empirically proven to be efficient, then the question that begs an answer is why millions of companies write them? In this dissertation it is argued that business plans are written because they are externally enforced, and their values are taken for granted, rather than that business plans are written because they are economic-rational. In other words I look upon business plans as institutionalized. In the sections below I will discuss how an institutional perspective can contribute to our understanding of both the wide spread of business plans, and the absence of empirically supported relationships between plans and performance.

1.1 A History of Business Plans

The historical genesis of business plans as we know them today can be traced to the concept of long term planning, a method of turning around large firms in trouble, described by Fayol (1988, originally published 1916). Long term planning came into vogue among large companies in the post Second World War era and long term planning strategies were used by large corporations, such as the Ford Motor Company (Ewing, 1956). Drucker (1959) wrote one of the first articles on long-range planning using an entrepreneurial approach, where he attempted to define long-range planning as the organized process of making entrepreneurial decisions. Drucker's framework for business planning gained additional currency with Halford (1968), and Webster and Ellis (1976).

In the 1980's several influential texts were written based on the same type of idea, these include but were not limited to: Timmons, 1980; McKenna & Oritt, 1981; Crumbley, Apostolou & Wiggins, 1983; Fry & Stoner, 1985; Rich & Gumpert, 1985; Shuman, Shaw, & Sussman, 1985; West, 1988; Hisrich & Peters, 1989; and Ames, 1989. These books and articles commonly focused on new or small firms. They presented arguments for writing business plans, and

promoting a structure of anywhere from 13 to 200 essential points that the entrepreneurs should cover when producing a business plan. These points covered every day operational activities including attempts to forecast demand, as well as analytical and strategic tools for planning (Robinson, 1979).

Business plan competitions followed shortly after. In 1984 Moot Corp began one of the first business planning competitions in the world targeting new organizations (Moot Corp, 2005). The Moot model spread, and by 1989 competitions were conducted at leading U.S. universities, including Harvard, Wharton, Carnegie Mellon, Michigan, and Purdue. Management-consulting firms such as Ernst & Young and McKinsey promoted business planning through sponsored competitions and their own published material (Siegel, Ford & Bornstein, 1993; Kubr, Ilar & Marchesi, 2000).

The field of entrepreneurship now abounds with business plan competitions and normative advice to new organizations on how to write business plans. It has been noticed that there is no shortage of publications advising entrepreneurs on the preparation of business plans (MacMillan & Narasiha, 1987). There are no indications that the number of publications has declined since then there are large amounts of texts advising new businesses to write business plans. These texts take mainly two forms. First, there are books solely focused on business plans (West 1988; Ames 1989; Burns 1990; Cohen 1992; Burns 1997; Covello 1998; Barrow, Barrow & Brown. 1998; Blackwell 1998; Abrams, 2003). They typically target business people in small and new companies.

Second, educational books in entrepreneurship are another large source of texts on how to write business plans, and why they are good, typically targeting entrepreneurship students in colleges and universities (Poon, 1996; Stevenson, et al. 1999; Timmons 1999; Lambing & Kuehl 2000; Wickham 2001; Kuratko & Hodgetts 2001).

Entrepreneurship courses are now taught at nearly every American business college, in over 1400 post-secondary schools, and enjoy considerable worldwide growth (Katz, 2003). Course content varies widely, including the use of case material, simulations, and various “hands-on” approaches (Gorman, Hanlon & King, 1997; Vesper & McMullan, 1988). One of the more popular curriculum formats consists of teaching and monitoring the writing of a business plan in class. In a study of leading entrepreneurship educators, the development of a business plan is identified as being the most important feature of entrepreneurship courses (Hills, 1988).

I assisted Honig (2004) when he examined the 2004 college catalogs of all of the top 100 Universities in the USA (U.S. News and World Report, 2004) for courses that specifically refer to business plan education in their entrepreneurship curricula. We found that 78 out of the top 100 Universities referred to business plans in their course description. Typically, such courses are offered in the area of entrepreneurship and/or small business management (Honig, 2004).

Several actors in the new firm's task environment support the writing of business plans. Some financial resource providers, such as banks, have rules about business plans for new organizations (Barclays Bank, 1991; Royal Bank of Canada, 2005). Government support agencies in Sweden have regulations regarding what new firms they can extend help to. Grants from the Swedish employment office are given to those who have participated in "start your own firm courses". Consultants including ALMI and Jobs & Society base these courses around business plans, and in order to complete it, the potential founder needs to write a business plan according to their template (ALMI, 1998; Nyföretagarcentrum, 2005). Some venture capital organizations, e.g. Affärsstrategerna, endorse business plans, suggesting that all who apply for funds from them should produce a business plan (Affärsstrategerna, 2000). They also have a template showing how they think that the business plan should be written.

Universities and consultancy firms usually sponsor business plan competitions. A recent web site search showed that ten of the top 12 Universities conduct their own business plan competitions, including Harvard, Stanford, Wharton, and MIT (Honig, forthcoming). In Sweden, McKinsey sponsors the business planning competition Venture Cup, and participants are suggested to take inspiration from the book "affärsplanen". In Germany the first competition 'BPW Nordbayern' was started in 1996, after an American model. A review by Tierauf & Voigt (2000) showed that at the time there were 14 business plan competitions in Germany and additional competitions were expected. The description above shows that business plans are enforced by many powerful actors in the environment of new firms, and it seems to have gained an increased importance during the past decades. They have spread to such a degree that their place in the management of new organizations is taken for granted. In other words, it is a socially created convention of what is the right way to organize the new firm. It could therefore be seen as an institutionalized management tool (Meyer & Rowan, 1977; Røvik, 2000; Scott, 2001). The business plan tool is commonly associated with small or new firms, but it has diffused to other organizational ages and sizes. For example, Oakes, Townley, & Cooper (1998) investigated how business plans influenced management processes in provincial museums and heritage sites. In the quote below, Røvik discusses the wide spread of institutionalized super standards.

It paves the way for another image, of a world community that consists of incredibly many, almost similar units.

Røvik, 2000: 23

An institutional super standard is a management tool that is: relatively young, and has spread globally. Business plans is an institutional super standard. In a relatively short period of time business plans have become globally spread among new organizations. This development implies that new businesses globally can be managed according to the same management principles.

Moreover it seems to be a widely spread consensus among different actors such as book writers and educational facilities that business plans is the right way to manage the young organization.

1.2 The Relationship Between Business Plans and Performance

A vital assumption for the field of entrepreneurship is that plans enhance firm performance (Lumpkin, Shrader & Hills, 1998). Several studies deal with the relationship between plans and performance. These studies are predominantly survey-based and they directly measure the relationship between planning and a performance measure.

Delmar and Shane (2004) investigate nascent organizations in a longitudinal study. They argued that writing a business plan is beneficial to the entrepreneur since it decreases the risk of the entrepreneur to abandon his/her idea to start a business. They rightly point out that persisting with their idea to start up a company is a necessary condition to obtain any other benefits such as profitability and growth. However, one should be careful not to interpret persistence in an overly positive manner. The finding corresponds to that of Carter, Gartner & Reynolds (1996), though they interpret it significantly less positive. They find that potential founders who engaged in early business planning are more frequently found in a “still trying” category rather than the categories starting a business, or terminating the idea. In contrast to Delmar & Shane (2004), they classify this category as the most unsuccessful one as they have done neither started their business nor found out if the idea is feasible. While their studies are carefully crafted, it still suffers from the unclear normative implications of “continuation of organizing efforts”. This could be both positive and negative.

Honig and Karlsson (2004), who conduct a study on the same database as Delmar and Shane (2004), find that institutional sources significantly influence new organizations to write business plans. They also find no significant relation between writing a business plan and profitability, leads them to deduct that there are institutional reasons behind business plan writing rather than technical functional ones. This lends further support to the interpretation that persistence not necessarily is a positive performance indicator when it comes to nascent organizations.

Lange, Bygrave and Evans (2004) investigate the relation between attending to business planning competitions and successful business. They find that the business planning conducted at competitions successfully influences students to start their own business, and those students writing business plans found larger organizations. They find no significant correlation between business plans and survival. They find no correlation between writing a business plan and the propensity to start a consecutive business.

Lumpkin, Shraeder & Hills (1998) conduct a cross sectional survey. They find weak and limited support for the idea that formal plans improve performance for either type of organizations in their study. Neither new, nor other small organizations got significantly improved performance from writing a formal business plan.

An extensive meta-analytic review on a total of 2500 firms, found moderate relations between planning and performance (Boyd, 1991).

This review of entrepreneurship research indicates that the link between business plans and performance is inconclusive. Some studies point to a positive relation between writing a business plan and performance, while others find low or negative correlations between planning and performance. There are many books, articles and organizations that support the writing of business plans and claim their importance. Even though this review is conducted on a limited number of studies and books, other reviews about business plans point to similar results. Reviews by Castrogiovanni (1996) and Ford, Matthews, Baucus (2003) find that research on the relation between business plans and performance is inconclusive. Basically what this implies is that positive effects of business plans often are presumed rather than empirically supported and the use of business plans cannot be clearly supported from a strict economic rationality perspective.

While it may seem surprising and bothersome that so many advocate business plan writing despite of their weak economic rational support, this type of problem is not uncommon for management tools. Quality circles, just-in-time manufacturing, matrix management, management by objectives, total quality management, business process reengineering are examples of other tools with similar problems and debates (Abrahamson, 1991; Burns & Wholey, 1993; Abrahamson 1996; Czarniawska and Sevón, 1996; Sahlin-Andersson, 1996; Westphal, Gulati, Shortell, 1997; Zbaracki, 1998; Røvik, 2000).

These researchers contend and successfully show that the use of these tools may be better understood from an institutional perspective than from an economic theory perspective. This provides one reason why it appears fruitful to analyze business plans from an institutional perspective. While institutional theory has been used in many cases previously to explain the spread of management tools, there are few studies that have investigated business plans in from an institutional perspective. Further, there is scant knowledge about the validity of institutional theory in the context of new ventures. In the text below, I will discuss these arguments more in depth.

1.3 An Institutional Perspective

There are many perspectives that could be called institutional. One of the unifying traits is that they commonly focus on other behavioral determinants than competitive and efficiency-based pressures (Scott, 2001). The institutional

perspective employed in this dissertation could be labeled neo-institutional as it takes an interest in isomorphic pressures (DiMaggio & Powell), and loose coupling (Meyer & Rowan, 1977). However, in contrast of early neo-institutional theory, this study gives attention to interest and agency in shaping action. Further, neo-institutional theory has become established within institutional theory. To keep a strong distinction between the two has therefore become less important (Erlingsdottir, 1999). In order to avoid associations to early neo-institutional theory, and to avoid an unnecessary distinction, I will simply call my perspective an institutional perspective. The appropriateness of using an institutional perspective for understanding and analyzing new firms, and how they deal with business plans, is supported by a variety of arguments described below.

There is a variety of different sources advocating business plans. There is a number of actors in a new firm's environment advocating the writing of a business plan. These actors include but are not limited to banks, venture capitalists and schools.

Economically rational explanations of the phenomenon have failed to find conclusive results. Studies on new small organizations and business plans have predominantly been conducted based on economic rational predictions. As discussed previously, the relationship between plans and performance has been extensively studied from this perspective, with inconclusive results (Castrogiovanni, 1996; Ford, Matthews, Baucus, 2003). In fact, many of the most successful start-up examples did not write a business plan. Bhide (2000) mentions that Microsoft, Dell Computers, Rolling Stone Magazine and Calvin Klein started without business plans.

There are not only empirical grounds to question the rationality of writing plans in new organizations. In the field of entrepreneurship, the research area most closely linked to new organizations, theories tend to argue that the type of extensive planning so often suggested in the business plan literature offers little to new organizations. Stevenson & Jarillo (1990) suggest that new organizations employ action orientation and quick decisions. By contrast, older, well-established companies should use formal plans, planning cycles and coordination with existing resource bases. It has been suggested that new ventures necessarily begin with high levels of uncertainty with respect to their knowledge about their industry and inevitably experience deviation from original targets that requires redirection. Therefore, new ventures must practice "discovery driven planning" rather than long term strategic planning (McGrath and MacMillan, 1995). Sarasvathy (2001) developed an entrepreneurial framework. New organizations benefits by using effectuation strategies rather than causation strategies. Causation strategies resemble those of business plans while effectuation strategies emphasize a more action-oriented approach to new firm management.

There are many kinds of institutional theory, but as stated previously, they share an interest in behaviors and conditions that are not economically 'rational'

(Scott, 2000). Institutional theory have since its emergence in organization theory, often explicitly questioned assumptions of the rational profit maximizing organizations arguing that organizational behaviors are conducted because they are deemed desirable rather than efficient (Selznick, 1949; Meyer and Rowan, 1977). Empirical studies conducted with an institutional perspective are usually carried out at large and old established organizations such as banks, hospitals, schools and utilities (Scott, 2000; 2003). Figure 1-1 below describes what industries where institutional theory predicts stronger control, versus industries where the theory predicts weaker controls.

Institutional Controls	
Stronger	Weaker
Utilities Banks Churches	Manufacturing Restaurants Business services

Figure 1-1 Institutional Controls and New Ventures (Scott 2003:140; simplified)

Institutional theorists have predominantly investigated industries where institutional controls are strong. Since new ventures rarely are founded in these areas, institutional theorists have rarely investigated the insitutionalization in new ventures. It does not mean that an institutional perspective is not appropriate for new ventures. By contrast, it is commonly believed that institutionalization processes start influencing organizations as soon as they are being founded (Stinchcombe, 1965; Aldrich and Fiol, 1994; Aldrich, 1999, Zimmerman and Zeitz, 2002). In the process of starting new ventures, entrepreneurs reallocate existing resources to new uses. Such reallocations of resources challenge the status quo, and are therefore often viewed as suspicious by others (Aldrich and Fiol, 1994). Therefore, entrepreneurs need to convince others that the actions of the new venture are desirable, proper and/or appropriate – they need to gain legitimacy.

Legitimacy can increase new ventures' chances of survival and high performance (cf. Stinchcombe, 1970; Singh, Tucker, & House, 1986). For example, a new venture's reputation facilitates its entry into business networks, which enhances growth (Larson, 1992) and an individual's associations with government agencies and community organizations have positive effects on business founding and survival (Baum & Oliver, 1996). Consequently, institutional theory may lead us to expect that the new ventures that conform to institutional pressures would have the greatest chances of being successful. Conformity to institutional pressures has long been suggested as a crucial strategic choice for survival of the new organization (Stinchcombe, 1965; Aldrich

and Fiol, 1994; Chandler and Hanks; 1994, Hargadon and Douglass, 2001; Zimmerman and Zeitz, 2002; Delmar and Shane, 2004). There is a number of actors in a new firms environment who advocate writing a business plan including but not limited to banks, venture capitalists, schools, government and non- government organizations and professional organizations. It is likely that a new firm will come in contact with the business plan tool through these actors. New small organizations are sensitive to environment pressures (Aldrich & Auster, 1986; Aldrich & Fiol, 1994; Hannan & Freeman, 1984). Therefore, it is likely that they take the need of writing a business plans for granted. The widely spread advocacy and potentially a taken for granted position of business plans among new firms indicate an appropriateness of using institutional theory (Berger & Luckmann, 1966; DiMaggio & Powell, 1983; Scott, 2000).

At the same time, entrepreneurship research suggests that new ventures are more prone than established firms to break away from established patterns of behavior. New ventures have become a major source of innovation and the creation of new technologies (Acs & Audretsch, 1990), which are difficult for established companies to imitate, leading new ventures to rise to industry leadership positions (Utterback, 1994), creating wealth for owners and society. New organizations are supposed to be creative and break existing boundaries, and on the other hand they are expected to conform to the institutional expectations at the time (Hjort, Johannisson & Steyert, 2003).

Thus, there appears to be a conflict between the findings of entrepreneurship research that new ventures tend to break established patterns; and institutional theory's focus on the need for new ventures to conform to rules and to gain legitimacy. However, recent conceptual development in institutional theory gives a more diverse image of institutional pressures and how organizations can respond to them (Oliver 1991; Judge and Zeithaml, 1992; Beckert, 1999; Zimmerman & Zeitz, 2002). This theorizing suggests that care should be taken to understand the process by which an institutional pressure reaches an institution, how it is dealt with, and what the outcomes of this action are (Røvik, 2000). These recent advancements in institutional theory could provide insights into the institutionalization process in new ventures.

1.4 The Institutionalization Process in New Firms: A Research Problem

This dissertation focuses on the institutionalization process in new organizations. There are three main reasons why I focus on the process.

First, a focus on the institutionalization process is adapted in order to pay attention to agency and change. Mainstream applications of institutional theory have focused on processes leading to convergent outcomes (Mizruchi & Fein, 1999), thereby limiting the possibilities to observe agency and change (Greenwood, Suddaby & Hinings, 2002; Dacin, Goodstein & Scott, 2002).

This type of study has also been criticized for paying too little attention to the difficult process of implementing an institutionalized tool, downplaying the possibilities for organizational agency, and institutional change after the adoption decision. Several Scandinavian researchers have noted how institutionalized tools become adapted and changed due to conditions in the adapting firm (Erlingsdottir, 1999; Røvik, 2000; Czarniawska & Joerges, 1996; Sevón, 1996; Sahlin-Andersson, 1996).

Second, a focus on the institutionalization process provides a framework to understand the relation between business plans and performance. Institutional theorists and others have observed that organizations may create change in formal descriptions and plans in order to adapt to external pressures while keeping the operational core intact (c.f. Orton & Wieck, 1990; Weick, 1976; Meyer & Rowan, 1977). As discussed earlier, findings regarding business planning and performance are inconclusive (Castrogiovanni, 1996; Ford, Matthews & Baucus, 2003). This inconclusiveness depends on a lack of knowledge about how new organizations implement their plans, suggesting the usefulness of a process focus (Mintzberg, 1994).

Third, new organizations are suggested to be both highly conformist to environmental pressures at the same time as they are described as breaking norms, established thought patterns and rules. This creates a paradoxical prediction of how new firms deal with institutions. Focusing on the temporal aspects of seemingly paradoxical behaviors may lead to solutions to paradoxes, i.e., paradoxes can be solved by investigating a phenomenon as a process (Poole & Van de Ven, 1989, Cyert & March, 1992; Sanchez-Runde & Pettigrew, 2003). It is likely that new small organizations are not monitored to the same degree as their larger counterparts due to the relatively large cost of monitoring emerging small businesses in comparison to larger businesses (Bruns, 2004). This creates more freedom to separate formal conformity from operational behavior, and therefore paradoxically as it seems, both conform (formally) and break conformity (operationally). These are three arguments to study the institutionalization process of new firms.

1.5 Purpose

The purpose of this study is to describe and analyze the institutionalization process of business plans in new firms.

In specific, three questions are investigated:

- How are new firms influenced to write business plans and what sources influence them?
- What strategies do new firms use to deal with those influences?
- What are the consequences of the chosen strategies?

1.6 Expected Contributions

What can you expect to gain from reading this dissertation? What are its contributions in relation to previous research? There are five main expected contributions.

First, this thesis contributes with a coherent, theoretically derived framework for understanding how new firms are influenced by their institutional environment. It thereby attempts to make a contribution by extending the scope of institutional theory to new firms, and to extend the knowledge about new firms by introducing an institutional perspective.

Second, a clear structured methodological framework is developed on the basis of the theoretical framework. The framework is developed specifically for understanding the purpose of this study. This study aims in this way to make a methodological contribution to the study of institutionalization processes.

Third, by specifically focusing on the institutionalization process, it offers a potential explanation to the enigmatically weak relationship between plans and performance in new and small firms by introducing an alternative perspective to explain why new firms write business plans.

Fourth, by specifically focusing on the institutionalization process, it enables a resolution to the paradoxical predictions about new firms as simultaneously conforming and conformity breaking.

Fifth, this thesis describes in depth the specific institutional conditions present at some new firms with respect to business plans at a specific point in time. Thereby it contributes with a detailed description of the institutional environment of new firms.

1.7 Definition of Key Concepts

The concepts business plans, new organizations and institutions are often used and almost equally often criticized for not being properly defined. As these are central concepts in this study, they need to be clearly defined and discussed early in the text to avoid possible confusion and make the text easier to understand.

Business plans in this study are seen as a tool for new firm management. In defining the business plan as a tool, the intention is to relate the dissertation to other studies investigating management tools from an institutional perspective, such as those dealing with Total Quality Management (Westphal, Gulati & Shortell, 1997), New Public Management (Erlingsdottir, 1999), and green management (Lounsbury, 2001)

Business plans are widely spread and the economic rationality of writing business plans can be questioned. While what bullet points a business plan should contain vary from book to book, there is consensus on the content of a

business plan on a more general level. Bracker & Pearson (1986) mention eight general themes in a content analysis of the small firm planning literature. These eight general themes are: (1) Objective setting, (2) environmental analysis, (3) SWOT analysis, (4) strategy formulation, (5) financial projections, (6) functional budgets, (7) operating performance measures and (8) corrective procedures. For the purpose of this investigation, documents referred to as business plans and roughly containing these headings are defined as business plans.

The term **new organization** is used in relation to institutional theory. New organization should be understood in a wide sense as including both for profit and not for profit organizations.

New firms are defined as a for-profit organization between 0-5 years old. This study investigates new firms in this narrow sense. Companies included in this study were less than three years old at the start of the study. The terms venture, company and business are used synonymously.

An **institution** is defined as a pattern of action that is widely spread and accepted. It means that an institution is both known, and is established in an organizational field. The field of institutional theory is a diverse field spanning over several different academic disciplines. The definitions of institutions are almost as many as the institutional theorists. A definition is therefore exclusive rather than inclusive. I have chosen a definition that falls within a neo-institutional view on institutions with a clear focus on diffusion and adoption (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

The term **management tool** is a tool for managing an organization. An institutionalized management tool is therefore a management tool that is widely spread and accepted. Business plans are seen as such a management tool in new organizations. The term management recipe is used synonymously with management tool.

1.8 A Preview of Subsequent Chapters

Chapter two discusses institutional theory and provides the key theoretical framework for this dissertation. The purpose of this chapter is to acquaint the reader with institutional theory and to further illustrate how institutional theory, business plans and new organizations are connected. This chapter also provides the base for my interpretative framework developed in chapter three and the development of the process model of institutionalization in new organizations

Chapter three provides an introduction to my view on science and descriptions about various aspects of the research method applied. It discusses how it is possible to evaluate critical realist research, and how the theoretical concepts in chapter two is operationalized and coded. The purpose of chapter three is to enable and simplify replication and evaluation of the study.

Chapter four is the first of two predominantly empirical chapters. It presents the geographical and institutional space called Innovating Incubator, in which all six focal ventures are situated.

Chapter five is the second of the predominantly empirical chapters. It presents general information about the six focal organizations, Alfa, Beta, Gamma, Delta, Epsilon, and Zeta.

Chapter six represents the data material gathered for this study, according to the theoretically predefined categories in the institutionalization process model.

Chapter seven analyzes empirically emerging themes that go beyond the study's established coding structure. In this chapter, I discuss the empirical base and theoretical implications of the themes, Content Pressure, Illusion of Grandeur, Complementary Concepts, Level of Institutionalization, The magick of written Business Plans, and the Gradual Decrease in Importance.

Chapter eight reports the most important theoretical and empirical findings. Based on these findings implications for practitioners and policy makers are developed. The chapter concludes with some observed limitations of the investigation and suggestions for future research. The purpose of this chapter is to provide answers to the questions posed in the beginning of the study, and produce an assessment of its contributions.

2. Institutional Theory and New Ventures

This chapter focuses on the aspects of institutional theory that are especially important for understanding the process in which institutional tools reach and are dealt with in a new venture. These aspects lead to a conceptual model that is used in the empirical analysis. In a wide sense, this dissertation is about the relation between new organizations and their external environment. This chapter therefore begins by describing theories dealing with the general relation between new ventures and their environment, and how they relate to my perspective.

2.1 Introduction

The interaction between organizations and their environments have been a central area of study in organization theory from the 60s and onwards (Scott, 2003). The study of the interaction between organizations and their environment has spawned several theories, such as contingency theory, transaction cost theory, population ecology, institutional theory and resource dependence theory (Aldrich, 1999; Scott, 2003).

Theories about new and small organizations focused upon the individuals role in the organization until 1990s (Low and MacMillan, 1988; Van de Ven, 1993). A major problem however is that theorists pursuing this avenue of investigations have failed to differentiate between entrepreneurs and other people (Gartner, 1988; Gartner & Brush, 2000). Another effect of the pervasive focus on the individual is a relative neglect of the relation between new firms and their environment.

Several recent studies investigate the relationship between the new organization and its environment. However further research is still needed (Ucbasaran, Westhead and Wright, 2001). Of 97 entrepreneurship oriented articles reviewed by Busenitz et al (2003) only seven focus on the environment. Most research investigating the relationship between new firms and their environment does not clearly apply any theoretical perspective. Research on the relationship between new firms and their environment falls roughly into three of the five theoretical categories of organization theory: Contingency, Population ecology and Resource dependence theories (C.f. Ucbasaran, Westhead and Wright, 2001).

2.1.1 Contingency Theory

Contingency theory works on the assumption that different ways of organizing are not equally effective. Managers have freedom to choose between different strategies under the same environmental conditions. The best way of organizing depends on the nature of the environment to which the organization relates (Scott, 2003). In entrepreneurship research a significant amount of research has focused on the impact of environmental uncertainty and hostility towards strategies (e.g. Covin and Slevin, 1989; Brown, 1996; Wiklund, 1998). Contingency theory is an economically rational perspective which can explain the environmental conditions under which writing plans are efficient. However, contingency theory is not suited to explain why organizations write plans despite their inefficiency in a specific environment. The poor relationship between plans and performance indicates that many organizations, not benefiting in terms of increased performance, still write plans. The perspective of this dissertation converges on contingency theory in its focus on the relation between the environment and the firm, but diverges from its assumption of free choice. This dissertation focuses on choice bounded, primarily by non competitive environmental pressures.

2.1.2 Population Ecology

Organizational births, transformations and deaths are of key concern to population ecologists, who have been especially interested in how variables such as age and size influences firm deaths, and how industrial density influence entry into a specific population. Most research using a population ecology framework does not address the issue of organizational choice (Baum, 1996).

Firms when founded are of many different shapes and forms, also into a specific industry, but only firms with a form suitable for that industry will prevail (Hannan & Freeman, 1989; Aldrich, 1999). Such organizations will survive and the others will die. Therefore this organizational form will come to dominate the industry, or niche. This is called competitive isomorphism. The ecological view presented above has been criticized because it neglects the influence of non competitive forces for explaining homogeneity. Baum & Oliver (1996) suggest that population ecology needs to acknowledge the importance of an organizations institutional environment, focusing solely on competitive pressures. For this reason, they propose a complementary explanation where both ecological competition and institutional competition are included. Several actors, governmental, financial, educational and professional, seem to be influential in the young firm's decision to use business plans, which potentially reduce the explanatory power of competitive isomorphism. Population ecology has neither investigated the social dimensions of creating new ventures, nor the internal structures of the organization (Aldrich, 1999). As this study is dedicated to the process of institutionalization

in new ventures, it necessarily investigates the internal structures of the organizations. This dissertation also diverges from population ecology as it focuses on non-competitive isomorphism i.e. institutional isomorphism (DiMaggio & Powell, 1983)

2.1.3 Resource Dependence

Resource dependence theory shares its central assumption with population ecology. Organizations are dependent on resources from their environment for survival. However, it is also distinctly different from population ecology in several aspects. Resource dependence theory pays more attention to the internal aspects of an organization and the ability of organizations to act in such ways that reduce their dependence towards specific external actors. Much more so than population ecology, and institutional theory as demonstrated later in the dissertation, resource dependence theory actively promotes a view of the manager as an active agent (Aldrich, 1999). Recent versions of institutional theory however, have developed to include accounts of institutional change and agency, which have narrowed the gap between institutional theory and resource dependence (Pfeffer and Salancik, 2003). The difference is now in the external actors one focuses on, as resource dependence traditionally focuses more on the task exchange relationships between an organization and its suppliers/customers, while institutional theorists focus to a greater extent on the influence of literature, professions, education, and culture. While this dissertation primarily uses an institutional perspective, it makes use of more recent integrations between resource dependence and institutional theory (c.f. Oliver, 1991; Pfeffer and Salancik, 2003). Resource dependence theories have been used primarily in the sections discussing strategies organizations can take to deal with institutional pressures.

2.2 Institutional Perspectives

The forthcoming sections discuss institutional theory arguments in general and when possible, cultivate how these arguments apply to new ventures. Then they proceed to discuss the particular theoretical framework used in this study to analyze the empirical material.

The applications of institutional theory are now diverse and there exist several coexisting streams of institutionalization studies in organizational theory. Institutional theory has been applied successfully to such diverse fields as information outsourcing (Ang & Cummings, 1997), Total Quality Management (Westphal, Gulati & Shortell, 1997), Cesarean birth methods (Goodrick & Salancik, 1996) and professionalization of museums (DiMaggio, 1991). One of the most heavily investigated streams is one that deals with externally generated homogeneity of organizational management. This stream

initiated by DiMaggio & Powell (1983) has had several applications (D'Aunno, Price, & Richard 1991; Alvarez 1992; Abrahamson & Rosekopf 1993; Slack. & Hinings, 1994). A characteristic of this type of study is that it often focuses on the spread of a specific method or tool among organizations.

Institutional theory is a concept on which many scholars differ rather than agree. However there are some unifying traits. Institutional theorists across disciplines agree that assumptions of economic rationality in a narrow sense are poor in describing and understanding individual and organizational behavior. Moreover, they often focus on phenomenon with some level of resilience (Scott, 2001). Applied to organizations, institutional theory is somewhat less diverse. It is possible to identify three relatively distinct perspectives.

The first can be labeled a **persistence** perspective. Institutions in this perspective constitute rules, values and behaviors which have achieved a certain age and resilience regarding environmental change. Many studies focus on a specific organization that has preserved some distinctive feature of an extended period of time and has become an institution. Values in the organization become so widely spread in the organization that organizational members can not do without them (Selznick, 1949; North, 1996; Scott, 2001). Once established, organizational members will become comfortable with the institution and they will work to keep it as it is. Hospitals, schools, military, and political organizations are often understood as institutions in this sense.

The persistence perspective highlights the processes in which organizations develop in directions that make them enduring and persistent over time. The organization in this view deals with a relatively stable external environment to which it purposely and unintentionally adapts its structure. The organization thereby becomes increasingly adapted to its environment, and once adapted, its organizational form tends to persist. These structures endure because they gain a value of themselves. Future decisions are contingent on past decisions and significant investment, financial and emotional, made in the past, narrow the decisions the firm can make in the future (Selznick, 1949; Perrow 1986). This view is primarily suited for the study of enduring structures and established organizations, not young emerging organizations. However, it underlines the importance of the study of new ventures. Organizational structures and behaviors are influenced by their external environment, and once they become older structures they tend to persist. Therefore it is important to understand how new ventures shape their initial structures, rather than to understand how existing internal structures influence them.

The second perspective focuses on **convergent** or isomorphic change among groups of organizations (DiMaggio & Powell, 1983). This view is commonly associated with the neo-institutional perspective on organizations (Farjoun, 2002). While DiMaggio and Powell (1983) acknowledge competitive isomorphism i.e. convergent change due to the superior efficiency of a certain form, the key focus within the convergent perspective is that it is an organization's desire for legitimacy that drives isomorphic change. Legitimacy is

granted by the organization's environment if the organization complies with the isomorphic pressures of the environment. While legitimacy is a widely used concept, it is commonly applied in this research stream as a result of isomorphic change. Quite simply, an organization complies with isomorphic pressures since it grants them legitimacy. As similar isomorphic pressures are exerted to organizations in the same institutional field, fields go through a process of increased homogeneity. This view is suited for understanding fields where increasing levels of homogeneity have developed. The convergent view created a burst of interest in neo-institutional theory in the early 1980s (Scott 2000) and has been a popular and provocative perspective in organization studies since then. Important books and articles laying the foundation for the perspective such as Berger and Luckman (1967), Meyer and Rowan (1977); and DiMaggio and Powell (1983) have been frequently cited in high prestige journals all through the 1980s to the 2000 (Bowring, 2000; Mizruchi and Fein, 1999). However the perspective has also recently been criticized for lacking sensitivity to change and agency (DiMaggio, 1988; Oliver, 1992; Dacin, Goodstein & Scott, 2002).

The theory holds that changes are created outside the institutional field, and therefore it does not explain why change occurs in the first place (Leblebici, Salancik, Copay, and King, 1991). It also does not account for resistance towards external change, resistance that could have been built up e.g. within an organization through internal processes of institutionalization as proposed by the persistent view (Oliver, 1991).

New ventures are rarely if ever studied from a convergent perspective even if new ventures in a specific institutional field potentially provide a unique setting for investigating isomorphic change. There are two distinct features about the new ventures that make a convergent perspective particularly interesting. First, new ventures often suffer from liabilities of newness and liabilities of smallness which means that they are in a great demand for legitimacy (Stinchcombe, 1965; Aldrich and Auster, 1986; Zimmerman and Zeitz, 2002). Therefore they have a strong incentive for convergent change. Second, new ventures have not yet developed fixed structures, such as the ones discussed in the persistent view. Therefore, isomorphic pressures can not to the same extent be contested on the basis of previously developed structures.

The third perspective, called the **divergent** perspective (c.f. Farjoun, 2002), focuses on the conditions for diverging from or contesting institutional pressures. This perspective is developed to face the critique the convergent perspective has received when it comes to agency. It views isomorphic change as a specific result of initial adoption, where many other outcomes also are possible. Thereby it takes particular issue with the convergent perspective on institutional influences on the organization. Isomorphic change may be contested because the organization itself has created a certain level of resilience or inertia towards change. Organizations as presented in the persistence perspective can create certain levels of resistance towards change through

development of strong internal structures (Selznick, 1949) and identity (Sevon, 1996). These developments within an organization decrease its willingness to conform to any environmental change, including isomorphic change. In new ventures, internal structures are still emerging and the identity of the organization can be assumed to be fluid. Therefore persistence is unlikely to be a result of well developed and “institutionalized” internal structure or strongly developed organizational identities. Another source of contesting may come from organizations that lack resources to comply with institutional pressures. Such organizations may choose to pursue other alternatives or comply with the institutional pressures incompletely (Leblebici et al, 1991). This observation should be particularly important for new ventures as they have few resources and little resource slack (Aldrich, 1999). It should also be pointed out that new ventures may be unaware of the rules of the game in their organizational field. Because of their relative youth, it is more likely that they are unaware of special rules, whether tacit or explicit, that applies to their industry. While an organization can be influenced by an institution, and not be aware of it, it is reasonable to assume that an organization that is not aware of a specific institutional pressure is less affected by it. This is possibly a liability of newness (Stinchcombe, 1965), but also a potential opportunity to diverge from established institutional rules.

These perspectives within an institutional theory are not distinctly separate and authors writing about it often engage two or all three of these perspectives. However, since all three perspectives are sometimes jointly called institutional theory of organization, it makes sense to spell out the potential areas of complementarities and divergence. To do so clarify what institutional perspective we are talking about. This study primarily bases its analysis on ideas developed from the convergent and the divergent perspectives. While it may seem paradoxical to use both perspectives, I see the convergent perspective as a necessary condition for a divergent perspective. Simply put, in order to rebel against something, there has to be something to rebel against. Without understanding processes of convergence, it is not possible to understand divergence (Greenwood and Hinings, 1996). The concepts of convergence and divergence have been fruitfully used to explain institutional change in the On-line database industry (Farjoun, 2002).

The following sections of this chapter will specifically focus and develop the theory in use in this dissertation. First it develops the main components and historical development of the convergent and the divergent perspective of institutions. The basic relations between the organization and its environment are also described. A process model of institutionalization in an organization concludes this section. The second part describes what institutions are and where they come from. This part is influenced by DiMaggio and Powell’s (1983) work on isomorphism and antecedents to isomorphism. It describes and defines institutions as influencing organizations through coercive, normative and mimetic pressures. It also describes the role of governments, consultants,

literature and schools in the institutionalization of management knowledge. As such it relates to the first research question of this study i.e. who creates the institution? The third part deals with what happens when institutional recipes reach organizations. This part is influenced by previous work from Meyer & Rowan (1977), Oliver (1991) and Røvik (2000). The basic notion here is that the organization has choices to make when it comes to the adoption of an institution and they alter the institution when it arrives to the organization. Therefore, conformity that is generally seen as the outcome of institutional pressures is overly simplified. This framework, influenced by Oliver (1991), is assists to answer the second research question. How do new ventures deal with the institution?

The fourth part deals with the consequences of the actions that organizations make in response to institutional recipes. Institutional pressures have been assumed to lead to conformist actions and conformist actions have been assumed to lead to legitimacy (DiMaggio & Powell, 1983). From other perspectives, conformist actions are thought of as being a result of a careful evaluation of alternatives, and the choice of a satisfactory one, or that organizations find a certain type of action more rational. The effects of conformity are thus investigated by its legitimacy and/or efficiency. However, the relation between conformity and legitimacy is questioned by Suchman (1997), and the relation between conformity and efficiency is criticized by many institutional theorists (Abrahamson, 1991; Sevón, 1996; Røvik, 2000). Conformity is not, as described above, the only possible way of dealing with institutional pressures. Little is known about the consequences of other ways of dealing with institutional pressures such as loose coupling. In this part of the theory section, I describe what we know about it.

The chapter concludes with a process model of institutionalization. This model illustrates the author's developed understanding of the process of institutionalization in organizations, and presents a theoretical base on which this research effort rests.

2.2.1 A Convergent View on Institutions

Early versions of institutional theory take an interest in how institutional systems impose constraints on organizations through rule and norm systems (Parsons 1956). However, in what is often referred to as a neo-institutional turn in institutional theory, many institutional theorists begin to refer to Berger and Luckmann (1967) as their intellectual ancestors (Aldrich 1999; Scott, 2001). A starting point in the neo-institutional turn is the striking homogeneity of practices and arrangements found across organizations (Powell and DiMaggio 1983), and how these practices over time become accepted as truths and facts.

We seek to explain homogeneity, not variation. In the initial stages of their life cycle, organizational fields display considerable diversity in perspective

and form. Once a field becomes well established, however, there is an inexorable push toward homogenization

Powell and DiMaggio, 1991: 64

In combining these, institutional theory has come to take a key interest in how social relationships and actions become taken for granted and how our cognitive set of shared meanings and possible actions are constructed (Aldrich 1999). Currently, institutional theory encompasses both the early version of institutional theory and the neo-institutional perspective. It means that institutional theory is interested in understanding how institutions determine organizational action as well as the issue of how institutions are created.

Figure 2-1 below is based on a model developed by Honig and Karlsson (2004). In this model we illustrate some of the basic components of a convergent view of institutionalization. There are four stages in the model. The first stage is the institutional environment. The second stage is institutional pressures. The third contains organizational behavior towards institutional

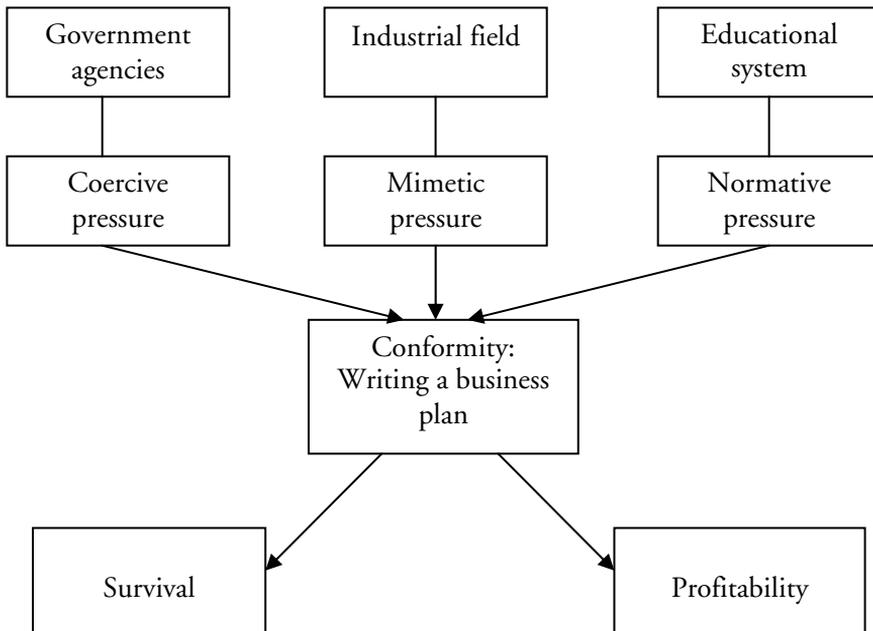


Figure 2-1 Institutional Sources, Pressures, and Business Planning Behavior (Based on Honig & Karlsson, 2004: 31)

pressures. The final stage includes outcomes. Arrows in the model describe how the institutional environment emits pressures that influence the organization. This is the most commonly investigated direction among neo-institutional theorists. Sources such as the government, professional organizations, literature and other organizations are understood as influencing the focal organization in several ways. These ways are called institutional pressures. A convergent view implies that organizations conform to these pressures by self interest or by unawareness of alternative. It is in the organization's self interest to conform to these pressures as conformity implies that the organization derives legitimacy from its conformist behavior.

Implications of this view on the current study:

- The importance of the external environment. What institutional sources influence new ventures to write business plans?
- The importance of institutional pressures by which environments influence organizations. How do different sources influence new ventures to write business plans?

2.2.2 A Divergent View on Institutionalization

Institutional theory has for a long time acknowledged several different types of responses to pressures. Already in 1977, Meyer and Rowan wrote that organizations might face institutional pressures by loose coupling. Loose-coupled organizations build gaps between their formal structures and their actual work activities (Meyer and Rowan 1977a). However, this aspect of institutional theory has been largely neglected.

Given a considerable body of empirical research over the last two decades that purports to test institutional predictions, it therefore seems surprising that relatively little research has been devoted to the phenomena of institutional decoupling.

Scott 1995: 128

Recently an increasing number of studies has investigated how organizations can deal with institutional pressures in several strategic ways (Oliver 1991; Judge and Zeithaml 1992; Beckert 1999;). This stream of research suggests that organizations have the discretion to respond to institutional pressures in several different ways. These options are responses to institutional pressures. This aspect of institutional theory will be elaborated in the section on institutional strategy.

Two main consequences of conformity to institutional pressures are elaborated in the literature. The first is that conformity leads to improved efficiency in the organization. Tolbert & Zucker (1996) argues that successful imitation leads to organizational stability, which in turn could result in higher

levels of efficiency. The second is that conformity to institutional pressures leads to increased legitimacy in the organization (Suchman, 1995). This is a central assumption of institutional theory from a convergent perspective. By conforming to institutional rules, norms and ways of thinking, the organization gains increased legitimacy which is essential for gaining the support needed for the survival of the organization. Even though institutional theorists predominantly have been interested in conformity, several studies have indicated that other strategies, to confront institutional pressure, also may have positive effects on the outcome. For example, Meyer and Rowan (1977) argue that loose coupling may have a positive impact on organizational efficiency. It has been claimed that a full range of organizational strategies can lead to legitimacy benefits for the new venture (Zimmerman & Zeitz, 2002). Still, institutional theorists have been relatively less interested in the consequences of different organizational responses to institutional pressures.

Implications of a divergent view:

- In the divergent view, organizations can and will use a number of different strategies to deal with environmental pressures.
- According to a divergent view, not only conformity may lead to positive evaluations of the environment, but also values other than legitimacy have to be accounted for.

2.3 A Process Model of Institutionalization in New Ventures

The discussion above can be summarized into figure 2-2 below. It reflects the institutionalization process in organizations. This model describes how e.g. a management tool reaches an organization, how this tool is dealt with, and the consequences of dealing with the tool in this way. The model is admittedly a simplification of the dynamic process in which business plans may institutionalize in new ventures. However, it does illustrate the central process in which institutions are commonly understood to reach and change the organization. It also serves as a model for how the forthcoming chapters are structured. The institutionalization process in organizations is here conceptualized as a four step process, encompassing both a convergent view (sources and pressures) and a divergent view (strategies and outcomes).

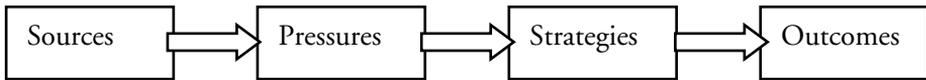


Figure 2-2 A Process Model of Institutionalization in New Ventures

Figure 2-2 shows that the institutionalization process as a four-step linear progression model: It starts with sources, which exert isomorphic pressures. Different isomorphic pressure makes different strategic responses available to the organization. These responses lead to certain outcomes for the organization. While sources and pressures constitute crucial components of institutionalization from a convergent view, strategies and outcomes are important if one wants to understand institutionalization from a divergent perspective. This model provides the central descriptive framework for the dissertation, and the next four sections discuss each one of these four steps in-depth. Figure 2-2 is then further developed in figure 2-9. A coding structure for these steps is made in the method chapter, and the initial part of the analysis chapter is structured according to these four steps.

2.3.1 Institutional Sources

An institutional source is a term for external sources that shape organizational practices. Government agencies, educational systems and other industrial organizations are examples of such organizations (Karnoe, 1995). Other influential sources may be: literature (Furusten, 1995) and professions (Scott and Backman, 1990).

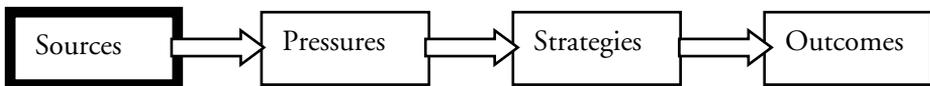


Figure 2-3 Institutional Sources

As previously discussed, several sources influence new ventures to write business plans, for example banks, venture capitalists and business angels, educational organizations such as universities and business schools, governmental and non governmental new and small business organizations and professional occupations such as consultancy and accounting firms. An investigation of sources enables an enriched understanding of the relation between the new venture and its environment, and is thus an important part of this dissertation. This study is limited to sources of institutional pressures. Other sources in the environment of organizations, e.g. such important sources as suppliers and customers are outside the key focus of this dissertation. Literature advising companies to write business plan do not usually refer to suppliers and customers as target groups for business plans although examples are not hard to find (Tovman, 1997). There are no indications that the task environments of

organizations are strong driving forces for the institutionalization of business plans in new ventures in a Swedish context (Karlsson, 2002). Therefore, this analysis focuses on the institutional environment of the organizations rather than the task environment.

2.3.2 Literature

Management literature can be seen as representations of the societal level norms, beliefs, behavior and ideologies. The literature is an important diffusion mechanism for management tools, as it makes it possible for institutional beliefs to travel from the general societal to the individual organizations (Furusten, 1995). Once published, it may reach organizations in environments that do not usually share ideas and beliefs. Opinions in books can be spread through many social levels, and ideas presented in books are often presented with authorial voice, and with expert systems of reviews and critique. Especially research based literature has an allure of objectivity and truth. Hence, the analysis of literature is important for our understanding of what society at large and organizations take for granted. Books on business plans appear at business schools, as bestsellers in airports, at governmental institutions and in public. The literature on business plans follows certain rules, making it possible to speak of it as a genre on its own right. Hindle (1997) describes these rules in his doctoral dissertation. Business plan books are written to be a support for business start-ups, when they apply for venture capital or try to attract resources from other stakeholders. The books usually assume that the entrepreneur has low levels of business knowledge. The entrepreneurs should write the plan themselves. Goals, objectives, aims and strategies must be defined. The plan should be less than 40 pages. It should encompass and integrate product, marketing, organization, management and financial plans. There is some consensus among the books that Hindle studies:

- The business plan should follow a certain table of content.
- Financial projections are relatively important.
- A plan should describe a specific investment offer.
- The business concept presented should be clearly differentiated from its competitors.

Hindle (1997) argues that the literature on business plans is rather homogeneous, and that the literature on business planning has a significant and strong positive impact on how new ventures deal with business plans. Albeit not using an institutional perspective, the assertion by Hindle points to the importance of the literature in the spread of business plans in new ventures. Little is known about how new ventures in specific make use of the literature, and no specific source or direction on how much or how important the literature source is in the specific case of new ventures. Little is know about how

and to what extent new ventures make use of the literature and there exists very little if any research this topic.

2.3.3 Professions

Several studies with an institutional perspective use professions as their unit of analysis. DiMaggio (1991) studies the professional norms related to US art museums. He finds that professionalization enforces existing institutions and at the same time is a source for de-institutionalization. Brint and Karabel (1991) in their study of American community colleges argue in their conclusions that professionals within an organization are the carriers of that organizational interest. Scott (1992) writes about the impact of professionalism in the health care sector. He concludes that professional occupations determine many aspects of organizational structure and functioning: The division of labor, the modes of coordination and control, and the locus of discretion. In short, professions influence organizations:

They exercise control by defining reality, by devising ontological frameworks, proposing distinctions, creating typifications, and fabricating principles or guidelines for action.

Scott and Backman 1990: 290

Many new ventures are constructed around a single professional competence of the owner manager of that firm. There are many new ventures that are started as professional service firms (Brooksbank, 2000). The study focuses on the specific context of an incubator, and consequently on the professional influence of incubator managers, consultants and accountants and on the business planning practices of new ventures. A study of Swedish small businesses with less than 10 employees (Glader et al., 1975) shows that most of these companies have limited planning, they conducted with the assistance of accountants or consultants. Companies that received assistance from small business management consultants on how to develop their strategy significantly improved their profitability and effectiveness (Robinson, 1982). In the specific setting of incubators and Science Parks, there are therefore many professional sources for institutional pressures, in most cases more such sources than for the organization that starts outside an incubator/Science Park environment.

2.3.4 Financial Organizations

An institutional approach investigating how lending organizations, among others, influences behavior of large companies has been suggested (Mezias & Scarselletta, 1994). However, little research has been conducted on how financial organizations influence new ventures from an institutional perspective. The literature on business plans in new ventures suggests that business plans are

important in relation to financial organizations, such as banks, venture capitalists and business angels, providing new ventures with the financial means that they need in order to survive and grow (Mason & Harrison, 1996; Poon, 1996; Shepherd & Douglas, 1999; Stevenson, et al. 1999; Timmons 1999; Lambing & Kuehl 2000; Barrow et al. 2001; Kuratko & Hodgetts, 2001; Wickham 2001; Mason & Stark, 2004), This extensive focus on how important business plans are in relation to financial institutions has probably been overstated in the extensive literature on business plans for two primary reasons. First, financial sources such as banks and venture capitalists may play a minor role in the financing of young firms. Bhide (2000) notes that most fast growing companies financed their sale primarily through retained earnings, and, based on his own study of entrepreneurs, suggests that many entrepreneurs finance their business with internal funds, or personal bank loans. Extensive empirical support for the pecking order hypothesis suggests that new ventures rely on retained earnings as their primary source for funding, followed by debt and finally external equity (e.g. Berger & Udell, 2003; Bruns, 2004) Second, banks have no obligation to evaluate the goals, ideas and business plans of the organization applying for funding. Empirical studies of banks' decision making show that the key evaluation criteria for banks are future repayment ability and satisfactory collateral (Bruns, 2004). Third, venture capitalists may not be emphasizing business plans to the extent described in the business plan literature. Several studies have indicated that the compositions and members of the management team in an organization are more important in the investment decision of a venture capitalist than the formal written business plan (MacMillan and Narasimha, 1987; Knight, 1994; Geijer, Hjelte, Stenlund, 2001; Gumpert, 2003).

2.3.5 Schools

Educational systems are potentially important sources of isomorphic pressures, as they shape social norms about personal behavior and attitudes to work methods and other relevant problems. In addition, they influence sources' worldviews, and roles (Brint and Karabel, 1991; Karnoe, 1995). Management education in particular has a significant impact on what recipes become institutionalized in modern organizations (Sahlin-Andersson & Engwall, 2002). Business schools teach potential managers what is right and what is wrong. It has been shown that the propensity to plan in small organizations increases with formal education. Studies by Robinson (1979) and Unni (1981) show that higher education makes small business managers more prone to use planning methods. Research indicates that self employed managers and managers in new ventures recently have grown increasingly educated (Daly, 1991). Further, many consultants and the models they spread, come from business schools. Other professions closely related to the organization, such as lawyers, bankers, and accountants also commonly have business administration studies in their

educational background. In this study the focus is on the education relevant to the focal organizations and their environment. When it comes to business plans in new ventures, there are, as described in the introduction of this dissertation, indications that business plans are a widely spread tool for entrepreneurship education (Honig, 2004), and that if the entrepreneurs with business school education have a positive impact on the propensity to write business plans (Honig & Karlsson, 2004).

2.3.6 Government

Governmental institutions are unique sources for institutional pressure as they can coerce organizations and individuals into compliance by legal means. Empirical studies have examined e.g. how property laws have influenced the organizational activity (Campbell and Lindberg 1990), and how governmental constraints have affected organizations in early US telecommunications (Barnett and Carroll 1993). In a paper based on historical data from a transformation of a personnel administration, Baron, Dobbin and Jennings (1986) find that the state plays a central role in that transformation. In an American context, the small business administrations strongly advocate the development of business plans (SBA, 2005). Similarly, the Swedish employment office can grant unemployment benefits to those who are trying to start up a business. In many cases such grants are conditional on whether the company has written a business plan or not (Falkenhall, Olofsson & Johansson, 2003). Government assistance agencies can therefore play an important role in the spread of the business plan institution. A study by Honig and Karlsson (2004) indicates a strong relation between a government assistance agency and the writing of business plans.

2.3.7 Industrial Peers

Institutional theory holds the assumption that organizations are highly dependent on their inter organizational context, claiming that institutional pressures are created and recreated in industrial fields and that these institutional pressures govern organizations within the industrial field. Organizations within a geographical region have been seen to have similar organizational structure and culture. Some industrial districts in Italy seem to have similar recipes for organizing (Røvik, 2000), and some industrial districts in Sweden have been assumed to have shared values (Wigren, 2003). Thus closeness in terms of industrial belonging and geographical distance seems important to understand institutionalized recipes. In this study, the focus is on the other young companies starting in the science park as potential influencers of how the studied companies behave. Powell and Brantley (1992) observe large amounts of knowledge sharing and collaboration among new ventures in the biotechnology sector, and Johannisson (2003) stresses the importance of other

new ventures in similar lines of business for the start of new ventures. While these commonly transmit hands on practical knowledge about how to manage an organization, it is not unlikely that these sorts of relationships also could be used to transmit management tools.

2.4 Institutional Pressures

Organizations continuously try to adapt to their environment in order to gain legitimacy and subsequently recognition and resources from it. Noticing that organizations are increasingly similar, DiMaggio and Powell (1993) develops a framework for explaining this increasing homogeneity. They maintain that organizations become increasingly similar, not only because of efficiency concerns as argued by population ecologists and contingency theorists (Scott, 2003), but also because organizations conform to institutional pressures in order to gain recognition and resources (Mizruch & Fein, 1999). Figure 2-4 below is merely an extension of figure 2-2, highlighting the specific category discussed in this section, i.e. pressures.

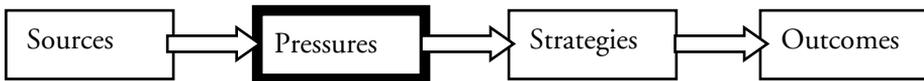


Figure 2-4 Institutional Pressures

There are three types of institutional pressures, the coercive, the normative and the mimetic through which an institution influences organizations to become similar i.e. isomorphic (DiMaggio and Powell 1983). They argue that through conforming to institutional pressures, new ventures gain legitimacy. Legitimacy is a perception that actions of an entity are desirable, proper and appropriate. This perspective seems appropriate as many organizations seem to be concordant in their opinion about business plans. As mentioned previously, banks, venture capital firms, schools, and management consultants are all sources that are said to endorse the business plan.

A study by MacMillan and Narasimha (1987) especially indicates that there may be institutional pressures at work. They find that the closer the business plan is to the norm of what a business plan should look like the more likely it is that it should be funded. If the plan deviates a lot from the norm it is less likely to be funded. This indicates that a plan that comes closer to the institutionalized norm of how a business plan should look like, gets better evaluations from the venture capitalist. Even though MacMillan and Narasimha (1987) did not test institutional theory *per se*, the results of their study are well in line with DiMaggio & Powell's neo-institutional predictions (DiMaggio & Powell, 1983).

Table 2-1 below defines three central concepts in institutional theory, mimetic, normative and coercive pressures. These concepts are described more extensively in the text below. These definitions provide the base for the coding structure (in table 3-3) and analysis of the concepts.

Table 2–1 Coercive, Mimetic and Normative pressures

	Definition
Coercive pressures	Coercive pressures are based on enforced rules from exogenous providers of resources.
Mimetic pressures	Mimetic pressures are based on modeling after successful peers. Such activity is engaged in to reduce uncertainty.
Normative Pressures	Normative pressures are the result of customary professional and socially accepted and responsible discourses.

2.4.1 Coercive Pressures

Studies of coercive pressures include laws, rules and sanctions. An organization gains legitimacy through compliance with the rules set up by an institutional actor/source. A consequence of gaining legitimacy is external validation, which improves access to resources. Continuous fulfillment of rules may lead to an increased trust in the organization that could go beyond the specific exchange relationship. The company could be considered a morally responsible company in general and thus a good record of compliance could give additional legitimacy.

Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. Such pressures may be felt as force, and persuasion (Scott, 2001).

Not complying to coercive pressures may significantly hurt the organization; non-compliance to laws can, in the worst case, lead to the termination of organizations. In relation to exchange relationships with other powerful organizations, noncompliance to rules may sever the specific exchange. If the exchange is essential to the organization, it directly and significantly damages and threatens the survival of the organization. Banks, venture capitalists and government assistance agencies are all organizations that have been suggested to provide resources to the new venture on the condition that they have written a business plan. The Swedish government, for instance, grants in many cases support for starting businesses on the condition that a business plan has been written (Falkenhall, Johansson, & Olofsson, 2003). When it comes to banks, they are often described in business plan literature to have conditional demands on business plans (Burns, 1990; Tovman, 1998) There are indications, however, that banks emphasize business plans normatively, but do not demand it unconditionally, nor do they in some cases let the business plan influence

their credit lending decision (Bruns, 2004). Venture capitalists are most often described in close relation to business plans. To my knowledge, all books on business planning emphasize the role of business plans when applying for venture capital (c.f. Hindle's review of books and articles; Hindle 1997). Even though business plans may be conditionally demanded among many venture capitalists, it has been suggested that the actual business plan may play a secondary role to the composition of the management team, the industry experience of the entrepreneur and if the entrepreneur has previous start-up attempts (MacMillan & Narasimha, 1987; Knight, 1994; Geijer, Hjelte, Stenlund, 2001; Gumpert, 2003).

2.4.2 Normative Pressure

The normative pressures concern the nature of what is desirable and considered good and appropriate behavior (Scott, 2001). It dictates appropriate goals, as well as the means that could be used to get them. For organizations, an example of an appropriate goal is to generate profits and an appropriate way to generate them is through hard work.

Normative pressures stress the moral aspect of legitimacy. It stems from an evaluation if the organization does the right thing, plays its role correctly, and it is viewed as an organization that does desirable things. This may result in two beneficial effects. First, the organization may gain pragmatic legitimacy that serves the organizations direct goals. Second, it may grant the organization moral legitimacy that enforces a belief that the organization serves a greater social good by doing it (Suchman, 1995). Normative pressures have been found to strongly influence founding rates in the newspaper industry (Dacin, 1997)

Normative isomorphism stems primarily from a willingness to comply with authority, to fit into society and to play a role for some greater good.

The incentive structure associated with the normative element is prominence. Behaving according to a normative pressure such as efficiency gives the organization a positive evaluation, which in turn may lead to beneficial results in terms of profitability increasing the prominence of corporation. Another example includes organizations that are perceived as working in great consistency with the normative pressure of their industrial field. Such organizations may get more or less visible appreciation of their supply. These could be made explicit in terms of diplomas, medallions and/or titles. Not complying with normative pressure may lead to bad word of mouth, bad publicity and loss of credibility among the organizational stakeholders. In its extension and indirectly, this may also risk the survival of the organization. It is also possible for some behaviors to be triggered purely from wanting to create something for the greater good, e.g. altruistic behavior. However, such behavior is most often associated with similar benefits, such that it is difficult to separate altruistic behavior from behavior triggered by striving for prominence. Universities and schools often play an important role in spreading opinions

about what is good and what is bad (Karnoe, 1995; Sahlin-Andersson & Engvall, 2002). Young firm management is no exception here. Business plans are often described as positive and a must in entrepreneurship literature used in universities and colleges (Allen, 2003; Wickham, 2003; Bygrave & Zacharakis, 2004). Universities often also support business plan competitions by encouraging students to compete and sometimes by supplying judges who evaluate the best business plan.

2.4.3 Mimetic Pressure

Mimetic isomorphism is generated primarily through the commonality of a certain behavior, similarity between the mimicking company and the model company, and the success of the model company (Mizruchi & Fein, 1999). Cognitive legitimacy reflects a positive evaluation from the organizational environment based on improved comprehensibility and reduced levels of experienced uncertainty. By modeling situations according to a well-established system, the organizational activity will be perceived as predictable, meaningful and inviting. Second, the use of existing models increases the comprehensibility, and the ease in which the organization can communicate with other organizations. They elaborate existing models and create new models in order to make understandable accounts of their environments.

The incentive structure associated with the mimetic isomorphism is security. In relation to incentive structures associated with the regulative and the normative element, security is a significantly more internalized incentive. Organizations in general are trying to avoid uncertainty, maintain rules and prefer simple rules to difficult ones (Cyert and March 1963). To mimic preexisting models reduce uncertainty in itself and is often easier than to create new models. To do something that deviates from the conventions in a field may be more unfavorably evaluated by the environment.

Entrepreneurs whose business plans lie outside the current expectations for their industry may find no one who understands or accepts what they propose to do.

Aldrich, 1999: 81

Aldrich argues that new ventures extensively make use of mimicking as a way to establish their business. New ventures can to a lesser degree than their older larger counterparts afford to diverge from well established conventions. Many good ideas are not accepted, such as the improved Dvorak typewriter keyboard (David, 1986) while others, including the electric light, are only accepted once it is sufficiently similar to previous technologies (Hargadon and Douglass, 2001).

2.5 The Relation Between Institutional Sources and Institutional Pressures.

Isomorphic pressures (DiMaggio & Powell, 1983) could be connected to certain institutional sources (Karnoe, 1995). Connecting a certain isomorphic pressure to a certain source is valuable for the understanding of the relation between the young firm and its environment. Figure 2-5 below has highlighted sources and pressures, indicating that this section will deal with the relation between institutional sources and institutional pressures.

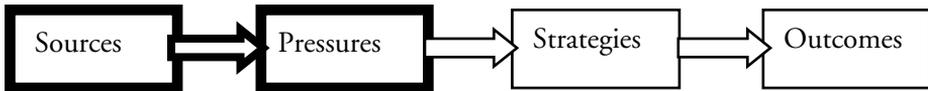


Figure 2-5 The Relation Between Institutional Sources and Pressures

Table 2-2 below is developed to clarify the connections between isomorphic pressures and sources. It should be noted however that this table is simplified and general. In specific research contexts, relations between pressures and sources can differ. For example, governmental organizations do not only exert coercive pressures through rules and regulations, but may also work to influence new ventures through normative means.

Table 2–2 Empirical Examples of Institutional Pressures and Institutional Sources for New Ventures

Sources category	Isomorphic pressure type	Institutional Source in a new venture context
Literature	Normative	Entrepreneurship literature
Professions	Normative	Accountants/Incubator advisors
Schools	Normative	Fellow students and teachers
Financial organizations	Coercive	Venture capitalists, banks, business angels
Government	Coercive	Requirements for receiving support from assistance agency
Industrial peers	Mimetic/normative	Other new organizations, industry associations

Institutional sources such as literature, educational organizations and professional counseling organizations influence organizations through advice; teaching what is good and bad, what is profitable and what is not (DiMaggio & Powell, 1991). They typically exert *normative pressures* on the organization. In the specific case of new ventures, there is extensive literature on how to start a new business. There are entrepreneurship educations and there are several

organizations that are supposed to help new ventures to get started and get funding.

Government agencies often have authority to enforce conformity directly or indirectly by laws, regulation and general authority. While governmental organizations often attribute with coercive pressures (Karnoe, 1995), and they can certainly exert such pressures, it is perhaps even more common that they exert their influence through normative means (Scott, 2001). Organizations on which the focal organization is financially dependent, such as venture capitalists, banks and suppliers, have the power to limit the cash flow to the organization and harm or destroy an organization. Governmental agencies and organizations on which the focal organization is resource dependent can put direct conditional demands with respect to the focal organizations survival. Thus these two types of organizations have means to exert *coercive* pressures.

The focal organization may also become influenced by the behavior of their peers. The more organizations, and the more successful they are, the higher the level of *mimetic pressures* (DiMaggio & Powell, 1983). When it comes to new ventures, they have several organizations which they might imitate and/or take advice from. Other new ventures perhaps in close geographical proximity and other successful older organizations are a case in point. It is becoming increasingly common that new organizations start up in an environment with many other new ventures in incubators or Science Parks. Such environments may abound with normative and mimetic pressures.

2.6 Institutional Strategies

The focus on isomorphism and homogeneity of organizational behavior and structure (DiMaggio and Powell, 1983) has been subject to some critique. Primarily authors have been critical of the perspective's relative inattention to the role of interest and agency in shaping action (DiMaggio 1988).

Emphasizing the importance of the environment, it is possible to lose track of organizational and human agency. Some works in the field of strategy argue that organizations possess freedom of strategic choice (Pfeffer & Salancik 1978; Pfeffer 1987; Pfeffer and Salancik 1997). Figure 2-6 highlights strategies, as this section is about institutional strategies.

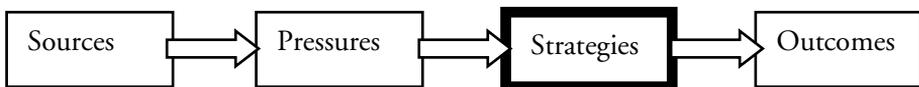


Figure 2-6 Institutional Strategies

As indicated previously most entrepreneurship research has focused on the traits and behaviors of the new venture managers/entrepreneurs (Aldrich, 1999). This line of research suggests that new ventures are more determined by their entrepreneurs than their external environment. Some recent studies within institutional theory have taken these points of criticism seriously by acknowledging and elaborating more variations in the organizational responses in the face of institutional pressures (Oliver 1991; Bigelow and Stone 1995; Montgomery and Oliver 1996; Ang and Cummings 1997). By focusing on aspects external to the organization, insufficient attention has been paid to what happens to management tools when they reach organizations (Røvik, 2000).

The aim is to understand some of the relations between agency and convergent institutional forces, by introducing, describing and analyzing strategies for dealing with institutional pressures.

Oliver (1991) is one of the first expressing this idea thoroughly. She discusses several different strategies organization can take against institutional pressure, stressing the possibility for agency within institutional theory. She argues that organizations, in line with resource dependence theory, will try to gain as much independence from their surrounding environment, through using different strategies. While institutional pressures are generally isomorphic, Oliver implicitly introduces dynamism in the model by adding influence via organizations' competitive environment. Organizations then must employ different strategies to balance sometimes contradictory pressures from the competitive and the institutional environments, or indeed internally contradictory competitive or institutional pressures (Oliver, 1991). Another reason organizations may act strategically is that pressures may be more or less in congruence with internal organizational characteristics (Sevon, 1996). It is possible to understand strong internal organizational characteristics, or organizational identities as institutional processes under a persistence perspective. Albeit this is arguably an important and interesting theoretical merger, it is beyond the scope of this dissertation to handle. In the special case of new ventures it is reasonable to assume that persistent characters in the organization have not developed and the identity of the organization is still in its formative stage.

Oliver (1991) suggests an array of different responses in a typology of organizational responses. This typology is summarized in Table 2-3 below.

Table 2–3 Institutional Strategies

Strategy	Definition
Acquiescence	Acquiescence is the action taken by a firm to conform to institutional pressures.
Compromise	A compromising strategy indicates that the firm tries to reduce the extent to which conformity is necessary.
Avoidance	Avoidance is the attempt to preclude the necessity to conform to institutional pressures.
Defiance	Defiance is an active response to an institutional pressure where nonconformity is openly admitted. But change of the institutional pressure is precluded.
Manipulation	Manipulation is an active response to an institutional pressure where change of the institution itself is the goal.

Each strategy is further discussed in the text below. Earlier institutional theorists rarely address issues particularly concerning new ventures. On the contrary, studies of institutionalization are often conducted in old organizations in well established institutional fields (See table 1-1 and Erlingsdottir, 1999). There are no explicit indications in Oliver's study about the specific strategic options available to new ventures. However, it is possible on the basis of her general predictions and other studies to deduct how youth might influence strategic responses of organizations. This is done in the text below.

2.6.1 Acquiescence

A convergent perspective predicts that organizations will conform to institutional pressures. Oliver (1991) suggests that organizations may accede in several different ways; by habit, imitation, or compliance. Habit refers to the unconscious adherence to taken for granted norms. Imitation is related to mimicry or institutional models expressed by successful organizations. Compliance is the conscious obedience to or incorporation of values, norms or institutional requirements. Acquiescence, in Oliver's typology refers to conformity to the institutional pressures in speech, writing and actions. New ventures face a unique situation in the environment. They are both subject to liabilities of newness (Stinchcombe, 1965) and liabilities of smallness (Aldrich and Auster, 1986). The most straight forward interpretation of institutional theory from a convergent perspective is therefore to assume that the environment poses a determinate influence on new ventures, and that new ventures benefit greatly from conforming to institutional pressures. Only one step astray from the legitimate path could spell doom of the new venture (C.f. Aldrich and Auster, 1986; Aldrich, 1999). Also, since new ventures have not had time to develop enduring organizational structures to the same extent as

their older counterparts, they are less inclined to be resisting environmental pressures because they have not developed a strong organizational culture (C.f. Selznick, 1949; 1957). Similarly, new ventures have not yet had the same opportunity to develop a strong sense of own identity as its older counterpart (Sevón, 1996). On the other hand it has been suggested that new ventures may have an identity of rebelling against institutional structures, and therefore not conform to institutional pressures (Sevón, 1996; Kondra and Hinings, 1998).

2.6.2 Compromise

Under circumstances of inconsistent institutional demands or conflicts between legitimacy and efficiency, organizations may try to balance, pacify or bargain with the institutional pressures and/or the sources exerting the pressures. Balancing refers to playing institutional sources against each other. Organizations may thereby balance the expectations of multiple constituents. Pacifying refers to partial conformity to one or more constituents, hoping that this would be sufficient to pacify any threatening action. Bargaining refers to placating and accommodating parts of the institutional elements, while trying to renegotiate with the institutional sources. organizations with their liabilities of newness and liabilities of smallness have a different situation when it comes to striking compromises than their older and larger counterparts. To use loose coupling (c.f. Weick, 1976; Meyer & Rowan, 1977; Orton & Wieck, 1990) is comparable to pacifying and bargaining and hence it is defined as a compromise strategy in this study. However, this is not the only interpretation of loose coupling. Oliver (1991) categorizes loose coupling as an avoidance strategy.

New ventures can not in the same way create organizational units that exclusively deal with institutional pressures while keeping the operational core intact This type of loose coupling is therefore often not possible in the young firm. However, there still exists an option to loose couple their external communications from their internal actions. They can loose couple formal written structures from the ventures actual operations (c.f. Brunsson, 1989). While it might be more important for new ventures to conform to institutional pressures, it is also likely that new ventures are not monitored to the same degree as their larger counterparts, due to the relatively large cost of monitoring young small organizations in comparison to older and larger ones. Therefore ,they may “get away” with “only” adopting the institutional tool symbolically because they are not closely monitored, and loose couple once they feel the risk of “getting caught” as low. Loose coupling enables organizations to be able to quickly adopt a management tool (Strang & Meyer, 1993). They do not need to use their effort in time consuming implementation. Adoption is an important act. To adopt something “only” symbolically is not considered a normatively right thing to do. Loose coupling could therefore open up an area in which conflicts can arise (Hironaka & Schofer, 2000).

2.6.3 Avoidance

Avoidance is the organizational attempt to preclude the necessity of conformity. Organizations may avoid institutional pressures by escaping from the context in which the institutional rules and expectations are expressed. Avoidance here is defined more narrowly than in Oliver (1991) in order to avoid potential overlap between the avoidance and the compromise category. With respect to financial capital, new ventures have the possibility to choose from a variety of different funding alternatives. Most commonly discussed in the literature on business plans are discussions about funding from banks and venture capitalists. However, venture capital constitutes very little of the total amount of total funding to new ventures. Funding from banks is more common, but still more common is that funding comes from the entrepreneurs' own wealth or from relatives. In addition, young companies can use different types of bootstrapping techniques to avoid taking bank loans or applying for venture capital (Winborg, 2000). It has been argued there is a pecking order, which small organizations adhere to. It means that small organizations choose the funding alternatives that are the least costly such as private funding, and avoid more costly alternatives such as venture capital and bank loans (Berger and Udell, 2003; Bruns, 2004). However it could also be that new ventures avoid such alternatives as they perceive that too much effort has to be made writing applications for such funds, such as lengthy business plans.

2.6.4 Defiance

Defiance is an active form of resistance. Oliver (1991) suggests three tactics of defiance. These are dismissal, challenge, and attack. One option is to totally ignore institutional pressure. This option is available if the organization's survival is not at risk because of nonconformity, or the risk of nonconformity at being discovered is low. It could also be a possible strategy if institutional enforcement is weak. Challenge is an active departure from rules, norms and expectations. If the organization feels that its structure and behavior are more efficient than those advocated by the institutional system, and the punishment for deviations is limited, it may choose to challenge the institutional system. Attack involves active resistance. An organization may attempt to change the institutional rules by actively belittling, or denouncing them. Organizations may choose this strategy if they perceive that the likelihood of getting caught is very low, and responsible managers have an inadequate understanding of the reasons underlying a certain tool, or the consequences of disobedience. Therefore, relying on similar logic as when it comes to compromise, new ventures may justifiably perceive the likelihood of them "getting caught" as smaller than larger older organizations (Oliver, 1991). Also, new ventures may identify themselves as institutional breaking and rebellious (Hjort, Johannisson

& Steyert, 2002; Johannisson, 2003), which further would increase the likelihood of them using a defiant, or a compromising strategy.

2.6.5 Manipulation

Manipulation is the most active organizational response. Organizations may try to use tactics that influence or control the institutionalized norms and values. Influence tactics are directed towards changing the institutionalized criteria of acceptable practices through various tactics such as lobbying. Controlling tactics involve trying to establish power and dominance over the external constituents applying pressure on the organization, thereby forcing it to change.

Manipulation strategies are associated with actively changing, dominating or exerting power over the content of the institutional pressure itself or the sources that try to enforce them (Oliver, 1991). I suggest that this strategy is unlikely among new ventures as such strategies require substantial bargaining power and other types of resources. It is unlikely for one single new venture to have access to such abundant power and resources (DiMaggio and Powell, 1983; Brint and Karabel, 1991; Fliegstein, 1991; Zimmerman and Zeitz, 2002). Even so, it is possible that a new venture can work in collaboration with a larger organization, or team up with other new ventures to create change.

2.7 The Relation Between Institutional Pressures and Institutional Strategies

What strategies an organization can engage depends on the nature of environmental pressures, from both the task environment and the institutional environment. Figure 2-7 below highlights pressures and strategies, indicating that this section is about the relation between institutional pressures and institutional strategies.

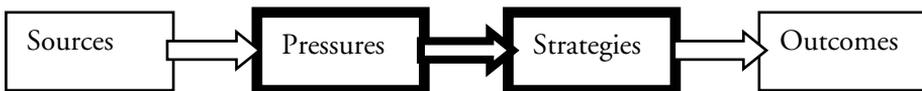


Figure 2-7 The Relation Between Institutional Pressures and Institutional Strategies

The type of institutional pressure that is exerted on the organization may play a significant role in explaining what strategic response the organization will take. As institutional pressures range from the conscious to the unconscious, possibilities for agency ranges from the active departure to the passive

conformity. Table 2-4 below presents, a range of likely strategic responses to institutional pressures specifically developed for the modeling of business plans in new ventures. X indicates that this strategy is likely. P indicates that this activity is unlikely.

Table 2-4 Institutional Strategies and Institutional Pressures

	Coercive	Normative	Mimetic
Acquiescence	X	X	X
Compromise	X	X	X
Avoidance	X	P	
Defiance	P	P	
Manipulation	X		

Absence of letters indicates relationships not expected to be found. The range of possible strategies is wider in the case of coercive than mimetic pressures. Coercive pressures are understood as more conscious circumstances, while the mimetic pressures are associated with more or less unconscious cultural and cognitive routines and rituals. Unless the organization is self aware of the institutional pressure at hand, it is impossible to take active decision to deviate from it (Scott, 2001). Therefore, an organization subject to coercive pressures has the whole range of Oliver's strategies to choose from (Oliver, 1991), but their options are limited to fewer alternatives, when subjected to mimetic pressures.

Strategic responses to institutional pressures are also limited by the ability an organization has to conform or engage in another of the strategic activities. Contradictory institutional demands significantly reduce the possibilities for acquiescence and defiance strategies, as the conformity to one institutional pressure leads to lost legitimacy due to the neglect of the other (Brunsson, 1989). In such conditions, manipulation or compromise strategies could potentially serve the organization to gain legitimacy from both, without having to choose.

Further, the extent to which an institutional pressure is known to the organization influences the ability of organizations to engage in different institutional behaviors. Low levels of knowledge about a certain institutional pressure make it difficult to engage strategies such as manipulation and acquiescence that demand significant knowledge about the institutional pressure at hand. On the other hand, options such as avoidance and defiance may become more common and easy in cases of low knowledge about the institutional pressure at hand.

2.8 Institutional Outcomes

Institutional outcomes reflect the effect of the institutional process. The most commonly discussed outcomes in institutional theory is legitimacy and efficiency. Figure 2-8 below highlights outcomes, indicating that this section is about institutional outcomes.

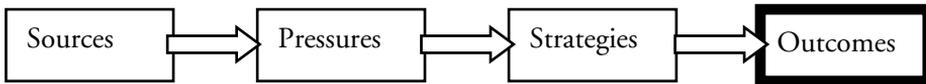


Figure 2-8 Institutional Outcomes

2.8.1 Legitimacy

In this study legitimacy is investigated in terms of social acceptance, peer acknowledgement and positive evaluations from the firm's environment. In this study it is viewed as an institutional outcome of an organizations choice of institutional strategy. The focus is not therefore put on how legitimacy can be used to create obedience (C.f. Weber, 1983), but whether an organization is evaluated favorably (Suchman, 1995).

The central thrust of institutional theory in organizational analysis has been to explain similarity between organizations (Kondra & Hinings, 1998). As a consequence, most studies have been interested in how to explain organizational conformity to institutional pressures, and not the effects of conformity or nonconformity. In the cases where effects are studied, they are usually borrowed from other theoretical perspectives to enable comparison. Commonly, outcomes are positively related to legitimacy and studied in terms of survival (Baum & Oliver, 1991; Baum & Oliver, 1992; Barnett & Carroll, 1993; Aldrich & Fiol, 1994; Delmar & Shane, 2004) or profitability (Palmer, Jennings, & Zhou, 1993; Abrahamson, 1993; Gooderham, 1999).

New ventures, likely suffer from both liabilities of newness (Stinchombe, 1965) as a result of their age, and liabilities of smallness (Aldrich and Auster, 1988) as both giants and dwarfs in the organizational world most often start out small. Therefore, it could be said that new ventures lack legitimacy. This lack of legitimacy can be argued to threaten the possibilities for survival among new ventures. In order to survive, it has been argued that it is therefore of crucial importance that new ventures conform to institutional pressures (Aldrich and Wiedenmayer, 1993; Baum, 1996). Figure 2-5 below defines the two commonly predicted outcomes of organizational actions in institutional theory: legitimacy and efficiency.

Table 2–5 Outcomes of Organizational Action

Outcome	Definition
Legitimacy	Social acceptance (merits, status, resource acquisition)
Efficiency	Profitability/increase of value

2.8.2 Efficiency

To reject or resist institutional pressures is often hypothesized as having a reverse relationship to efficiency and financial performance, i.e. dismissing institutional pressures leads to negative consequences for the firm’s performance. However this proposition is more often borrowed from contingency theory than drawn from institutional theory as such. A contingency theoretical framework postulates that organizations will choose the most appropriate strategy given the environmental situation at hand. Therefore, different strategies are appropriate in different environments (Lawrence and Lorsch, 1967, Tushman and Romanelli, 1985), and inappropriate forms will be not stand competition. In new ventures, it has been argued that conformity to institutional pressures is necessary to gain access to necessary resources for survival.

2.9 The Relationship Between Institutional Strategies and Institutional Outcomes

Institutional theorists have predominantly been interested in if there are any effects of conforming to institutional pressures. Few studies try to understand the outcomes of different institutional strategies. Figure 2-8 below highlights strategies and outcomes, indicating that this section is about the relation between institutional strategies and institutional outcomes.

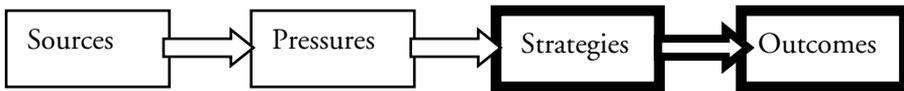


Figure 2-9 The Relation Between Sources Institutional Strategies and Institutional Outcomes

The study of different outcomes is inherently related to strategic responses to institutional pressures. One powerful explanation of divergence from institutional isomorphism stems from the possible conflict between institutional isomorphism and competitive isomorphism. If what is institutionally demanded also is competitively inefficient, organizations would have rational incentives to

diverge from completely conforming to the institutional standards (Seo and Creed, 2002). Therefore it is possible to argue that defiance, avoidance and compromise strategies will be more common if there is a tension between institutional isomorphism and competitive isomorphism. For example, if adopting a management tool is strongly demanded by the organizations' environment, but it is highly disruptive to the organizations competitiveness and internal operations, the company is likely to use these strategies. In the context of business planning in new ventures this means that if business plans are both efficient and legitimate, then we would most likely see isomorphic behavior, while if there are positive institutional effects of conforming to pressures on writing business plan, and there are competing competitive pressures, we would likely see compromise, avoidance and defiance. As mentioned in the first chapter, studies on business plans in new ventures are inconclusive and positive competitive advantages from using business plans are dubious, while positive institutional effects of writing business plans are apparent. Therefore we would expect to more frequently find avoidance, defiance and compromise, rather than acquiescence in these cases.

It is possible to argue that new ventures can gain legitimacy from a large variety of different strategies if a broader view of the term legitimacy is adopted (Suchman, 1995; Zimmerman and Zeitz, 2002). These authors' argument contradicts the previously common assumptions about the necessity of conformity to gain legitimacy among new ventures. Following the discussion about strategies highlighted in this chapter, new ventures seem to have several strategic options that they can take with the risk of harming their chances to survive. However, due to the low risk of being monitored and audited, and less severe consequences of not conforming, new ventures may act in illegitimate ways without significantly threatening their survival chances.

Formal planning and forecasting are sometimes associated with negative performance outcomes in entrepreneurship theories of new ventures (c.f. Stevenson & Gumpert, 1985; Saraswathy, 2001). It has been argued that highly institutionalized behavior leads to low variation in organizational performance. An organizational behavior contradicting the institutional pressures leads, according to Kondra and Hinings (1998) to a high level of variation in outcomes. Conformity leads to relatively moderate performance, while rejection leads to great variety in organizational performance. Kondra and Hinings (1998) call the successful organizations renegades and entrepreneurs, while the ones who do not fit with the institutional pressures and perform poorly and are called dogs.

The effects on financial performance of divergent organizational responses to institutional pressures are interesting, but rarely investigated. The relation between intermediate responses to institutional pressures such as loose coupling and performance has been scantily studied. The possibilities for any systematic large scale survey on the issue are restricted because of the difficulties to establish loose coupling in survey type studies. However some theoretical work

and in-depth studies indicate that loose coupling is an efficient form of managing multiple constituencies, and should therefore be positively related to long term performance (Meyer & Rowan, 1977; Brunsson, 1989). This study examines outcomes of different strategies by investigating outcomes of any strategy used, and not only focusing on a single strategy e.g. only conformity, or only loose coupling.

Traditionally and implicitly, conformity to institutional pressures has been understood as positive in relation to efficiency and/or to legitimacy. There is no necessary negative correlation between the two as Røvik indicates:

The thick coat you buy because it is fashionable is at the same time comfortable and warm to wear.

Røvik 1998: 41

There are no necessary positive effects either. In some studies it has been suggested that legitimacy effects don't necessarily also convert to efficiency effects. Honig and Karlsson (2004), for example, suggest that business plans do not improve efficiency of new ventures, while they have positive effects on legitimacy. Similar effects have been seen when it comes to strategic planning in general (Mintzberg, 1994) and Total Quality Management (Westphal, Gulati, & Shortell, 1997). There are fewer studies that have investigated the effects of loose coupling, however, Meyer and Rowan 1977 show positive relationships between loose coupling and efficiency. Brunsson (1989; 2003) also argues that loose coupling talk from action has positive effects. Institutional theorists have not had an interest in non-conformity, no more than it is the reverse of conformity. Thus the effects of non-conformity have not been investigated in-depth. The most common prediction is that non-conformity leads to efficiency and/or legitimacy loss. However, Kondra and Hinings (1998) indicate that nonconformity leads to increasing uncertainty levels in the outcomes, both positive and negative. It is probably most accurate to view the relation between conformity and efficiency as a theoretically open one for empirical tests to resolve.

2.10 Summary

As argued in this chapter, it is helpful to understand institutionalization of business plans in young organizations from an institutionalization process, integrating convergent and divergent institutional perspectives. Figure 2-9 describes an institutionalization process in four steps: Sources, Isomorphic pressures, Strategic responses and Outcomes. Each of these steps is illustrated with sub categories. It investigates the institutionalization process in a manner to get a complete description of how institutionalized recipes reach organizations, how they are dealt with and with what consequences. This is

something that is rarely done in studies of institutionalization, but is essential to unravel the 'real' relationships and powers between the external pressures and organizational action (Mizruchi & Fein, 1999). Figure 2-9 is an elaboration of Figure 2-2.

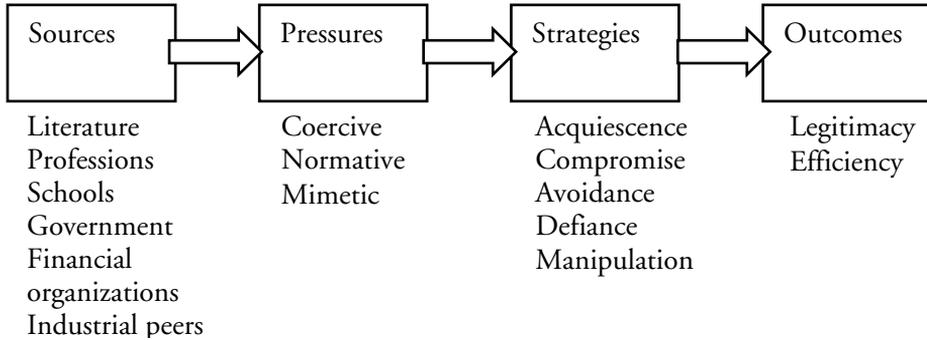


Figure 2-10 The Institutionalization Process in New Ventures

Sources are exemplified by literature, professions, schools, government and industrial peers; institutional pressures consist of coercive, normative and mimetic; strategic responses consist of acquiescence, compromise, avoidance, defiance and manipulation; and outcomes consists of efficiency and legitimacy.

An interpretative framework for coding different aspects of the four steps is developed in chapter 3. Chapter 6 starts off with a discussion about what the empirical material and its relevance to the aspects in the steps. In other words, the dissertation pursues this central descriptive model.

3. Method

This chapter provides an introduction to my view on science and descriptions about various aspects of the research method applied. It discusses how it is possible to evaluate critical realist research, and how the theoretical concepts in chapter two are operationalized and coded. The purpose of this chapter is to enable and simplify replication, development and evaluation of the study.

3.1 Critical Realism

This section describes the critical realist perspective on method. The choice of a critical realist perspective is influenced by the current state of research within the field, the nature of the theoretical perspective, previous methodological training, the purpose of the research and methodological conventions. At the same time it is the author's choice, and not everyone with the same conditions would do the same. It is commonly argued that the researcher has a belief system, which influences his/her writings. Since there are many different ways of viewing epistemological and ontological issues, it is important to make these beliefs explicit (Burrell & Morgan, 1979).

Critical realists distinguish between the 'real', the 'actual' and the 'empirical'. They build on the assumption that reality is independent from our knowledge and observations of it. In the 'real' exist objects, causal structures and powers. The 'actual' refers to what actually happens if and when objects, causal structures and powers are activated in different constellations. The 'empirical' is the domain of observation and experience. This is the status of data, such as interview transcripts and survey results (Sayer, 2000). The study is influenced particularly by the writings of Roy Bhaskar (Bhaskar, 1978; Archer et al. 1998) and the critical realist view on science (Harré, 1970; Bhaskar, 1978). The methods chapter below is not concerned with critical realism as such, but rather on the influence critical realism has on data generation and analysis.

To paraphrase their position, critical realists tend to argue that a cause influences what will actually happen and what actually happens influence what one thinks has happened. Very cursory, in relation, social constructionists tend to more strongly emphasize what one thinks has happened and question accounts for what actually had happened. Empiricists tend to strongly emphasize what actually happened and deduct what caused it to happen.

Many institutional theorists rely on a social constructionist perspective on institutionalization originating from Berger and Luckmann (1966). Berger and

Luckmann have also made a special mark in the social constructionist philosophy of science. They have therefore not only been influential on the development of neo-institutional theory within sociology but also generated a special perspective on science. This perspective has significantly contributed to empirical and theoretical developments in the social sciences. However, the social constructionist position has also been criticized. Social constructionists often end up in an over socialized (Scott, 2001) position with little belief in the agency of single individuals or organizations (Hirsch and Lounsbury (1997).

The present study, in congruence with some recent developments in institutional theory, moves away from this social constructionist way of viewing the relation between institution and action. Seo and Creed (2002) use a dialectic approach to understand agency, Oliver (1991) use a resource dependence perspective, and there have been attempts to use structuration theory to introduce agency (Barley and Tolbert, 1997; Hirsch and Lounsbury, 1997). These developments are coherent with critical realism, suggesting that institutional pressures precede strategies and that strategies are responses to institutional pressures (c.f. figure 2-2). Archer (1998) explains:

[Critical realism] empowers us to analyze the processes by which structure and agency shape and reshape one another over time and to explain variable outcomes at different times. It is the same premises which enable critical realism to have a cutting edge through identifying contextual constraints upon our freedoms and specifying strategic uses of our freedoms for social transformation.

Archer 1998:203

This has theoretical implications. The convergent view, implying that strategic responses to institutional pressures are limited to conformity (c.f. DiMaggio & Powell, 1983) is an over socialized view of structure. Critical realists, such as Archer (1998) above, would favor a more balanced view with possibilities for agency. A convergent view is especially problematic when it comes to studies about new ventures. In the field of entrepreneurship, agency is apparent, and an essential part of any entrepreneurial activity (Johannisson, 2003). This dissertation integrates both convergent and divergent perspectives on institutionalization. Therefore, critical realism is a perspective that fits both the theoretical perspective and empirical setting of this dissertation.

3.2 An Intensive Data Generation Strategy

Intensive (or ideographic) data generation refers to studies in sociology that focus on details of specific phenomena. It covers the exploration of complex social empirical phenomena (Andersen et al. 1995). A critical realist view encourages intensive data generation strategies (Sayer, 2000). As described above, critical realists distinguish the 'actual' from casual laws. What actually

happen, may or may not have been caused by a specific law. The realist Tsoukas (1989) clarifies what this means:

This is possible because the realization of causal tendencies is contingent upon specific circumstances...Ideographic research conceptualizes the casual capability of structures, while at the same time it sheds light on the contingent manner through which a set of postulated causal powers interact...

Tsoukas 1989: 551

Critical realists encourage in-depth research with several means of data generation. Another possible term for this type of research is “case” study. However in case studies, the research interest and focus of the study often coincides (Stake, 1995), e.g. the company you study is also what you are interested in understanding better. In the relation to the purpose of the study, I believe that an intensive investigation, with its potential to maintain rich accounts of contextual data, is needed to be able to understand the process of institutionalization of business plans. The choice to investigate the phenomenon intensively is based on the critical realist encouragement above, and four additional considerations described below.

First, I conducted an extensive study of 398 nascent organizations and the reasons why they chose to write business plans. I found that institutional predictors were strong in explaining planning behavior, while written business plans were not correlated to performance (Honig & Karlsson, 2004). This finding is in congruence with previous survey-based studies on plans and performance. The relation between plans and performance in new ventures has been primarily studied with the assistance of survey based data generation strategies, with inconclusive results (Castrogiovanni, 1996). Extensive survey-based studies are good in finding correlations but poor in explaining why correlations do not occur. Given the lack of stable results in confirming the link between plans and performance and the lack of knowledge about plans in new ventures, there is a need for more fine-grained data generation strategies to improve the understanding of the business plan phenomenon.

Second, a previous interview-based study of organizations provided some indications that organizations loose coupled their written business plans from the ‘actual’ behavior. The study also found shows that government assistance agencies and business education background influence new ventures to write plans (Karlsson, 2002). Loose coupling between written plans and operational behavior could potentially explain why written plans are not positively correlated with performance. Loose coupling is an inconsistency of different action. Such action is often seen as normatively undesirable (Brunsson, 1984). It is therefore difficult to capture by methods such as letter surveys where the respondents have more possibility to adapt their answers in ways they believe are consistent. Intensive data generation helps to probe issues of loose coupling.

Third, an intensive study enables in depth understanding of a phenomenon, such as business plans in new ventures. It is therefore more likely to produce

fresh insights to research and novel descriptive concepts (Yin, 1989, Eisenhardt, 1989). As our knowledge of institutionalization processes in new ventures is rather limited, an intensive study is warranted.

Fourth, the intersecting field of new organizations, business plans and institutional theory as such is new to institutional theorists. Studying the phenomenon intensively gives a possibility to both apply existing theory and generate new theoretical insight.

Although, this methodological choice is based on my view on science, and the four considerations discussed above, this methodological choice, as all methodological choices have some limitations. The most obvious limitation is the uncertainty to which extent the result of an intensive study apply to companies in general. The business plan institution is quite widely spread among companies in the industrialized world. Books and research on business plans are widely distributed in several different languages. It is therefore likely that other new ventures will have to deal with similar actors and sources. It is however impossible with a study like this to understand more exactly to what extent this is probable in other settings. More about the limitations of this study is presented in section 3.12.

3.2.1 Research Environment

This study investigates how new ventures, founded in an incubator of a Science Park in Sweden (hereinafter called the Incubator), deal with business plans. All of the organizations are situated at the same floor, in the same building. A specific environment, within a limited geographical spread, was chosen for several reasons.

First, it helps when I try to intensively understand and describe how the environment influences new ventures in this incubator. To interview several companies in the same environment gives a better picture of how the incubator environment influences new ventures. It is reasonable to argue more confidently for the presence of certain incubator specific traits, if there are several observable statements and observations indicating the same thing, than if not. In other words, it increases the certainty of observed homogeneity.

Second, it holds constant several important aspects of the organizations' environment. Rauch and Frese (1998) find that small firm success is influenced by contingent factors in the firm's environment. They therefore suggest that studies should control environmental conditions. While it is not possible to statistically control environmental conditions in an intensive study, focus on one specific environment limits the amount of unobserved heterogeneity (important explanatory variables, unstudied between companies) in the environmental conditions influencing the organizations.

Third, the incubator is situated in close proximity to Grönköping Entrepreneurial Business School, hereinafter called GEBS. I had very good initial access to data in this incubator, its managers, and the school and lived in

close proximity to the incubator for the relevant period 2002-2003. The access was an opportunity to specify relations between the school and the incubator and to provide credible information about the incubator and the new ventures within it. This access to information has simplified the data collection, and made it possible to do a thorough investigation that would not have been possible without this proximity. The geographical proximity as such also reduces the costs for data generation.

Fourth, some of the firms moved from the incubator during the time of the research. In cases like these the firms were pursued to their new locations. In all cases, they either cancelled their business or moved to Science Park, situated in the same building as the incubator. This made it easy to track them, as the environment stayed largely the same even after their move from the incubator.

Fifth, institutional theorists have indicated that higher business education plays a significant role in the institutionalization processes, especially considering management tools (Karnoe, 1995; Sahlin-Andersson & Engwall, 2002). The incubator closely collaborates with Grönköping University. Thus the role of the university could be visible and strong, and easily observable. Also, companies in the same industrial field, sharing common characteristics are more prone to mimic each other (DiMaggio & Powell, 1983). Since the incubator in this study companies are geographically close, spring from student initiatives, and share many other features, this improves the possibilities for mimicry.

Finally, about 25% of businesses, less than one year of age, in Sweden write business plans (Honig & Karlsson, 2002). In the US, this number is about 35% (Honig & Karlsson, 2004). In the Science Park, about 50% have organized a business plan (Cedere & McKelvie, 2001). Given that 50% accurately represents the amount of companies that have written business plans in the Science Park, this is a higher propensity than in Sweden in general. This relatively higher propensity to write business plans in the incubator indicates that business plans are more institutionalized within the incubator. Therefore, I suspect the institutionalization to be stronger and more visible in the incubator than in the general population of new Swedish organizations.

The proximity to the companies studied can also lead to some weaknesses in the study. My presence could be perceived as one of a representative from a university. This could in it self be experienced as a normative pressure on the part of the respondents, and thus trigger verbal conformity to whatever they think that I wanted them to say. In one sense I might become the general university pressure for writing business plans. What the respondents answer can therefore clearly not be seen as independent from the researcher. However this is not possible to avoid in any interview situation and as long it is acknowledged it can be discussed. It can even be analyzed as additional valuable information about the impact of normative influences from universities!

3.3 Data Generation

There are methodological and theoretical reasons for using multiple data generation techniques.

Critical realist philosophies encourage the use of several data gathering techniques. It resides within critical realism to be skeptical towards how well empirically generated data from one source can reflect what actually has happened (Archer, 1998; Outhwaite, 1998). These authors argue that respondents' accounts may well be based on misconceptions. Using multiple data generating methods, and several different respondents, makes it possible to identify such misconceptions. Therefore semi structured interviews, direct observations, informal interviews and written documents are used in this study.

Institutional theorists maintain that organizations frequently engage in separating their formal response to institutional pressures from their operational activities i.e. loose coupling (Meyer and Rowan, 1977; Oliver, 1991). This could be done by establishing special units in the firm that handle institutional pressures from parts of the organizations that are involved in producing core activities in them. However, as new ventures often are small, where separation of organizational units is not really feasible (as the case with one person firms), they necessarily approach the problem of loose coupling differently, by for example separating written operations from 'actual' operations.

Similar to older/larger organizations, new ventures can engage in separating the formal appearance of their operations and their 'actual' ones. A formal document written by the respondents, such as a business plan, can conform with the institutional standard for business plans, while the firm's behavior is not restricted to what is in the plan. To capture such differences, both the 'actual' plan, and the organization's behavior must be observed. Similarly, an entrepreneur may tell a researcher that he/she is engaged in extensive amount of planning, while in practice he/she is not. To capture such differences, it is important to make interviews at several points in time, interviewing several respondents within the firm if possible, and observing the firms behavior during an extended period of time. The issue here is not to find one way in which to describe how a specific organization deals with institutional pressures, but to understand how a young firm may have multiple ways of dealing with institutional pressures. Some of these differences may only be understood through a combination of different data generation methods, such as the difference between what is in a written plan (archival data) and how the young organization talks and acts (interviews and observations).

The use of multiple data generating methods also increases the validity of the study. Not only differences in formal/informal behavior can be assessed, but also the accuracy of factual information, as what date an event occurred, or what actually was said at a certain event, is better evaluated when several ways of generating data are used. Ambiguity about facts can be reduced and how reasonable the data is can be addressed with the assistance of data generated

with other methods (Eisenhardt, 1989; Yin, 1989; Merriam, 1994; Sahlin-Andersson, 1986).

3.3.1 Formal Interviews

One type of interview situation used frequently in this study is what could be called formal interviews. They are formal in the sense their participants, location and time were agreed upon beforehand. The interviews were not rigidly following a questionnaire, and it can therefore not be called structured (Fontana & Frey, 2000). There was no written questionnaire for each interview. Instead an attempt was made to hold an open discussion and ask follow up questions when the respondent touched upon topics related to my coding templates. When the respondent wandered off from the general topic of business plans, specific questions were raised to refocus the discussion.

In general, the interviews ranged from 45 minutes to 1 hour and a half. In total 40 interview occasions were conducted. Three of the interviews were conducted with companies that are not included in the investigation. These are not used for further analysis. This brings the total amount of interviews used for analysis to 37. Each interview occasion is described in detail in table 3-2 below. Interviews with all members of the organizations studied were carried out. They were systematically repeated interviews with entrepreneurs in each firm. In general they were interviewed twice in a three-month period, and once again after six months. The aim of the repeated interviews was to enable understanding of how plans were used in the organizations.

In the first interviews, data was collected about the respondents, their organization, and specific questions about their formal planning. 'Questions were specifically raised regarding external actors important for them, and those influencing them to write business plans. Before the second round the previous interviews were transcribed and analyzed and further questions were prepared for clarification probing deeper into the firms' specific issues

The second round of interviews was more focused on the way in which the respondents made use of the business plan, if they had written one, and how extensive their planning was in general. Previous interviews were brought up and discussed with the respondent in an attempt to make the descriptions as close to 'actual' as possible.

The third round of interviews aimed at understanding more of the process effects of writing business plans. How do they use them in their day-to-day activities? What consequences do the entrepreneurs perceive that writing/not writing a business plan creates? Interviews were also conducted with individuals who the entrepreneurs referred to as influencing their attitudes or behaviors towards business plans. These were e.g. external capital providers, loan providers, mentors and business colleges. Interviews with those sources were done only once, and questions mainly concerned their relation to the focal

entrepreneurs, their attitudes and experience of business plans if, and how, they influenced the focal firms.

The main aim of these interviews was to understand how the business plan concept traveled from external sources to the focal firms. This is potentially important as when institutional myths travel they are translated and reinterpreted by sources (Czarniawska, 1996). Seven interviews with incubator managers (at the Science Park these managers are called coordinators or business developer) at the Science Park. All firms in this study had continuous contact with Science Park incubator managers. The incubator managers had an explicit responsibility to assist the firms. The limit to the number of interviews conducted in each firm was determined primarily with the same method as how the amount of cases was conducted i.e. until a point where respondents' answers were felt to be redundant. This is essentially a process of saturation (Glaser & Strauss, 1980). This principle was followed in general. Over time, things would change, and new information would be created. Thus, answers to questions regarding current policy and strategy could constantly change. Therefore, it was necessary to cut the data generation process with respect to budget and time constraints.

The formal interviews were recorded. To record the interview was preferable, since a small flavor of a word could shift the meaning of a sentence. To record interviews also enabled exact quotes. Recording on tape or by digital means are generally recommended for interviews (Svenning, 1996; Rapley; 2004). The possible disadvantages with using a tape recorder, such as respondents being more restrictive with information was experienced, but only to a small degree. Generally, perceived respondents were perceived to speak quite freely during the interview. Before recording, each respondent if it is ok for me to use a Dictaphone to tape the interview. Before each interview it is clarified that the interview material is only going to be used for research purposes, and that the respondents always had the chance of commenting on what had been written, before publishing. In single person interviews, all individuals agreed to use a Dictaphone. In three cases, interviews were recorded with notes due to technical problems with the Dictaphone. After each interview, the respondents were asked how they felt about the interview situation. Some respondents indicated that they were slightly uncomfortable not to have the researcher's opinion about business plans. Even though it would be more comfortable for the respondents, it is avoided as expressing such an opinion may significantly influence respondents answers.

3.3.2 Observations and Informal Interviews

Delamont (2004) writes that we need to use all our senses: smell, sight, hearing and touch in order to observe well, and we need to write well in order to convey all this. Observations in this study are limited in many respects to Delamont's norm. Observations were made once the initial interviews were conducted and

continued to the spring party when the “silver oak” was presented in May 2004. The observations were of three kinds: informal discussions with the respondents; discussions between the respondents and other actors within and outside the Science Park and observations about body language and activities that the respondents engaged in. Neither touch, nor taste or smell was recorded. Limited as they were, observations were helpful in understanding how my role as a researcher influenced the entrepreneur’s responses in an interview setting. Informal discussions with me or between the entrepreneurs’ and their business environment were often consistent with the message conveyed in the interviews, and therefore strengthened the extent to which the descriptions could be called ‘actual’. However, in some cases, observations conflicted with views conveyed on tape, indicating that the entrepreneurs’ ‘actual’ actions differed from those ideas expressed in the interviews. Rather than seeing those as invalid, such discrepancies between how entrepreneurs talked about business plans and what they actually did, indicated that they engaged in loose coupling.

3.3.3 Written Sources

Written sources also play an important role in this research. Written business plans are essential sources of secondary information. Secondary data could be used for many purposes for example reanalysis, methodological advancement, description and comparison (Corti & Thompson, 2004). In this study they are primarily used for comparison purposes. The text in business plans and other documents are compared to interview-generated data and observations. The text of the business plan, and the explicitly implied strategies are compared to the operations of the firms statements conveyed in interviews and informal discussions. These are fundamental to understand the strategies that the entrepreneurs used. In this study, discrepancies between how entrepreneurs talk about business plans and what is written in the plan indicate that they loose couple the written plan from their talk about business plans rather than that the talk, or indeed the business plan is invalid. They also provide financial information, when annual reports had not yet been established. Books on which the entrepreneurs’ indicate that they base their business plans upon are also read and compared to interview material and the written plans. Other written sources are mainly used as means to understand the companies. Such sources include newspaper clips, partner agreements, and protocols from meetings.

The data generation serves two main purposes in this thesis. It forms the basis for a general empirical description, i.e. company description, and jointly with theory and theory development it serves as an important role in the analysis. Both uses of data are described below.

3.4 Description of Data

This study is about new ventures and business plans from an institutional perspective. The importance of studying institutionalization processes in new ventures as well as the lack of relevant research, is discussed in chapter one. The specific new ventures (firms) under investigation are chosen on the basis of their age and their willingness to participate. Firms included in the investigation were 0-2 years old at the beginning of the study. After 2 years, the firms are considered old enough to move in to the Science Park or to other premises outside the incubator. The descriptions include the names of individuals and companies. The identity of companies and individuals are protected and their real names replaced by aliases. Company names are replaced by anglicized, spelled out, letters in the Greek alphabet, beginning with Alfa. Names of persons are replaced with common Swedish personal names starting with the same letter as the company. Surnames are constructed by the first name and the suffix son or dotter. The CEO's name in Alfa is therefore Anders Andersson. A list with short descriptions of the companies and the persons in the study is provided in Appendix A, in order to simplify reading table 3-1 below includes short descriptions of the six focal companies in this study. The table includes data on what industry they are in, what and how large they were when they started and at the end of this study, and if they have written a business plan or not. The companies are engaged in primarily immaterial production/services industries. The respondents want to be anonymous. I therefore want you to honor that by refrain from investigating their true identity. Table 3-1, shows e.g. that four out of six firms write business plans. Companies with and without business plans were deliberately included as I wanted to observe and describe a range of strategies.

Table 3–1 Overview of the New Ventures

Firm	Alfa	Beta	Gamma	Delta	Epsilon	Seta
Industry	Web design	Media product	IT-consult	Stock trading	Public Relations	Light engineer
Size when founded	2	3	2	1	1	2
Founding year	2000	2001	2000	1999	1999	2000
Status 2004	2 E	3 E	1 E	T	T	2 E
Written business plan	Yes	Yes	Yes	Yes	No	No

E= employees; T= Terminated

Only firms that were willing to be interviewed repeatedly, and give access to business plans and other documentation were investigated. These access

Method

demands are necessary for the study. In total nine firms were interviewed. One firm declined to be interviewed further as it suspected that it would be terminated. Two firms were dropped after the first interview as it was suspected that more interviews would lead to little additional information. These were excluded from later analysis.

The entrepreneurs were asked to list the individuals that have influenced them in their decision to write/not write a business plan. They were also asked about what individuals they have heard speaking about business plan and thus representing sources conveying institutional pressures to write them. Similarly, the respondents were asked about other sources, such as Internet pages and books that they have read about business plans. Tracking down the exact sources that influenced the entrepreneurs made it possible to identify the sources of institutional pressures and the type of pressure exerted. Further, it provided additional information for evaluating the actuality of observations and interviews.

In some cases, however, the entrepreneurs did not provide the names of the individuals of the external organizations. Figure 3-1 visually describes the informants and organizations in this study.

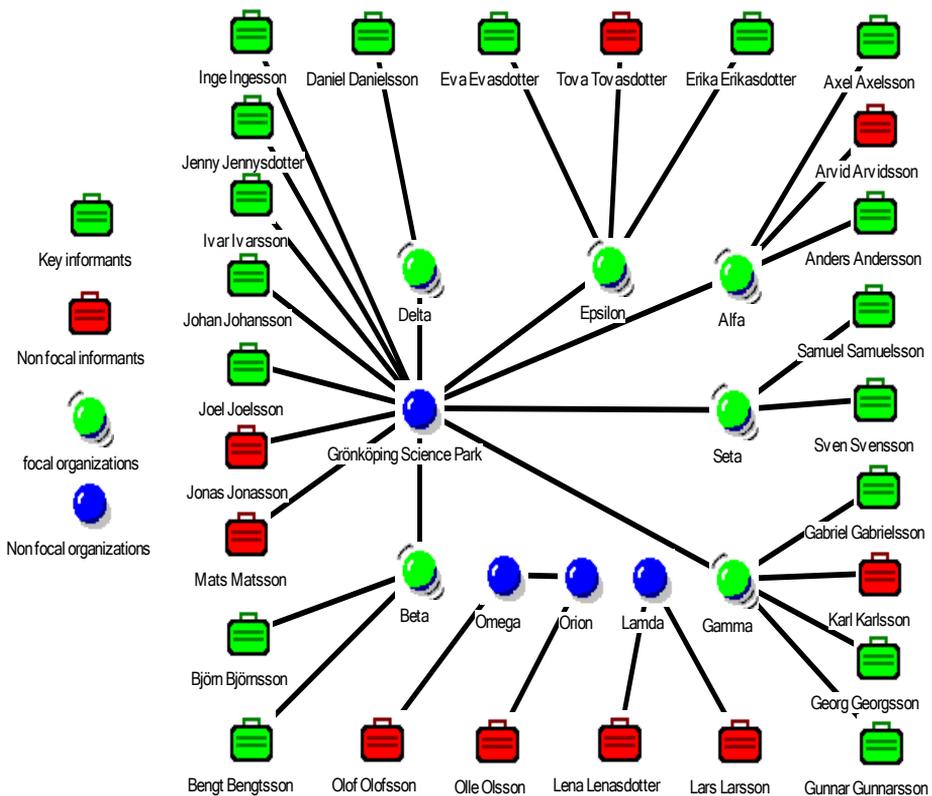


Figure 3-1 Visual Presentation of Informants and Organizations

Light gray dots represent focal organizations. They are six new ventures started within Science Park Incubator upon which this study focuses. Non focal organizations are illustrated as dark gray dots. These actors are selected organizations that play a part in the business plan writing process of the focal organizations. Light gray suit cases represent people in key management roles of the focal organizations. Dark gray suit cases represent organizations that have exerted institutional pressures related to business plans.

Table 3-2 below contains information about the respondents' age, education, firm, gender, profession and number of interviews conducted. Three persons in Gamma were interviewed as a group three times, and two persons in Seta were interviewed as a group three times. Therefore, the sum of interviews conducted with each person (46) does not add up to the number of interview occasions (37).

The respondents were predominantly in their 20s, male, and with a college degree in business administration. This educational background was common for both the entrepreneurs and other actors influencing people such as, incubator managers, bank officers and accountants. It is fair to say that the firms' environment was rather homogeneous for the institutional variables studied, in the sense that many of the companies shared the same banker, incubator manager, university education et cetera.

3.5 Analysis Technique

The analysis in this study is based on the grounded theory technique for analyzing text adapted to a critical realist view on science. Central to grounded theory analysis is the assumption that new theory can be generated through an accurate and detailed description of a phenomenon, in this case the institutionalization process of business plans. From this central assumption several different ways of viewing the role of existing theory exist.

Grounded theory analysis traditionally views existing theory as limiting if new theory is to be created. New theory is created through careful investigation of the phenomenon. Existing theory in that sense restricts what new theory you can create. Theory is therefore grounded solely on empirical data (Glaser & Strauss, 1980). This view has been criticized by several authors arguing that previous theories are tools that enable us to understand reality and describe it (Sahlin-Andersson, 1986; Strauss & Corbin, 1990). In relation to critical realism it is overly positive towards value of empirical data, and it disrespects theory. Therefore this empiricist view is not compatible with critical realism.

My understanding of this problem is that theories neither should, nor could be ignored. They should be used in order to gain increased understanding. Thus, I agree with Sahlin-Andersson (1986) and Strauss & Corbin (1990).

Table 3–2 Overview of Informants

Respondent	Born ca.	Education	Firm	Sex	Role	Inter-view
Anders Andersson	60's	High school	Alfa	M	Owner/manager	3
Arvid Arvidsson	60's	Business Administration	Alfa	M	External Equity	1
Axel Axelsson	70's	Computer engineering	Alfa	M	Owner/manager	2
Bengt Bengtsson	70's	Business Informatics	Beta	M	Owner/manager	2
Björn Björnsson	70's	Business Informatics	Beta	M	Owner/manager	1
Daniel Danielsson	70's	Business Administration	Delta	M	Owner/manager	2
Erika Erikasdotter	70's	Communication	Epsilon	M	Owner/manager	2
Eva Evasdotter	70's	Communication	Epsilon	F	Employee	1
Gabriel Gabrielsson	70's	Computer engineering	Gamma	M	Owner/manager	4
Georg Georgsson	70's	Computer engineering	Gamma	M	Owner/manager	4
Gunnar Gunnarsson	70's	Communication	Gamma	M	Owner/manager	3
Inge Ingesson	70's	Business Administration	SPG	M	Incubator Manager	2
Ivar Ivarsson	70's	Business Administration	SPG	F	Incubator Manager	2
Jenny Jennysdotter	70's	Business Administration	SPG	F	SPG manager	2
Joel Joelsson	70's	Business Administration	Rho	M	Incubator Manager	1
Johan Johansson	70's	Business Administration	SPG	M	Incubator Manager	1
Jonas Jonasson	70's	Business Administration	SC	M	Incubator Manager	1
Lars Larsson	70's	Business Administration	Lamda	M	Banker	1
Lena Lenasdotter	70's	Business Administration	Lamda	F	Banker	1
Mats Matsson	70's	PhD Engineering	SPG	M	SPG manager	1
Olle Olsson	70's	Business Administration	Omega	M	Accountant	1
Olof Olofsson	70's	Business Administration	Orion	M	Accountant	1
Samuel Samuelsson	60's	Lighting engineering	Seta	M	Owner/manager	3
Sven Svensson	70's	Lighting engineering	Seta	M	Owner/manager	3
Tova Tovasdatter	70's	Communication	Theta	F	Industrial peer/friend	1

SPG= Science Park Grönköping; M= Male; F=Female

Theories are necessary for our understanding of a phenomenon but the phenomenon itself does not depend upon it. It is my belief that the nature of discovery is one of applying existing theories and carefully investigating the phenomenon. When we observe a phenomenon, we necessarily invoke theories to explain it. This is the nature of scientific discovery (Hanson, 1975). However when we invoke our theories to explain something we must be careful not to take the explanation as the 'actual' account of reality as our theories about a phenomenon might change over time, even though the phenomenon itself remains stable. Because the theory as such changes, it does not create a similar change in the underlying phenomenon:

There is no reason to believe that the shift from a flat earth theory to a round earth theory was accompanied by a change in the shape of the world itself."

Sayer 2000:11

The discussion above implies that both theory and data should guide the investigation on how new ventures deal with the business plan institution. Here is a description of how this interplay between theory, data and phenomenon works.

The investigative method, such as whom to study and in what way, is highly influential in shaping the investigation, where the actual data generation occurs. However, also the feedback from the respondents and the nature of the phenomenon studied shape the investigation. New questions and new sources to study emerge from the investigation of the phenomenon itself.

3.6 Analysis in Practice

3.6.1 Data Analysis Programs

The analysis of the study draws primarily on the qualitative data analysis program, NUD*ist 4, for data management and coding purposes. It relies on NVivo in some cases for production of graphical representations. The programs are rather flexible and have a variety of helpful functions. In order to allow for replication it is important to describe what the programs are, and how they are used. The analysis of the data is discussed in greater detail below. It has been used for supporting theoretically structured coding, empirically guided (free or open) coding, trustworthiness argumentation, and complementing word searches.

3.6.2 NUD*ist 4

QSR NUD*ist is mostly used, and is described more lengthily than NVivo. NUD*ist stands for Non-numerical Unstructured Data Indexing Searching and Theorizing. NUD*ist is a computer package designed to aid users in handling

non-numerical and unstructured data in qualitative analysis by supporting processes of coding data in an index system, searching text, and searching patterns of coding and theorizing about the data.

There are three basic functions in Nudist; those are coding, text search and node search. Coding refers to the activity of labeling interesting parts of texts into categories. Once a text is categorized, it is put into nodes. Coding, or putting text into nodes, is a central activity in NUD*ist, and could be equated with highlighting instances of text with a color marker, and attributing a meaning to each color. In contrast to using a color marker, it is possible to attribute several different meanings to each instance of text and there is no limit of the amount of different categories to be used. The program also makes it possible to collect all sentences in a specific category to one coherent report, similar to the function of cutting out all pieces of text with a similar color and sticking them to one single paper. It is easy to recode nodes, and to restructure coding structures. It provides more flexibility than an analogue method of coding. In addition to the coding function it is possible to search NUD*ist for specific words. This could be combined with coding in which pieces of a text, say in the same sentence as the word searched for, are categorized into one specific code. It is also possible to use the search function in NUD*ist to find certain important instances of text to review more carefully. Nodes can also be searched and analyzed. It is possible to analyze if a certain respondent give raises to more references to a certain node, if certain nodes often appear together, and if certain nodes contain more words of a specific kind.

3.6.3 NVivo

The program NVivo is produced by the same company as the one that produces NUD*ist. NVivo is an abbreviation that stands for NUD*ist Vivo. The difference in name reflects the greater flexibility of the NVivo program in relation to the NUD*ist program. Coding can be made with fragments of sentences or even fragments of words; it has an improved engine for open coding and easier functions in general. However, in contrast to NUD*ist, it is not possible to compute its own commands, reducing the possibility of analyzing large amounts of material in a structured manner. The NVivo is especially good as graphical presentations. NVivo have been used in this dissertation for visual presentation of data (NVivo has been used in figures 3-1 and 3-2).

3.6.4 Coding

Coding in NUD*ist operates by predefined sizes of text. In this dissertation, the coding unit is rows, the smallest manageable text unit in NUD*ist. Like other forms of qualitative coding, the text is read through after an empirically or theoretically interesting sentence. A sentence usually consists of 1-3 rows. Once

the researcher finds an interesting sentence, it can be categorized in primarily two ways, within a predetermined category or by constructing a new category. In this study, several categories are theoretically predetermined. This is called theoretically guided coding. Some sentences are coded by the construction of a new category. This is called empirically guided coding. Interesting sentences are judged if they match the predetermined categories or not. If a sentence corresponded to a predetermined category it is “coded” as an instance of that category, if it did not fit a new category was constructed.

- Free (also called open)
- Theoretical (also called structured)

There is no limit in the program on how many categories a sentence can belong to. Of the coded sentences, most were coded in one or two categories (open and/or structured). NUD*ist is able to keep track of sentences grouped in theoretically structured codes and open codes. Further, all codes were named such that they could be identified by individual, company, type of data generating technique and date of generation. Since NUD*ist is able to keep track of any changes in the data material with little or no loss of information, it is an improvement to non computer based analysis techniques.

3.7 Categorical Analysis

The categorical analysis reported in chapter six consists of two kinds of codes, theoretically derived codes and empirically derived codes. The theoretically derived codes were based on the structure presented in figure 2-3. Coding there followed the four boxes in the institutionalization process and categorized as a sub category of the concepts sources, pressures, strategies and outcomes. The codes are in the text below clearly defined and operationalized and exemplified. A careful presentation of these issues is important to evaluate the analysis made in this dissertation, and essential for enabling further replication of this study. The empirically derived codes emerged from the data gathered and were not predefined by theory.

3.7.1 Sources of Institutional Pressures

The sources of institutional pressures are coded according to their categories and initial analysis of them is straightforward. For example if the respondents refer to books, then they are coded as literature, if they refer to banks, customers and/or venture capitalist, then they are financial organizations. Table 3-3 below, is based upon the discussion about sources of institutional pressures

in chapter two. The examples of the codes are taken to the extent possible from the empirical material gathered in the study.

Table 3-3 Sources of Institutional Pressures: Definitions and Coding Principles

Concept	Definition	Coding principle
Literature	The body of written works of a language, period, or culture	Books, packaged computer texts and other text based sources
Professions	An occupation that requires considerable training and specialized study	Law, consulting, medicine, accounting, business counseling
Financial organizations	An organization which provides the organization with external capital	Organizations that offer credit, income, or ownership capital to the focal organization
Schools	An educational facility	Type of college or university level studies
Government institutions	The agency or apparatus through which a governing organization functions and exercises authority	Information about influential governmental and non-governmental institutions are coded here
Industrial peers	An organization in the same branch of manufacture as the focal organization	An organization that new venture want to resembles takes advice from, or looks up to

Table 3-4 contains information about the name of the node, number of coded sentences per (node) and example of a coded sentence in that node. In this table, the number of sentences per node is presented. The number of coded sentences per node provides information about how much material is categorized on a specific category based in the total material. For example, in the category (node) literature, in the total data material gathered, 330 sentences fall within the definition of this category.

The category sources contain 1731 sentences in total which are approximately 34% of all coded sentences, and are thereby the single largest category in this study. This reflects that the collected data frequently could be categorized with respect to what actors had exerted institutional pressures. It is also the structured category with the most coding nodes (concepts) and it has been relatively easy to operationalize this category.

Table 3-4 Sources of Institutional Pressures: Amounts and Examples

Name of code	Sentences	Example of a coded sentence
Literature	330	<i>I have the book from venture cup and have built upon that.</i> Björn Björnsson manager at Beta
Professions	792	<i>I think it is important for a long term venturing to have a business plan in order to know what to do.</i> Inge Ingesson, incubator manager.
Financial organizations	331	<i>We had prepared the defense for the business plan and expected her to have some criticism on the business plan. She had no particular comments upon it.</i> Gunnar Gunnarsson, manager at Gamma
Schools	278	<i>[at the innovation education in Karlstad they said that] If you have a company you should have a business plan that can scrutinize what you do.</i> Gunnar Gunnarsson, Manager at Gamma
Government institutions	330	Interviewer: <i>When did you start to counsel (new organizations) to write business plans? -It was probably already from the start. ALMI had templates and we used those pretty much.</i> Joel Joelsson, former incubator manager.
Industrial peers	792	<i>Many companies in the corridor worked with business plans. And all of them have become bankrupt because they started with a business plan instead of developing a service on which there is a need on the market.</i> Erika Erikasdotter, manager at Epsilon

The category professions is a frequently used code. This indicates that this topic is relatively important. It also means that there are more statements and sentences to analyze from the topic, than from other sources. It means that the analysis made about professions will be based on more information than statements about other sources. This constructs a relatively larger base for making trustworthy interpretation of how professions influence new ventures in respect to business plans. It could be seen as a measurement of the basis for analytical trustworthiness. It does not mean, however, that professions are more important than government and non-governmental institutions with respect to new ventures' business planning. Several issues prevent such direct comparisons. First, the category professions could be a broader category than government and non-governmental institutions. Second, to target the importance of a specific phenomenon, it is not enough that it has been talked about a lot, but the content of the discussion should be important for the firm, and strongly connected to business planning. Third, more interviews are conducted with incubator managers, and many statements from them are categorized as

professional source. It may therefore be a sampling issue, rather than an importance issue, that relatively more sentences are coded as professional. If more banks were interviewed, more sentences would likely be coded in the category financial organizations.

3.7.2 Institutional Pressures

Table 3-5 is based upon the discussion about institutional pressures in chapter 2.

Table 3-5 Institutional Pressures: Definitions and Coding Principles

Concept	Definition	Coding principle
Coercive pressures	Coercive pressures are based on enforced rules from exogenous providers or authorities of resources.	Rules, requirements, and regulatory forces will be coded under the label coercive isomorphism. Likely sources are governmental agencies, venture capitalists and banks.
Mimetic Pressures	Mimetic pressures are based on modeling after successful peers. Such activity is engaged in reducing uncertainty.	Business plans among successful competitors, collaborators and organizations towards which the organization has strong ties will be coded as mimetic pressures.
Normative Pressures	Normative pressures are the result of customary professional and socially accepted and responsible discourses.	Expressed support for business plans among sources in the firms' environment will be coded here. Likely sources are professional consulting firms, management literature and educational influence.

Table 3-6 below implies that normative pressures are frequently coded. The examples of the codes are taken from the empirical material gathered in the study.

Table 3-6 Institutional Pressures: Amounts and Examples

Code	Sentences	Example of a coded sentence
Coercive	330	<i>Then we realized early that we had to write a business plan. Because we wanted to reach persons, and to be able to talk about if they were willing to wager any money.</i> Daniel Danielsson, manager at Delta
Normative	792	<i>We wanted to do a lot of things, we were inspired from Jota.</i> Björn Björnsson, manager at Beta
Mimetic	331	<i>One of the most common advices is that you always must have a plan in the long run... You have to choose track.</i> Olof Olofsson, accountant at Omega.

3.7.3 Institutional Strategies

The structural codes for behavioral responses to the institutional pressures are based on the five strategies to institutional pressures developed by Oliver (1991). The coding principles for behavioral responses are presented in Table 3-7.

Table 3-7 Institutional Strategies: Definitions and Coding Principles

Concept	Definition	Coding principle
Acquiescence	Acquiescence is the action taken by a firm to conform to institutional pressures	Behaviors, plans, and talks taken to conform to the institutional pressure to write business plans will be coded here. Copying role models, adopting behavior according to business planning literature and compliance because of rules.
Compromise	A compromising strategy where the firm tries to reduce the extent to which conformity is necessary	Attempts to renegotiate reduce and balance the extent to which conformity is necessary between the firm and its external constituents are coded here.
Avoidance	Avoidance is the attempt to preclude the necessity to conform to institutional pressures.	Concealing non conformity, avoiding resource providers demanding business plans and speaking positively toward the future implementation of a plan are coded here
Defiance	Defiance is an active response to an institutional pressure where nonconformity is openly admitted.	Expressed alienation to business plans in interviews, meetings with stakeholders and colleges. Arguments questioning the legitimacy of business plans.
Manipulation	Manipulation is an active response where change of the institution itself is the goal.	Behaviors, plans, and talks taken to influence different stakeholders not to conform to the institutional pressure to write business plans are coded here.

Table 3-7 is based upon the discussion about institutional strategies in chapter two. The examples of the codes are taken to the extent possible from the empirical material gathered in the study

The ways in which new ventures deal with institutional pressures is discussed in this section. Five categories are analyzed: Acquiescence, Compromise, Avoidance, Defiance and Manipulation. Table 3-8 below summarize the coding in this category.

In total 1258 sentences are coded as related to strategic responses. This is approximately 19% of the total amount of the coded sentences. It can therefore

be considered one of the important concepts in the study, frequently observed and used.

While most sentences are coded in the first three categories: Acquiescence, Compromise and Avoidance, almost none is coded at Defiance, and none at Manipulation. This suggests that the companies are more prone towards conformist strategies than non-conformist strategies. The most extensive data material on strategies, considering the amount of sentences coded, is compromise. These findings are discussed towards the end of the section on strategic responses in chapter 6.

Table 3-8 Institutional Strategies: Amounts and Examples

Concept	Sentences	Example of a coded sentence
Acquiescence	310	<i>It feels like it is a tool really. We feel that it can really be used. We want to revise it, such that it really is solid and changeable. It feels like it has been the goal and how we have gotten there in some way. Gabriel Gabriellsson, manager at Gamma</i>
Compromise	555	<i>Interviewer (TK): Has August Augustsson been informed about the business plan? Respondent (KL): Yes he knows what it is about. TK: Did he read the document? KL: No. TK: But you briefed him about the business verbally? KL: He understands. He will learn along the way, but he understands, he understands the thing, he does. Anders Andersson, manager at Alfa</i>
Avoidance	372	<i>you thought what if you were so smart that you wrote business plans all day and applied for money. I had a gut feeling that this way of living and doing business was not my way, to do business in that way, Erika Erikasdotter, manager at Epsilon</i>
Defiance	21	<i>And all the companies went bankrupt because they started with business plans... then when they got it and it was withdrawn, they went bankrupt. Erika Erikasdotter, manager at Epsilon</i>
Manipulation	0	<i>I have no examples from my empirical material here, but an example could be: A company writes pamphlets about the illegitimacy of writing business plans and spreads them to all its stakeholders</i>

3.7.4 Outcomes

The structured codes for outcomes are coded according to the most frequently mentioned outcomes to institutional pressures, efficiency and legitimacy. Efficiency and legitimacy are not contradictory and are in some regards

interdependent. Table 3-9 below is based upon the discussion about strategy outcomes in chapter 2. The examples of the codes are taken to the extent possible from the empirical material gathered in the study.

Table 3-9 Outcomes: Definitions and Coding Principles

Concept	Definition	Coding principle
Efficiency	The possibility of rationalizing production and increasing value of product.	Profitability/return on investment.
Legitimacy	Social acceptance (merits, status, resource acquisition)	Honorary titles, appreciation of peers, positive evaluative statements from others.

The following section deals with how the companies discuss the outcomes of writing business plans. Outcomes are classified into 2 categories, Efficiency and Legitimacy. Table 3-10 summarizes the amount of coding in this category.

Table 3-10 Outcomes: Amounts and Examples

Concept	Sentences	Example of a coded sentence
Efficiency	63	<i>You get some planning on it, it becomes slightly more simple, and you do not check the homepage of Afionbladet (a big Swedish newspaper), or leave for coffee if you have a plan and you know what you should do</i> Axel Axelsson, manager at Alfa
Legitimacy	318	<i>Alfa receives the award for best incubator company 2001</i> Observation from spring party 2002

The node Legitimacy has 318 sentences connected to it indicating the most commonly discussed topic in the outcomes category. It should be noted that these categories are not primarily dealing with the “true” effect of business plans, but with, among the entrepreneurs, perceived effects of writing them.

3.8 Empirically Derived Coding

Interesting and noteworthy data that fall outside the prescribed theoretical codes are important parts of this study. Such data represent instances where theory-driven coding is not sufficient, and therefore points to possible omissions and/or weaknesses. Such instances are noted and developed as open codes. A challenging part of the analysis is how to handle the open nodes. Initially, any idea, theoretical, or non-theoretical, noteworthy or just funny got its own open node. I was inclusive in the generation of open nodes. Therefore, there were many open nodes to consider (229). Some nodes were by themselves

growing to include quite a few coded sentences, while others remained small. In this way the amount of nodes was reduced to 10 from 229.

As a complement, I ran a count of the number of sentences in each code, to judge what open codes I would be best able to say something about. The number count reflects the amount of text, sentences that a special node contains. The logic is that the more text a node contains, the more material one has for studying it. With limited text scope, interpretations are limited to shorter discussions, fewer informational sources, and fewer occurrences where the topic is discussed. The number of sentences contained in a node is not a perfect indication of its importance. However it does indicate what empirical phenomena are possible to use for a trustworthy illustration. It also indicates possibilities for comparisons between sentences. Seven of the open codes are discussed in the dissertation.

Certain open codes received more coded sentences than others. Table 3-11 indicates the open codes that received most of the sentences.

Table 3-11 presents the six open codes that have been coded with the most information. In this case the number of sentences coded gives direction to how important the concept is. Some of the codes are more general in nature and could therefore contain more information, some codes have interesting theoretical implications, and could therefore be sensible to include. However, too little material on a specific code would anyway make it difficult to analyze. Since there are no guidelines for qualitative studies in this regard, I selected the codes where I judged that there was enough interesting material to discuss. They included those with more than 100 sentences.

Analyzing an open code “implementation” revealed significant overlap between implementation and the strategic response issues. A formal business plan that is not implemented is often coded as a ‘compromise’. In order to reduce redundancy I have chosen to discuss implementation issues when talking about compromise strategies.

In practice, the coding activity in this dissertation has been a process, and coding schemes, be they empirical or theoretical, have changed over time. There have been two reasons for this. First, when theoretical codes meet generated data, it is inevitable that some generated data will neatly fit into the theoretical codes and some with less accuracy. If the majority of generated data fits the theoretical codes with little accuracy, it is fruitful to reevaluate the codes. This may lead to a revision of the theoretical code, and thus a revision of the theory used. Open codes are codes that connect to the phenomenon studied but do not fit into the theoretically prescribed codes. When these codes are reviewed, they may or may not make theoretical sense. In some cases they do make theoretical sense, as it indicates an alternative or complementary theory to the one used in the theoretical coding. The open code “content” is put under the general node pressure and the open code “illusion of grandeur” was put under the general node outcomes.

Table 3-11 Open Codes: Coding Principles, Amounts and Examples

Emerging concepts	Coding principle	Sentences	Example
Complementary Concepts	Concepts that the entrepreneur associates with the written business plan	469	<i>Financiers such as KK foundation and Nutek. It is virtually a business plan you write to them. Johan Johansson, incubator manager</i>
Gradual Decrease in Importance	Code that reflects the that entrepreneurs attribute diminishing importance of business planning from it is written to some years after they are written.	209	<i>You don't have time to think: oops, did I really do exactly as it says in the business plan. Anders Andersson manager at Alfa</i>
Level of Institutionalization	To what extent business plans are institutionalized	143	<i>And a part of it was of course to write your own business plan. Ivar Ivarsson, incubator manager</i>
The Magic of writing business plans	A mode of rationality or way of thinking that looks to invisible forces to influence events, effect change in material conditions, or present the illusion of change	126	<i>It [the business plan] gives me an analysis of the current state. It illuminates important points. Ivar Ivarsson, incubator manager</i>
Institutional Pressure: Content	Reflects control, feedback and advices given on what the content of a written document should look like.	278	<i>We got it from this book [He shows the book 'business plan', by Kubr, Ilar & Marchesi (1999)]... We were pretty inexperienced as entrepreneurs then... so you had to read a little. Bengt Bengtsson, manager at Beta</i>
Outcome: Illusion of Grandeur	The perception and conviction that the future is determined by the plan, and/or belief that the firm is bigger than what it is.	122	<i>We felt that it grew out of proportion, and it went against our initial idea, Something that was adapted more towards the business plan, in order to get money, than to what we really wanted to do. Björn Björnsson, manager at Beta</i>

3.9 Final Coding Structure and Presentation of Findings

3.9.1 Final Coding Structure

Figure 3-2 below graphically illustrates the final coding structure, the theoretically derived categories and the empirically emerging ones. The figure is produced with the qualitative analysis program NVivo. Blue dots in the figure below indicate theoretically derived codes while green dots illustrate empirically emerging ones.

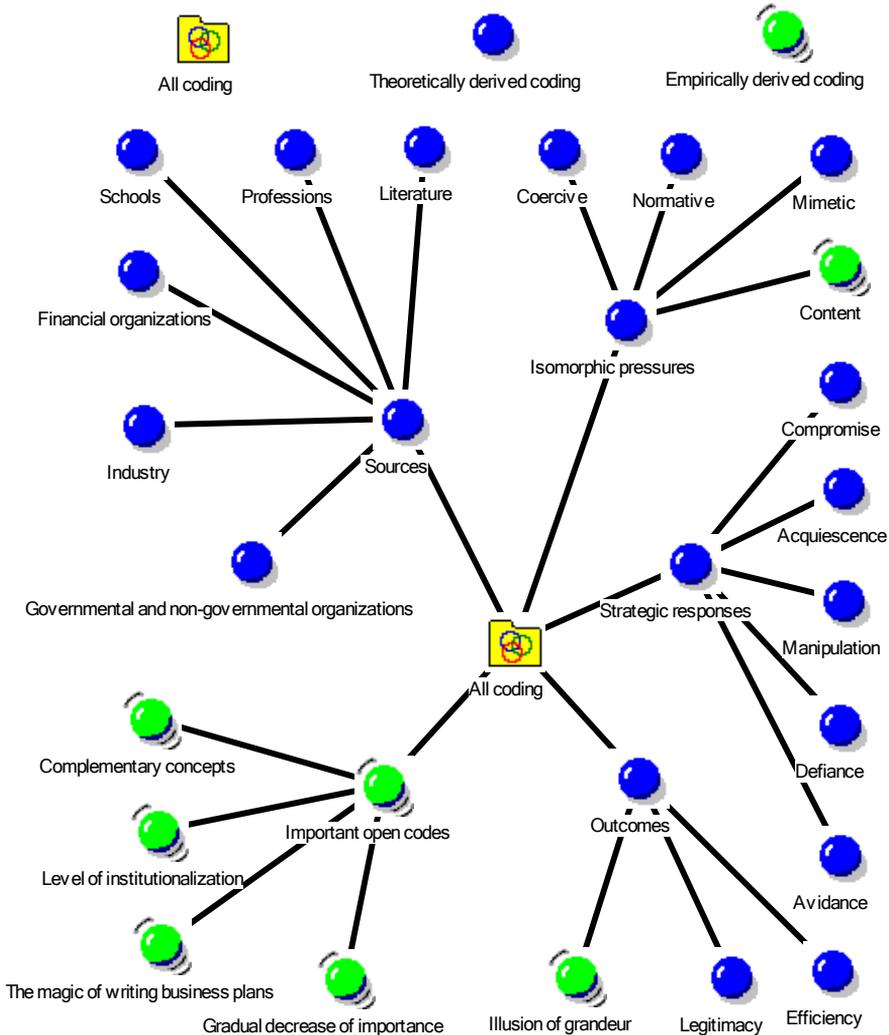


Figure 3-2 Final Coding Structure

As previously indicated, theories may or may not be good representations of the casual mechanisms involved in determining how new ventures deal with the business plan institution. They should be treated merely as ushers at a threshold. Thus, previous theories can be neither ignored nor taken for granted to be applicable to this phenomenon. Previous theories thus could provide a starting point, not the only point through which the material is interpreted. By arguing that the essence of the “thing” must also be investigated, Latour (2003) lends methodological support for this position, and positions himself as a realist. Thus it is necessary for this study to openly code events as they appear. Open codes can be relevant to the phenomenon studied and yet reject the theoretically structured code or be totally unrelated to it. While theoretically derived coding principles are necessary to understand and compare a phenomenon to theory, theory development in itself is dependent on open codes.

3.9.2 Presentation of Findings

The analysis in this study is based on all the data generated for this dissertation. That includes observation, archival data, informal discussions, comments on early interpretations, interviews, and theoretical pre-understandings. How much material coded in each category is indicated in tables 3-3 to 3-11. When presented in chapter 6 and 7 only a fraction of this data is presented. Two key criteria is used to select what data to include and which one not. First, data material could become included if it could illustrate the theoretically and empirically derived categories developed and presented and illustrated in figure 3-2. From this base of quotes that possibly could be included, a few representations of data material is selected, often in the form of quotes. These are selected and presented in chapter 7. Data that clearly and sufficiently could illustrate a theoretical or empirical category were used as representatives of each category. With ‘clearly’ I mean that the relation between the quote and the concept is easy to understand. ‘Sufficiently’ means that quote independently illustrates a concept, without the need of complementary understandings from a multitude of additional sources. In line with Punch (1998) and Merriam (2001) I have been striving toward presenting my findings in simple and consistent manner, such that they together with other parts of the dissertation create a coherent whole. From a critical realist perspective, this is fallible empirical descriptions of ‘actual’ events, and should be understood and evaluated as such.

3.10 The Quality of Quality

There are no simple formulas or clear-cut rules about how to do a credible, high-quality analysis. The task is to do one's best to make sense out of things.

Jones 1996:476

A critical realist standpoint informs us that we should be careful not to naively rely on the 'empirical' data. What is observed in the data is not what is 'real' because what is 'real' is neither the obvious thing, nor reducible to the things we can sense.

Observability may make us more confident about what we think exists, but existence itself is not dependent on it.

Sayer 2000:12

What we see is dependent upon what we think that we will see, and our capability to understand reality is limited. Hence, the value of 'empirical' observation is at best informative. This is true for 'empirical' observations in general. In the specific case of new business plans, we may suspect specific difficulties with the 'empirical' data. It is possible that I, in the role of the researcher, may provoke certain arguments, since the respondents may believe that researchers demand more rational answers as it is normatively the right thing to expect when speaking to a doctoral student from a business school. However, the level of my influence as a researcher on the respondents can never be fully determined. To the extent possible it is indicated when such influence is observed.

To my knowledge, there is no list of criteria to evaluate work done from a critical realist perspective. Indeed, it is a daunting task to develop such a list. Perhaps the only sensible thing is, as Smith and Deemer (2000) suggests, abandoning all past methodological knowledge and creating a new one based on ontological and epistemological relativism, i.e. nothing is true, and this we can not be sure of. However, scientific realism, and critical realism lean upon the relative success of scientific history. If past scientific methods have gotten us so far, why must they all be abandoned? It is wrong to abandon all old criteria for what constitutes good research. Just because we have not been able to produce criteria for evaluating our research yet, it does not mean that nothing of the sort exists. Development of such criteria for this study is attempted below. It is derived from readings of critical realist methodology and philosophy.

Each reader of this text will have their own ways of judging the findings presented. An empiricist might try to understand the dissertation from terms of validity and reliability (Yin, 1989; Gabriel, 1990), and for a relativist the issue of any general terms for quality evaluation would be uninteresting or even detrimental. There exist few, if any, who have composed a list of criteria for evaluating critical realist research. However, I believe it is possible to deduce

such a list from the philosophical advances made by Harré (1970), Bhaskar (1979; 1998) and the method writings of Sayer (2000). This list includes specification of context, correctness of the observed, plausibility of the mechanism and the normative potential of the study. Criteria for evaluating my research are described below along with a discussion of their bearing on the study.

3.10.1 Replication

In critical realist research, it is essential to disclose as much information as possible about the interpretative process, the method of analysis, and data generation techniques, because facilitating replication is central in critical realism for the development of science. Identification of structures and mechanisms relies on their casual effects on the physical or social world (Harré, 1970). While there is no 'acid' test for proving that an underlying mechanism really is true (Sayer, 2000), repetitive tests, replication (Tsang & Kwan, 1999), logical theorizing and comparisons with rival theories tend to make us more confident in saying that what we found is true. In this way replication is important for critical realist research.

The importance of replication in critical realist studies has several consequences for how this study is constructed and presented. I have employed two principles to improve the possibilities for replication. The first principle is "to report any personal and professional information that may have affected data collection, analysis and interpretation" (Jones, 1991:472). This improves the possibility for others to replicate this study, or to test it with another frame of reference. Therefore, I extensively describe my method of analysis, selection of companies and respondents, and my view on science.

The second and related principle is to reveal the theories used in the study. Interpreting the data with several different theories improves the quality of the study (Eisenhardt, 1989). Since such tests are time-consuming and difficult, I have restricted the analysis to institutional theory. This is a potential weakness of the study. The use of theory in the analysis is described in the sections 3.7 and 3.8.

3.10.2 Specification of Context

Critical realists argue that reality is not found in regularities and repetitive patterns, but they arise under certain conditions in certain time and places. For example, any specific observed event can be signifying an underlying reality, expressed through mechanisms, but also be the result of other mechanisms and realities. To a critical realist, an understanding of each and (optimally) every condition leading to a certain event is preferable (Bhaskar, 1979). Thus, a highly specified context and a thick description of the event and surrounding

are indicators of quality in a critical realist study. The following measures have been taken to assure a highly specified context and rich description.

All interviews are transcribed verbatim. This has helped to capture all verbal communication within an interview. It adds to the possibilities to build thick descriptions, enables perfect quotes of what respondents say, and offer the possibility for an external evaluator to reanalyze the exact same interview data. The drawback with interviewing on a Dictaphone used during the interview is that the respondents may feel uncomfortable with the situation. Although measures were taken to reduce such discomfort, particularly early in the interviews, traces of such discomfort surfaced occasionally. However, in the trade off between richness of data and some initial discomfort, I chose richness. The discomfort in itself can be seen as an anticipation of “tricky questions” and fear for not being able to answer the questions in the institutionally correct ways. Therefore, the discomfort was actually helpful in some interpretations.

Snowball sampling was used to find the ‘actual’ institutional sources. This form of sampling is one of the few methods that enable us to identify and interview specific influences. Interviewing the respondent and the person that the respondent refers to reduces the risk of being misinformed as the statements could be corroborated with each other. In the study, one respondent is used as referent for the other, in case access is available. The method is also non-random. However, since this dissertation is explanatory in a critical realist sense and does not intend to infer probabilistic generalizations, and explanations in a statistical sense, it is not a major limitation of the study.

3.10.3 Correctness of the Observed

Critical realists are relatively skeptical towards the actuality of ‘empirical’ observations. Despite their skepticism, Sayer, (2000), argues that a larger amount and varied sources of evidence create greater confidence in that what we study is an aspect of something ‘actual’. In a study relying primarily on semi-structured interviews and archival data, the actuality of the observed can not be absolutely measured. To enable the reader to evaluate the actuality of the observed several measures have been taken to improve them. Computer analysis programs, such as NUD*ist and NVivo, play an important part in improving the correctness of the observed. Relative to non-computer assisted analysis, qualitative data analysis with computer assistance allow for a more systematic approach to the analysis that contributes to reduced coding error, and improved rigor (Wolfe, Gephart, and Johnson 1993)

The main data generating method used is semi-structured interviews. In addition documentation and participant observer is used. This enabled me to evaluate information generated through the interviews. I interviewed several different actors within and outside the firms whenever possible. This made it possible to evaluate information by comparing different interview statements. Further, I interviewed key informants at several points in time and was able to

corroborate the most recent statements with older ones from the same source. This has also reduced the risk of coding error.

3.10.4 Normative Description

Quite often descriptive studies are considered to have no normative implications. In order to 'justly' describing something it has been argued that value judgments and advice should be carefully avoided (Glaser and Strauss, 1980). However, to a critical realist as Bhaskar (1978), description should be and often is normative in itself. This aspect of critical realism could be called descriptive critique, or explanatory critique (Bhaskar & Collier, 1998). For example, a thick and complex description of something that has been previously described as simple and straight forward has normative implications because it implicitly advocates a more complex view. Similarly, descriptions based on theoretical frameworks contrary to the predominant one, normatively implies the need for development or abandonment of the predominant view. By using an institutional theory view, rather than the dominant view of business plans as an economically rational behavior (see section 1.2 & 1.3), I challenge the established framework for studying business plans in new ventures. This has normative implications, which are described in the conclusions (chapter 8).

3.11 Ethical Concerns

With respect to moral concerns the study follows the ethical codes suggested by Christians (2000). He presents a list composed of the three most common moral guidelines in qualitative research, information of the subject, confidentiality, and insurance of accuracy of data.

The guideline here has been to inform the subject of the duration, methods and possible risks, and the purpose or aim of the investigation. All respondents are aware that they are studied. All respondents were debriefed about how they experienced the interview situation. They were also all informed about the general topic of the study. They were not openly informed about the theoretical framework of the study. However, when I was confronted with a question about my theoretical perspective, I discussed the general outline of institutional theory.

Confidentiality is a must to protect the respondents from unwanted exposure. However, I did not originally intend to employ a policy of full confidentiality. Instead, I discussed the descriptions and interpretations with the investigated actors. It was up to the respondents then to choose if they wanted to be anonymous or not. Disclosure of the analysis has created some additional input to the dissertation in terms of the possibility of the respondents to reflect upon my descriptions that would improve their actuality; however it also created an uncomfortable relation with some of them. The respondents

were dissatisfied with some of the material they considered sensitive and controversial. Even though no one of them questioned the authenticity of my interpretation or the data disclosed, some data material made them uncomfortable, and I experienced that this made subsequent data gathering after the disclosure difficult. As a consequence I chose to create aliases for the institutional sources, the focal organizations, and the interviewed persons.

Ensuring that data is accurate is a cardinal principle in social science in general (Christians, 2000), and to a critical realist in particular (Sayer, 2000). To transcribe interviews verbatim, to discuss interpretation with the respondents and to use several sources for data collections are things I have done to improve the accuracy of my account. Handing out full descriptions of the companies to the respondents, provided an insight into understanding the companies better, even though the first version of detailed company specific descriptions is abandoned in favor of anonymous and more general description of reasons, stated in the previous paragraph. To make the companies anonymous makes it more difficult for readers to evaluate the accuracy of the data. This is therefore a weakness of the study. However, this study neither have the authority to disclose information contrary to the will of the respondents, nor do I have any desire to do so.

3.12 Limitations in Method

A critical reader may argue that this study is limited, difficult to generalize, biased, un-reflexive, and closed. A critical realist may argue that these arguments are less important and limiting.

This study investigates how business plans institutionalize in six new ventures in an incubator, in Grönköping Science Park. As such, it represents a very specific environment. These findings could not be simply generalized to incubators, new ventures or Science Parks. My data generation technique does not allow for such generalizations to be made, and neither does critical realism encourage such generalizations. It is rather the case, if the same specific circumstances arise in other 'empirical' contexts, the findings of this study will likely apply to such organizations as well. Since business plans, incubators, business educations, business plan literature and business plan competitions are widely spread throughout the world of young and small organizations; it is likely that, if not the same, at least similar conditions also exist in new ventures beyond the ones studied here.

Experiments are a strongly encouraged means of research in critical realist studies, as it is designed to prove causal laws, and relatively unbiased. This study is thereby limited as it can not be used to test or prove a causal law. A main limitation of experiments is that it necessarily needs a closed system. Therefore, experiments are not an appropriate investigative method for studies where the system is necessarily open, such as social science studies (Tsoukas, 1989). In

absence of being able to prove causal laws, critical realists are limited to describe as much as possible of the specific situational factors at hand with respect to a specific event. Intensive studies, to the extent they produce good accounts of 'actual' relations, are therefore encouraged by critical realists (Sayer, 2000; Easton, 1998; Tsoukas, 1989). More data from the investigated companies could have been strengthening these accounts further.

A weakness of this study is that it can not build on and compare with the bulk of previous quantitative research on business plans and performance. However, this weakness is limited as previous quantitative studies have reached inconclusive results.

4. Innovating Incubator

The text below focuses on the development of Innovating Incubator (also called the incubator) from its start in 1996 to the middle of 2003. Several changes have occurred in the incubator 2002, when it became a part of Science Park Grönköping (also called the Science Park). This chapter describes the changes that occurred before and during some parts of 2003. The developments after 2003 are briefly outlined. The descriptions include the names of individuals and companies. The identity of companies and individuals are protected and their real names replaced by aliases. Company names are replaced by letters in the Greek alphabet, beginning with Alfa. Names of persons are replaced with common Swedish personal names starting with the same letter as the company. Surnames are constructed by the first name and the suffix son or dotter. The CEO's name in Alfa is therefore Anders Andersson. A list with short descriptions of the companies and the persons in the study is provided in Appendix A, in order to simplify reading.

The description serves primarily as contextual information for the focal firms described in chapter 5, and the analysis in chapters 6-9. The incubator is not the focus of this study beyond the influence it has on the focal firms and the institutionalization processes.

4.1 Historical Development

Joel Joelsson and Jarl Jarlsson finished their studies at Grönköping Entrepreneurial Business School (hereinafter called GEBS) in 1996. As partial requirement of their entrepreneurship and creativity course they wrote the paper titled "Innovating Incubator: where student ideas become reality". Joelsson wanted to pursue the idea and create a real incubator based on the paper. Jarlsson left for a job elsewhere. Their teacher, Emil Emilsson, and the dean of Grönköping University, Erik Eriksson, encouraged and assisted them. Joelsson contacted a friend, Jakob Jakobson, and later the same year they started Innovating Incubator.

Innovating Incubator was first set up in facilities close to a governmental business development center some 10 minutes walk from GEBS. The first year they helped 15 companies to start, the second year 20 companies. In 1998, 36 firms were started with their assistance. During this time Theta, Rho and Jota were founded. Companies that later would be mentors and/or role models for some of the incubator companies.

After Joelsson and Jakobsson had worked with the incubator for three years, they thought it was time to hand over the organization. They developed a structure by which they wanted subsequent incubators to work. Incubator managers should run their own businesses, they should not stay as incubator managers for more than three years, and they should be students at Grönköping University. They also wanted the new incubator manager to work together with at least one of the old incubator managers during a six-month-long introduction period. Joelsson and Jakobsson held half a year introduction during which the new managers Jenny Jennysdotter and Jonas Jonasson gradually were introduced to their job, through support and training on incubator manager tasks.

Several firms in the incubator attracted external capital and grew during 1998 and 1999. Several incubator firms during the period benefited much from increased possibilities to attract external capital and an upsurge in the IT industry. The companies especially appreciated incubator managers' assistance in how to write a business plan (McKelvie & Cedare, 2000).

Joelsson and Jakobsson went on to develop a framework for what later became Science Park Grönköping which was founded in 2001. Mats Matsson previously employed as manager of trade and industry for the municipality was appointed the CEO of Science Park Grönköping.

In 2001 Grönköping University decided to fund project work on a Pre-Innovating Incubator idea, a meeting place for students and companies that wanted to develop new business ideas and technical solutions. Johan Johansson, a student at GEBS, was appointed project leader for this activity and started setting up the Pre-Innovating Incubator.

By the end of 2001 the management of the incubator was handed over, in the same way as Joelsson and Jakobsson did in 1998, Jonasson and Jennysdotter introduced Ivar Ivarsson and Inge Ingesson to the job of Innovating Incubator new managers.

In the beginning of 2001 the incubator was moved into the premises of what was to become the Science Park. In 2002, the Pre-Innovating Incubator project received stable funding from Grönköping University, with Johan Johansson in charge of the scheme.

When I started the study of the Innovating Incubator in May 2002, Jennysdotter was still a manager in the incubator, Jakobsson had quit and started as a manager of Siliconovative. Jennysdotter's role could be described as senior manager, still giving advice to young companies, but also managing relations with some important stakeholders. She was also involved in several activities connected to Science Park Grönköping together with Matsson. Formally, the Science Park opened in June 2002.

Matsson resigned his job as manager of the Science Park and as incubator manager at the municipality in October 2002, after a little more than one year in the job. The resignation was preceded by discontent primarily from companies situated in the Science Park.

Matsson's departure was followed by a short period of uncertainty. Jennysdotter replaced Matsson temporarily until December when the appointment of new candidate was to be made. Jennysdotter was elected new manager of Science Park in December 2002. The incubator managers received the news with mixed feelings. They seemed happy to see Jennysdotter at Science Park management, as her strong connections to Innovating Incubator would ensure good relations between the management of the Science Park and Innovating Incubator. However the workload increased for the incubator managers reduced to two instead of three.

In 2003, Jana Janasdotter leaves the Pre-Innovating Incubator project. Jon Jonsson and Jesper Jespersion become the projects new employees.

In 2004 Science Park was reorganized into three focus areas: Pre-Innovating Incubator, Incubator, and Growth. At the same time Innovating Incubator changed name to Grönköping Science Park Incubator, in short the Incubator. The original activities of Innovating Incubator are now distributed among the Pre- Incubator and the Incubator. The term coordinator, usually held by incubator managers, is now transferred to the employees at the Pre- Incubator. Ingesson's title was changed from coordinator to "business developer". Ivarsson gradually leaves his position as coordinator.

From its start 1996 until 2003, the annual company start-ups associated with the Incubator surged from a handful to about 50. Table 12 shows the number of new companies that are founded in the incubator from 1996-2002 according to the Incubators annual accounts 2000-2002. The annual start-ups with assistance of the incubator are high from a national standpoint. One contributing factor to the relatively high number of annual start-ups is the incubator's close proximity to and strong support from Grönköping Entrepreneurial Business School (GEBS). GEBS vision emphasize entrepreneurship and business renewal. This focus of GEBS has provided Grönköping Science Park with a fruitful environment for student-initiated businesses, which positively influences the start-up rates. The dedicated work by several different incubator managers from the start is also a contributing factor to the relative success the incubator had in supporting company start-ups.

2003 and 2004 represent a slight shift in the type of students that started companies in the incubator. Gradually, more entrepreneurs starting up new companies come from the local business community. The average age of people involved in incubator companies has increased almost 10 folds from 2002-2004. Table 4-1 shows how many new firms that were started in the incubator on an annual basis from 1996-2002. No data on the annual start-ups was published in 2003.

Table 4-1 The Amount of Business Start-ups in the Incubator

Year	1996	1997	1998	1999	2000	2001	2002
New companies	15	20	36	33	51	45	54

4.2 Activities in the Incubator

Several things have happened in the incubator after I conducted the lion's share of interviews there. The biggest difference, as described previously, is that Innovating Incubator now is abandoned as a name and organization. It is now fully integrated in the Science Park under the name Science Park Incubator. Another change is that the entrepreneurs in the incubators to an extent larger than before come from the local business community rather from the university. The incubator's annual report vividly describes activities as they looked in the beginning of 2003.

Innovating Incubator shall actively work to encourage the creation of business ideas among students and researchers at the University of Grönköping

Innovating Incubator annual report 2001:5

The incubator's main purpose is to generate new organizations. While Innovating Incubator focused solely on students starting their own business 1996, the activities at 2005 shifted towards including spin-offs from existing companies. The incubator has been successful in its ambition to spur students start businesses. According to its 2000 annual report, Innovating Incubator was one of the most successful incubators in Sweden in fulfilling this goal, and the number of start-ups has increased slightly since then.

Innovating Incubator has focused its activities on three categories: Inspiration & Start-up, Incubator, and Network and growth.

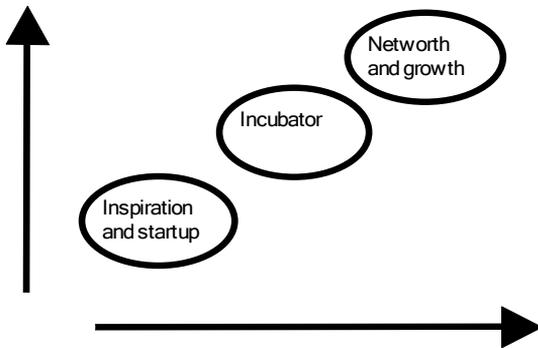


Figure 4-1 Innovating Incubator: Inspiration & Start-up, Incubator, Network and Growth

The purpose of Inspiration & Start-up is to encourage students and researchers to start new companies through information spreading, counseling, partner

companies and mentorship. In practice they describe that they work within lectures, seminars, workshops, trade fairs, and a project called Vacation Ventures. Vacation Ventures is a method to attract students to start new companies during the summer months. The idea is to match needs from established businesses with the student's competences. Students start their own firms and acts to solve real business problems. They receive payment as consultants. Innovating Incubator has developed a framework to make this work, and they now sell educational packages and the framework to other incubators.

Innovating Incubator offers students, opting to start companies, office space, shared office equipment and meeting places through the Incubator. They also offer full-time staff that can assist the emerging firms with simple business advice and speaking partnership.

Network & Growth is about supporting growth in the companies. A study conducted at the incubator indicates that the incubator gives most priority to the first and second step of the process (Falkeström & Larsson, 2000).

4.2.1 Inspiration and Start-up

The purpose of the incubator was to encourage the construction of student companies. An important task was therefore to market the incubator to potential entrepreneurs. The incubator managers have done this through for example seminars, lectures, trade fairs and entrepreneurship schools (Innovating Incubator, Annual report, 2001: 6). These activities currently take part in the Science Park's Pre-Innovating Incubator.

4.2.2 Counseling

Counseling was considered as one of the most important activities that the managers engage in. There are three main types of counseling at the incubator:

The first is idea counseling. When an entrepreneur first takes contact with the incubator it is common that a session for idea counseling is booked. This activity is now primarily a part of the Pre-Innovating Incubator.

The second is counseling regarding practical information about starting a company. Incubator managers give practical advice on how to fill out a taxation bill necessary for starting up an independent company, when to pay Value Added Tax, and how to register a name at the public patent and company registration office. This type of counseling activities is popular, and it is indicated as helpful by some entrepreneurs. For example managers at Gamma express how little they really knew about the practical things about starting a company, and how helpful it was to have the assistance of the incubator managers. This is also primarily a part of the activities in the Pre-Innovating Incubator.

The third type is coach counseling, and it was an initiative to proactively assist new ventures. Previously, the incubator had avoided proactive counseling. Incubator managers wanted to avoid potential over influence in the development of new ideas. Therefore, the incubator has given no counseling if the entrepreneurs themselves did not search for it. Bengtsson & Johansson (2001) noted that the entrepreneurs, especially in the early stages, lack active counseling from the incubator managers. As a response to this demand, Coach meetings evolved during 2002. Incubator managers started to book meetings with the entrepreneurs without them requesting assistance. The initial plan was to hold the coach meetings once a month with each entrepreneur. However, in practice only five coach meetings were conducted during the first half of 2003 (less than one tenth of the amount that was planned). The internal coach system was replaced during 2004 with an external coach system, where companies are matched with external coaches.

4.2.3 Supporting Services

The incubator has contact with several companies that provide services to young organizations. These companies can be categorized into four fields: Insurances, banking, layers, and advertising companies. The people engaged in assisting young organizations from the companies often have direct connections to GEBS. Many of them graduates of GEBS.

The associated banks are Lamda and Luna. Through the incubator, both banks offer the entrepreneurs a corporate package including Bankgiro, and check credit at a slightly discounted fee (Bengtsson & Johansson, 2001). Lamda also arranges an annual go-cart competition for all incubator companies. The participants highly appreciate this activity. Some of the interviewed entrepreneurs say their contacts with the banks are a product of their business plan writing (Beta and Gamma). Two interviews were conducted with bankers at Lamda.

With regard to accounting services, the incubator recommends three companies. These are Omega, Orion and Omikron (Innovating Incubator annual report 2001). These firms offer the incubator companies some hours of free consultation (Bengtsson and Johansson, 2001). Omikron and Orion are situated in the Science Park and thereby offer possibilities for direct person-person interaction and advice. One interview with an accountant from Omikron and another with an accountant from Omega were conducted.

The incubator has two insurance companies as partners. Bengtsson and Johansson (2001) argue that the insurance companies offer, the incubator companies, good corporate insurance. None of the companies in this study has indicated that the insurance companies have ever been involved in influencing them to write a business plan.

The annual report says that certain law firms are associated with the incubator (Innovating Incubator annual report, 2001). I have found no reference to the law firms with respect to business planning practices.

The incubator has contact with two advertising agencies bureau (Innovating Incubator Annual Report 2001). Bengtsson and Johansson (2001) argue that the agencies offer free marketing counseling, and the entrepreneurs only pay for the printing costs. The entrepreneurs make no references to such contacts in the interviews.

4.2.4 Mentors

Bengtsson and Johansson (2001) also discuss the incubator mentorship program. The mentorship program was offered to those new companies that experienced a need for it. In 2000, the mentorship program had about 30 mentors and was offered to 10 companies within the incubator. However the number of companies connected to a mentorship group was reduced to 7 in 2001 (Innovating Incubator annual report 2001). The mentors work for free. Initially the program was every sixth week, then every tenth week and then every 12th week. Epsilon is the only company with a mentorship program. The developments of external coaches in 2004 was similar to the old mentors system.

4.2.5 Vacation Venturer

The project Vacation Venturer was started by Innovating Incubator in 1997. The goal with the project was to have students at the University of Grönköping cooperate with companies in Grönköping. At the same time incubator managers wanted students to get knowledge about how to be entrepreneurs (Bengtsson & Johansson 2001). In practice, the incubator managers collect tasks that companies (hosts) need to have solved during the summer. Student competences are then matched with host needs. Students start their own companies. The host offers the student companies the task. It becomes the first task for the new student company. The project went well for the first year, and was doing fine in 2004. The incubator now sells the project method and kick-off activities to other incubators. The goal is that every Swedish city with a post- high school education should be able to offer a Vacation Venture project. In 2004 there were five universities/colleges engaged in the Vacation Venture project.

4.2.6 The Facilities

In 2000, the incubator's move to the science park increased the area of the premises to 700m² from 350 m², thereby doubling it. In, 2002 it had 13 office

rooms, a conference room, a meeting room, and a kitchen and recreation room. The offices contain office furniture, an internet connection and some office supplies (Innovating Incubator Annual Report, 2001). The incubator companies may share a common copying machine and a printer. The rooms are competitively priced and the rents are paid by the entrepreneurs themselves. To be allowed to rent rooms in the incubator the companies must:

- Be started by a student or researcher that studies, or within the last two years have studied at the University of Grönköping, alternatively be started by a person with significant work experience and academic background.
- Be approved by the incubator board of advisors with respect to business idea and line of business.
- The owner should have received counseling by employees at the incubator.
- Be fully or partially owned by one or more physical persons that have their main work placed in the incubator.

Recently they have expanded their potential customer group by adding spin-offs from knowledge intensive companies as potential customers.

4.2.7 Network and Growth

The incubator has developed a number of network activities for companies connected to the incubator for the long-run benefit of the new companies. These include attracting external financing for young organizations and to create business support networks. In the 2000 annual report, two active networks were described, Lime & Grape. Lime is presented as a vibrant association with three main activities, Lime design challenge, the project management education and Lime Valley Tour, whose entrepreneurs had visited Silicon Valley. Some of the participants on the tour still refer to it as a great experience. However, in the 2001 annual report, Lime is presented as a much more inactive association, with no activities during this year. Grape is not mentioned in the 2001 report. The association for Science Park companies INCH has been constructed to take care of the opinions of the members.

4.2.8 External Financing

The annual reports of 2000 and 2001, say that the Innovating Incubator continuously worked with attracting external capital for the entrepreneurs. While companies were successful in gathering external ownership capital in 2000, they attracted significantly less external ownership capital in 2001 and 2002. This could be due to that there was less external capital available, but also

that the companies' demand for external capital was lower. Several companies had bank loans or check credits at one of the incubator's partner banks. Ingesson indicates during informal discussions that the incubator established several more contacts with external capital providers during 2003 and 2004.

Table 4–2 Incomes in Innovating Incubator (kkr)

Financing Innovating Incubator	2000	2001	2002
Teknikbrostiftelsen in Linköping	550	550	0
Sparbanksstiftelsen Alfa	350	350	120
Grönköping University	60	60	400
The Grönköping County Administrative Board	60	100	0
SAF	30	15	0
Grönköping Municipality Administrative Board	20	20	40
NUTEK Technopol	0	0	490
Revenues	0	150	160
	1190	1245	1210

Table 4-2 shows the financial development of the incubator from 2000-2002. There is no data for 2003 as the incubator did not produce an annual statement for that year. As could be seen in the table, the incubator receives about the same amount of money each year, but that organizations supplying the income differ every year. Salaries to the incubator managers constitute most of the costs.

4.2.9 The Incubator and the University

Innovating Incubator shall actively work to encourage the creation of business ideas among students and researchers at the University of Grönköping. Innovating Incubator shall also provide the idea carrier with value creating services and supporting activities with the main goal to develop sustainable companies.

Innovating Incubators annual report 1999

As illustrated in Figure 4-2 below, the incubator has many connections to the university and the business school. The Science Park is primarily financed by the municipality of Grönköping, governmental and non-governmental organizations and Grönköping University.

As mentioned earlier, the incubator, which outdates the Science Park, was founded by Joelsson and Jakobsson, two students of Grönköping Entrepreneurial Business School (GEBS).

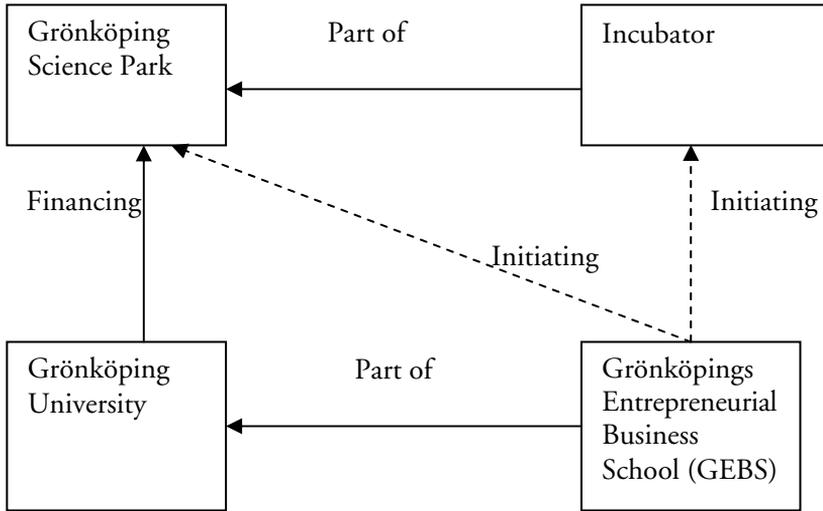


Figure 4-2 The Relation Between Innovating Incubator and the University

4.3 Employees

The incubator was a small organization in 2003. Still it has been difficult to clearly establish the number of employees that the incubator employs. In 2003 the incubator employed two managers, Ingesson and Ivarsson. However work conducted by Jennysdotter (Science Park) and Johansson (Pre-Innovating Incubator) is similar to that of Ingesson and Ivarsson, and they helped each other. With the structural change in early 2004, some of the activities previously conducted by the incubator managers were conducted by the Pre-Innovating Incubator managers. The project vacation ventureer, as well as student information activities are now the responsibility of the Pre-Innovating Incubator.

Both Ingesson and Ivarsson are graduates of GEBS. They manage the incubator, and report formally to the manager at Science Park, Jennysdotter. Their work consisted of a variety of different tasks. They made sure that shared office equipment is functioning, and they provided counseling and support to the businesses in the incubator. They also, marketed the incubator to students in the engineering, business, health, education and communication schools. In addition, the two incubator managers were involved in generating income for their organization through meetings with potential governmental, non-governmental and private financiers.

5. Company Descriptions

The companies studied are all new and situated in Innovating Incubator at Science Park Grönköping. The descriptions below abound with names of individuals and companies. A list with short descriptions of the companies and the persons in the study is provided in Appendix A. It can be helpful to read in order to remember who is who in this and later chapters. The identity of companies and individuals are protected and their real names replaced by aliases. Company names are replaced by letters in the Greek alphabet, beginning with Alfa. Names of persons are replaced with common Swedish personal names starting with the same letter as the company, sur names are constructed by the first name and the suffix son or dotter. The first company in the study is therefore named Alfa, and the CEO's name in Alfa is Anders Andersson. Descriptions involve general information about the companies and brief discussions on how business plans are dealt with.

5.1 Alfa

Alfa's business idea emerged in 1994 when Anders Andersson was trying to produce a financial word list with 7000 words. Surfing the Internet, he became quickly disappointed about how difficult it was to find a financial site, where he could find good translations and explanations for financial terms. He saw the demand for a Swedish portal specializing in home finances, stocks and other markets within finance. In February 2000 he did something about it. At this time he met Adrian Adriansson a student from GEBS. Adriansson took contact with two students he knew from the engineering school, Axel Axelsson and Assar Assarsson. The four started to work with the site Alfa.com in May 2000.

In the spring of the same year they worked with the development of the site. Andersson noticed that he and Axelsson worked significantly more than their colleagues. In the summer of 2000 Axelsson and Andersson continued with the firm while Adriansson and Assarson quit.

The difference in the amount of work put in, but also problems with the cooperation between the four were likely reasons that they quit:

All four of us were pretty much individualists. We were pretty bad at cooperation. If we were better at cooperation, we might still have been four.

Axel Axelsson 20020827

Andersson was at the same time taking contact with two old friends he knew from before, Arvidsson and Abrahamsson. Andersson had met and become friends with them through an association for young stock traders several years earlier. He was keen to have Arvidsson and Abrahamsson on board. Both of them had excellent reputation in the financial world. He thought they could bring in new customers and supply the firm with the necessary external financing.

In December 2000 Abrahamsson and Arvidsson joined Alfa as owners. Alfa moved into Innovating Incubator in January 2001. Axelsson remembers the period as a very intensive one work wise:

By Christmas time, I felt so burnt out that I all of a sudden started to cry in front of the computer. Then you have worked a lot. It was nothing else that has happened. I had just worked too much.

Axel Axelsson 20020827

The web page was officially published the third of February 2001. Both Axelsson and Andersson describe the following period as challenging and hard. They had a lot of work to do and the market for Internet portals was in depression. During the spring they got a financial newspaper to serve Alfa with news and they produced their first service, the insider trading list. They also attended to several trade fairs:

It was a very rough start, where we didn't get any attention. There was no feedback on the introduction. Journalists were tired on new things in the IT sector. The first year, last year, felt like a long uphill.

Anders Andersson 20020528

From their start in January 2001 until May 2002, they generated links to their page from 770 other sites; they sent monthly financial newsletters to 5300 users. They got much publicity and had about 40 clips from newspapers and weekly magazines that they proudly showed me (newspaper clip source from Alfa, 2002). In June 2002 they received "The Silver Oak", the incubator's prize for best incubator company 2001. The motivation reads:

The worthy winner of The Silver Oak 2001 is a company who, during the year has taken the step out on a market with competition, with a great deal of established and powerful actors. The business idea has been developed in strong collaboration with strategic partners and has in this way established a strong market position. The company has, with scarce resources convinced both customers and partners about its potential. Through its active engagement it has become a good source of inspiration. We perceive very good chances for the further development of the company and it is therefore with great joy we award Innovating Incubator's prize for company of the year 2001 to Alfa AB.

Prize motivation, Silver Oak 2001

In fall 2002, Alfa received a contract to build the home page for another financial newspaper. Andersson was successful in getting the contract and Axelsson was heavily involved in the work with this homepage.

In October, Axelsson decided to quit the firm. He said that he was content with a lower salary previously as he got some influence then but that the amount of influence has decreased. Now he had both low influence and low salary. He said he wanted to study. The mood in the company dropped significantly from the time Axelsson announced that he wanted to quit. Andersson claimed that Axelsson rarely showed up at work, and played golf most of the time. Axelsson on the other hand alledged that Andersson had aggressive outbursts and came up with false accusations.

In December 2002 Axelsson leaves the firm. Trust was then at an all time low. Andersson indicated in an interview 20030624 that Axelsson had stolen some customers from Alfa to have for his own. Even so, Andersson indicated that things were continuing to go well. He employed a replacement who since the beginning of 2003, has practically carried out Axelsson's tasks.

5.1.1 Products

Alfa.com shall be the leading neutral business and finance portal in the Nordic countries. Alfa.com becomes your port to the financial world through good structure, content and design.

Alfa's Business Plan 2002:1

The main product of the company is its webpage. It collects and offers up-to-date and relevant business and finance information. 2002 Alfa.com had about 34000 daily visitors. This has made possible for the company to sell advertisements on its page. Its advertising produces large but also risky income.

The company offers some free services on its webpage. For stocks, these services are called stocksmart, financial links, stock analysis, insider trading information, insider analysis, and recommendations. Most of the page is self updating, however a few services need to be updated. Andersson continuously works with producing new services on the page. A few of the services on the page produce income. They sell books about finance for example and generate profit. Another income-generating activity is the supply of annual reports from companies to shareholders.

Financial information was linked to Alfa in 2003, which in turn was designed and linked directly to one of the biggest Swedish internet service providers.

5.1.2 Organization and Management

In 2003 Alfa had three owners, Andersson, Arvidsson and Abrahamsson. Andersson is the CEO of the company and in charge of management. He

manages customer relations and produces key financial figures, budgets and plans for the company. He mainly manages the firm's strategic decisions. However, all decisions of strategic nature are taken in discussion with the board members. On the board apart from for the three owners is also Ove Ovesson. Andersson has daily contacts with the board members. The board has formal meetings four times a year.

The business plan indicates that employees should have an ownership share of Alfa. However, Axelsson's ownership share produced a significant amount of problems for the board. Board members disagreed on the value of Axelsson's ownership share. Axelsson wanted more money for their ownership share than the board was willing to give, and there was a lot of turbulence around this issue for a while in the late fall, 2002. Because of this, the new employee still has no ownership share in Alfa. Alfa is a limited liability company.

5.1.3 Business Plans in Alfa.

Institutional Sources

The work with the business plan at Alfa started before the formal registration of the company. In its early stages, Alfa had a project form and was not a registered firm. The project consisted of four members, Andersson, Axelsson, Adriansson and Assarsson. While Andersson and Axelsson were uncertain of when the plan was written, they both referred to Adriansson as one of the key informants of what a business plan should contain.

Institutional Pressures

Adriansson had knowledge about what a business plan should contain from his business school education. When Adriansson and Assarsson left the firm, the business plan was still incomplete. Andersson and Axelsson completed the full-length version of the business plan during fall 2001. It was based on Adriansson's template. Alfa got also some advice on how to write a business plan from its external capital providers.

Institutional Strategies

The managers in Alfa were engaged in writing the business plan when they started their business. Their business plan was shown to students, incubator managers, and external owners. Written in 2001 it has not been changed since. Andersson states that the company has changed a lot since the plan was written, but he has not had the time to develop its content. Even so, the central business idea is largely the same as the plan, while most numbers and forecasts in the plan are outdated. It has yet to be updated.

Institutional Outcomes

Alfa has had very little use for the business plan. Arvidsson and Abrahamsson invested in the firm mainly spurred by their friendship with Andersson. They gave some feedback on the plan, but it was not essential for their investment decision. In discussions before leaving the firm Axelsson criticized the lack of planning going on in the firm. The business plan has never been updated since it was completed in 2001.

5.2 Beta

Birger Birgersson and Björn Björnsson got the idea to build a site that worked as an information channel for the new students coming in from different parts of Sweden to Grönköping. In fall, 1999, shortly after they got the idea, they took contact with incubator managers.

In their discussions with incubator managers they became increasingly oriented towards creating a portal that was Sweden-wide in scope and to look for venture capital:

Then we were in contact with Jakob Jakobsson and Jonas Jonasson who were here before. And it was he [Jakob] who started this with writing down our thoughts, suggesting the writing of a business plan, and making us think about venture capital, that we didn't not think about at all from the beginning.

Björn Björnsson 200020611

So they started to work on their business plan. They also took contact with Bengt Bengtsson. On the basis of the business plan they tried to get investors interested in it. In spring, 2000, they got in touch with an older company founded by students and through them they got their first deal. Because of this they decided to start the firm, and register it under the name Beta AB. The name Beta was meant to reflect two of the business strategies they have worked out. The first was that the student site which was their key business idea, should act as a mother for the students. The second was that Beta AB was meant to work as a parent company for all sorts of different business ideas. The obvious connection to the company name is lost due to the alias given to Beta. This particular idea was inspired by Jota AB.

At the same time they found a conglomerate of angel investors that was interested in investing in their firm. In the beginning the investors wanted to see the business plan, and subsequently, they demanded increasingly more refined plans and calculations. In the final round, the angel investors offered to invest money in the company if the owners matched the venture capitalists investment in the firm. Björnsson, Bengtsson and Birgersson they decided not to take the offer during their summer break.

Birgersson quit Beta in 2000. He wanted to travel and study abroad. Björnsson and Bengtsson continued to manage the company and pursue different business ideas, under different company names, all connected to Beta as the controlling company. In summer, 2002, they had abandoned many of their ideas to attract external capital and they told me that they were more focused on earning money.

Their largest client in 2002 was the University of Grönköping. They worked as teachers in the school and were paid as external consultants. The University accounted for about 50% of their turnover in 2002. In the fall of 2002 Bengtsson decided to go to Gotland to do professional military training. In summer, 2003, Björnsson planned to move into new premises. He was going to move in with Rho. He also informed me that the company had launched a handball site. The background for this site was that Bengtsson experienced that people interested in handball did not have a forum to speak about their sport. Björnsson's idea for this site was to build an interest from the bottom up, contrary to how they built the "Beta" site. It meant that once they have a large enough number of active users, they would plan to launch some more activity intense services and impose some charges.

5.2.1 Products

In the beginning Beta had several different product ideas, most of them web-related. One of the ideas the company had developed was an information site for students called www.beta.se. Another product was a site for brokerage of services within music entertainment. While producing these web-related products, the owners also conducted some consulting business. They helped other companies in the park to produce their own web pages and they taught at GEBS how to build web pages. They also started a web hotel. Their primary line of business in 2003 was consulting for the University of Grönköping and Rho. Basically Beta produced orders that needed to be done quickly, or that were too small for Rho. Beta also managed a web hotel, and a handball site, both minor parts of their business.

5.2.2 Organization and Management

Currently there is only one active owner in Beta, Björnsson. Until the summer of 2003 Beta had another active owner, Bengtsson. Beta moved into the premises of Rho in the summer of 2003. Beta is a limited liability company.

5.2.3 Business Plans in Beta

Institutional Sources

Two types of institutional sources were involved in bringing the business plan into attention at Beta. Beta was inspired by Rho and Jota. These companies had successfully attracted external capital. Second, Jonas Jonasson assisted and endorsed business planning in Beta as well as recommending reading “The Business Plan” by Kubr, Ilar and Marchesi (2002).

Institutional Pressures

Jonasson encouraged Beta to write business plans, and he provided also a template on how to write one. Beta also tried to imitate the successful companies Jota and Rho, who were successful companies 2000-2001., by adopting similar organizational structures, applying for external equity funding, and engaging in writing business plans.

Institutional Strategies

A business plan was written for the web site “Beta.com”. This business plan was 23 pages long, and was successfully used by Beta to attract venture capital. They had several meetings with venture capitalists. The venture capital company agreed to invest half of the equity if the owners of Beta invested half. Managers at Beta were not prepared to invest 50% of the equity and backed out of the deal. The business plan has little to do with the current business of Beta. Björnsson and Bengtsson have expressed no desire to update their business plan to better fit their current business.

Institutional Outcomes

The managers said that the business plan played an important early role for developing legitimacy for the company. Using the business plan for attracting external capital probably helped them to come a long way in an investment process together with some external investors, indicating the importance of the business plan in their relation with external actors. However, currently they have no updated business plan, and the one they once wrote is not at all an appropriate description of their current business. This indicates that the business plan is not efficient for managing the firm internally. The managers experienced that the plan itself led them to believe that the company was bigger than what it was, and that growth would be easily obtainable.

5.3 Gamma

It started with an interest to do TV and movies.

Gabriel Gabriellsson 20021126

The three founders of Gamma; Gabriel Gabriellsson, Gunnar Gunnarsson and Georg Georgsson were all students at the University of Grönköping in 2000. They met at a student association working with production of TV-programs. They found out that they shared a similar passion for media production. At the beginning they did not have an intention to start a business, but this changed when they received opportunities to do business with the University.

We got several opportunities from school after the New Year. At the start we did not think it would get started as quick. But when the school had a couple of ideas, while Gabriellsson was in Australia, Gunnarsson and I got some opportunities to work for the school. It was rather natural, considering that one thing led to another, to start the company and run the risk.

Georg Georgsson 20021126

The University was starting up a project called University-TV. The purpose of the project was to cover what happened at the University. When Gunnarsson came back from Australia, they started to talk about starting a business around media production. As a newly started media production company, Gamma had a head start. They had a stable income stream from the University already from the beginning. They registered their company under the name of "Gamma" on December 3, 2001.

They produced programs for University-TV and were involved in filming and taping some of the university's Web-courses. In creating web courses they established cooperation with a web-course production company called Kappa. In the beginning they were able to borrow a lot of equipment from the University; however they had plans to buy their own equipment. One of the managers at Kappa helped them to write a business plan in order to gain access to loans. They used the business plan to get a loan from Lamda. The money was used to buy editing equipment. Given their early success with Lamda, they decided to go to ALMI and again to Lamda for additional loans.

In 2003 they had conducted several projects and served many customers. They had decided to divide their business into two different parts, Information-Education and Event Marketing. Information-education was meant to reflect the type of work they did for the University, e.g. filming events important for the university and educational films. Event Marketing grew out from an early opportunity they got to film a personnel meeting at Allied Domecq. Since then they have been able to get several contracts for other events such as the best dish washer person 2003 and the best costal kitchen of Europe 2003. They successfully sold videotapes from the Swedish championship in bench press 2003. Their strategy at the time was to get more events that would help them to

sell videotapes and thereby get more stable income streams. They had abandoned the idea of getting additional loans from ALMI and the bank. While the official in charge of loans at ALMI initially was positive towards the business plan of Gamma, their application were turned down as ALMI considered the pricing of Gamma's goods too low. Gamma was also delaying the application for additional loans at the bank. Instead of buying new camera equipment which was their initial idea, they have continued to borrow the cameras from the University of Grönköping.

5.3.1 Products

Gamma Productions offer a full commitment within video production: Idea, Planning, Filming, Editing to finished product – with a touch of the unique “Gamma-feeling”. We have a special focus on the university world and event filming, but also a broad focus over the entire video production field. Decent prices combined with quality coherent are our motto.

Gamma business plan 2002:1

In the beginning, the school was their major customer, and their business was basically to produce educational video tapes for the University. They produced some educational videotapes for the school's distance education, and shot some events on it's behalf. Shortly after the start of their firm, they got several other customers for whom they have documented events and produced video films. They wanted to sell their movies to media broadcasting and film production companies.

5.3.2 Organization and Management

Gamma production is a partnership with three equal owners, Gabriel Gabrielsson, Gunnar Gunnarsson and Georg Georgsson. They emphasized that their shared decision-making. Some separation of tasks was beginning to surface 2003. Gunnarsson handled most of the written materials, and was in charge of writing the business plan. Georgsson handled purchases, especially concerning technical materials, and Gabrielsson had been successful in sales and did a lot of the sales calls. However they all participated in filming, editing, sound and light setting, the core production activities, et cetera.

5.3.3 Business Plans in Gamma

Institutional Sources

The work with the business plan started when Gamma came in contact with a manager at Kappa. Kappa and Gamma are business partners, particularly when it comes to the production of university education. In one discussion, a

manager at Kappa suggested that he could help Gamma with writing a business plan.

Institutional Pressures

Karl Karlsson gave Gamma a template showing what a business plan should look like. Based on this template, the managers at Gamma went to work with writing a business plan. It took slightly more than a week to write. Once a draft was finished they showed the business plan to the incubator managers for comments. The incubator managers had some comments but basically considered the plan a good one. Bankers at Lamda and loan granters at ALMI were positive about the plan.

Institutional Strategies

Gamma's managers expressed positive views about business plans during the first interviews, in 2002. They said it helped them a lot, and that they really tried to adapt the business according to the plan, and the plan according to the business. However, in a short interview 2004, the managers showed little interest in business planning and the plan was never updated since they showed it to the bank.

Institutional Outcomes

Gamma got positive evaluations from almost every actor they were in contact with, when they showed their business plan. Incubator managers, banks and ALMI contacts were all very positive towards their business plan. However, in the contact with the bank, a business plan was not expected, and it likely played a minor role in the lending decision. Gamma have not updated the plan or used it in their daily operations since it was first written. It is an indication that it did not play a role in the development of the company's operations.

5.4 Delta

Daniel Danielsson found his start-up partners in the finance lab of Grönköping Entrepreneurial Business School in 1998. They shared a common interest in stock trading. He and his partners considered the current methods insufficient to make the best profit. There should be better models to capture the reality of trading, they thought. During the winter of 1998 they took a trip to Australia. During this trip they decided to start a new business in finance, building a better model for trading stocks. Watching Americas Cup, they decided that the goal for the company should be to sponsor a ship in that competition. They wanted to build a better model in order to make better trading decisions themselves, and they also wanted to develop an automated trading method and sell it as trading software. They started early to write a business plan. The idea

was to use the business plan to find people who would place their money in Delta. In order to get the money they knew that they needed a business plan. In the summer 1999 they moved into the same apartment and their work with the company intensified.

When two of Delta's owners went to a Teknikbrostiftelse¹ with representatives from Innovating Incubator, they encountered Dirksso. He was a previous business owner who had sold his business and looked for ways in which he could manage his money. From him they got about SEK 1 million. Danielsson said that this made him work harder than the others. The others seemed content with the money they got. Half a year later some of their investors pulled out. Danielsson said this was because the mood in the company became bad, and the investors could sense that. The two other owners were bought out and only Danielsson was left in the company.

During my interview with Daniel Danielsson in May 2002 he said he planned to close the business and go live with his girlfriend in the US. Even so, he still attempted to develop his software, speaking about an initial contact he has made with some researchers at the university. During the interview in November 2003, he still had not wound off the business, and in detail about the trials and testing of the trading software. Danielsson left the company 2004. The external owners in the company took over the firm.

5.4.1 Products

Delta administered stocks and funds for its investors. It mainly did this through active trading. However the company had also been involved with developing stock trading programs. The goal of this program was to introduce specific automatic stock trading software. It tried to develop this product until 2004 when Danielsson left the company.

5.4.2 Organization and Management

In 2002 Delta was owned by Danielsson and the individuals who invested in it. In the beginning Delta had three owners including Danielsson who managed the company together. However two of the owners backed out shortly after the company was founded and money poured in. In 2004 Daniel left the firm, and Dirk Dirksso took over the management.

¹ A "teknikbrostiftelse" is a governmentally funded initiative to support venture financing. There are seven such organizations with a total of about one billion Swedish kronor to invest.

5.4.3 Business Plans in Delta

Institutional Sources

Delta's three of the founders had a business school education. They wrote a business plan in order to appear serious from the beginning. Possibly other companies starting at the same time, such as Rho and Jota influenced Delta to write a one.

Institutional Pressures

The business plan was written to be taken seriously by external investors. The founder also considered the business plan a virtuous tool for developing the young organization.

Institutional Strategies

Delta illustrates a situation where the business plan was written for display at one point in time, but has lost importance in course of time. When I asked about the business plan, Danielsson looked for it but was unable to find it. I reminded him on several occasions and he still could not find it. The fact that the writer of the business plan did not know where to find it shows that the business plan has had not influenced the day-to-day activities of the firm for quite some time.

Institutional Outcomes

The business plan likely granted Delta some legitimacy in the process of gaining external capital. However, it is not referred to as a central selling point in getting external capital. The owner of Delta expressed, at several occasions, strong belief in the efficiency gains of managing his organization by formal written documents.

5.5 Epsilon

Epsilon was founded by Erika Erikasdotter 1999. At this point in time, she had spent half a year studying in the USA. When she came back in spring, 1999, she found that everyone else had arranged for a summer job at the place where they were practicing. This option was not open to Erikasdotter as she was practicing abroad. Instead she got the advice from a former employee at the incubator that she might try to become a summer entrepreneur. Some days later she submitted an application and got her first job as a summer entrepreneur handling public relations for a business idea competition driven by Jota. Erikasdotter got two additional work contracts that summer.

Several companies asked for her services during the fall of 1999, and she began to realize that here are few if any who worked with the public relation

industry in Grönköping. In April 2000, shortly before she graduated she got a contract from a large manufacturing company. In December 2000 she changed organizational form to a limited liability company.

In 2002 she was talking about employing someone. She gave two reasons for employing: First, she wanted companionship; it was too boring to work alone. Second, she wanted the new employee in order to work harder and become more inspired. If she was going to employ a new employee, she needed to attract more customers in order to have work for this new employee. In October 2002 she employed Eva Evasdotter half time, and in January 2003 she gave Eva full time appointment up until March 2003. But Evasdotter quit and Erikasdotter hired another employee the same year. From informal discussions with the incubator I found out that she had done well during 2003. The company moved into the Science Park in 2003.

At the summer party in 2003 Epsilon received the prize for best incubator company 2002 with the motivation reading:

The worthy winner of 2002s silver oak has established itself as a strong, competent and trustworthy actor. The company has from the beginning had a long term view and clear business idea and ambition. Through constant visibility and active participation in a number of different situations, you can really say that the entrepreneur lives as she teaches. Through a professional attitude to her venturing and through the prestigious customers, Erika Erikasdotter is a good role model for other young entrepreneurs. We are predicting very good possibilities for successful development of the company and it is therefore with great joy Innovative Incubator gives Epsilon the distinction as company of the year.

Prize motivation, Silver Oak 2002

The company has been inactive since the end of 2003, the year her boyfriend got a job abroad. Ingesson hinted at an additional reason, namely Erikasdotter's disappointment about the firm's weak profitability.

5.5.1 Products

Epsilon provided public relations consulting and planning for small and medium-sized organizations. It sold services to both public and private organizations.

5.5.2 Organization and Management

Epsilon was managed by Erikasdotter. She managed most customer accounts, and initiated all new customer meetings. Her employee Evasdotter, managed some minor accounts and helped out with office work.

5.5.3 Business plans in Epsilon

Institutional Sources

Several actors with close contacts to Epsilon wrote business plans. Jota, one of the companies Erikasdotter supplied services to, wrote business plans, and did very well in doing so. Another company, Theta, also had a business plan, and Tova Tovasdotter and Erikasdotter were good friends. She also has Torvald Torvaldsson in her mentors group, who according to Tovasdotter, was a proponent of business plan writing.

Institutional Pressures

There were several institutional pressures on Epsilon to write a business plan. Erikasdotter's best business friend wrote business plans, along with Jota, one of the more successful firms in Innovating Incubator's history. However, one of the mentors of Epsilon also advised against writing a business plan. The mentor argued that writing business plans took the focus off selling and producing.

Institutional Strategies

Erikasdotter defied the institutional pressures to write business plans. She openly resisted writing business plans because she saw them as a symbol of a business model with which she did not agree. She was negative towards Jota despite its success. Moreover, she took the recent downturn in the IT industry as an indication that Jota's model with written business plans, and external capital was wrong.

Institutional Outcomes

Erikasdotter was successful in gaining legitimacy and efficiency for her organization without a business plan. She employed two persons more in the company, before she decided to abandon the firm and move abroad, and she got the prize for best incubator company, The Silver Oak, 2002. Her firm was performing well, both in terms of growth and recognition, indicating that a business plan was required neither for legitimacy nor efficiency.

5.6 Seta

Sven Svensson and Samuel Samuelsson both graduated from the newly started college of lighting. They started to work together at different school projects. Spending a lot of time at the school together they started to get a good relationship with the dean. Through the dean they got some opportunities to work with some lighting projects while they were still students. Six months before finishing their studies they got their own room in school to work in. Once they finished school, they decided to start their own business. However,

they did not know how. Samuelsson told me in the first interview that he had read books about how to start a business, because he had the idea to start a business before, but he never got to it. He saw assistance from incubator managers as decisive for a start-up. They formally started their business in January 2000. In the beginning, they took responsibility for planning, purchasing, and directing the physical placement, primarily of outdoor lights.

They first worked together with a photographer who went with them and took “before and after” photographic shots of the area which needed lighting, he sold these photographs to the customer, and at the same time he gave them to Seta. Seta used the pictures for two purposes. They documented the areas they had improved to be able to learn from them. They also use the pictures in their marketing.

2002 they focused on consulting work and planning of lighting. At the same time they tried to develop two new products. They also started to actively search for customers at this time, something they did not consider before. Most of their customers seemed to be real estate companies. So at this point they were calling on different real estate companies to find out if they were interested.

At the time for my second interview in September 2002, this active search for customers had rendered several new opportunities for work. Large housing areas built in the 1960s and 1970s had poor lighting, and many of the residents living there were complaining about feeling unsafe walking in dark parts of them.

During my interview in June 2003, they were still struggling with how to furnish the market with any of their innovations. At this time their idea to build new “Lighting fittings” had come longer than the other idea, and they had gotten contacts with a lighting company, and an industrial designer.

They now had works coming steadily, and they moved into the Science Park. The managers were happy about the change of premises. The new premises had bigger windows, more light and more space. They also enjoyed the change of premises and saw the increased costs for it as a motivating factor for earning more money:

If you grow in the head then you also attract larger costs. So it is positive and can influence the incomes too. Then you have to. You move forward your positions and then you will create more work. It has been in that way for us anyway.

Samuel Samuelsson 2003

At the summer party of 2004, Seta received the price for best incubator company 2003:

The company that stands as a worthy winner of the silver oak 2003 has developed as a demanded competent and trustworthy actor and has during the year had a clear national market breakthrough. The company works in a clear niche and has through a focused effort attracted both recognition and

prestigious missions. As the company's niche has more clearly established itself as an own industry, and that the company has taken a leading role in this niche, the company still faces many interesting development opportunities. The persons behind the company are both innovative and creative which makes them good role models with an openness that is contagious. Through their entrepreneurship they have showed that the company is a successful venture, built on enthusiasm and competence as focus and passion. It is with great joy that we give the incubator award as company of the year 2003 to Sven Svensson and Samuel Samuelsson at Seta.

5.6.1 Products

Seta is a lighting consultancy company, working with light and lighting planning and design of electric fittings. The main income is consultancy for the lighting of public areas such as parks, churches, residential areas, gardens and traffic areas. It also consults for internal lighting in offices, stores and private homes. It is also developing one new electric fitting, soon ready for retail, and has some other product development projects. Customers are for example the Swedish Road Authority, the Swedish Church, and the Swedish Air Authority.

5.6.2 Organization and Management

The firm is managed by its two owners jointly. Samuelsson writes and sets most of the text, and Svensson does most cost/pricing calculations. However most things they do together. They also have a close cooperation with a photographer, who takes pictures of how the area looks like before and after the placing of lights.

5.6.3 Business Plans in Seta

Institutional Sources

Seta has still to get the advice to write a business plan. Unlike many other companies in the incubator, the management in Seta doesn't know what a business plan is. Even so there are ample opportunities to gain knowledge of business plans in the incubator. At times I have seen posters advertising free counseling sessions on how to write a business plan, and open invitations to business plan competitions. But this information seems to have passed by the managers at Seta.

Institutional Pressures

No specific pressure to write business plans has been exerted on Seta.

Institutional Strategies

It is difficult to talk about the way in which Seta deals with the institutional pressure to write business plans without first acknowledging that its knowledge about business plans is very limited. It is possible to argue that Seta has had several opportunities to gain information about business plans, but that it consciously or unconsciously has avoided such information and arenas where it is spread.

Institutional Outcomes

At the summer party 2004, Seta received the prize for best incubator company 2003. The owners have managed to obtain decent growth for their firm.

6. Analysis of Theoretically Derived Categories

This chapter contains seven sections. They are organized around the institutional process model introduced in Figure 2-3. The stages in the model are: sources, isomorphic pressures, strategic responses and outcomes. It also discusses the coded content in the categories and the relations between them.

6.1 Institutional Sources

Firm external sources shape organizations. Government agencies, educational systems and industrial networks are examples of such external sources (Karnoe, 1995). Other influential sources may be: literature (Furusten, 1995) and professions (Scott and Backman, 1990). In this section empirical material concerning the actors influencing new ventures to write business plans are presented and discussed. The section includes but is not limited to cursory descriptions of the content of business plan literature, banks, computer programs, educations and business plan competition. It also illustrates attitudes towards business plans among incubator managers, competitors and companions and accountants.

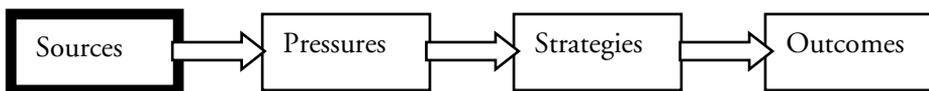


Figure 6-1 Institutional Sources

6.1.1 Literature

Books

The book “Affärsplanen: En handbok för nya tillväxtföretag” (Kubr, Ilar & Marchesi , 2000), hereinafter called “the business plan book”, was referred to several times by both incubator and venture managers. The book is published by McKinsey and is the official book of a Swedish business plan competition, Venture Cup. The book was first developed for a business plan competition in

Switzerland. The Swedish version is slightly adapted for the Swedish audience but mainly a translation of the Swiss book. It was used by managers at Gamma, Delta, and Beta as a reference guide when writing their business plans. Interesting to note is that none of the respondents refers to the book's name or its author, but only as the 'Venture Cup' book, in reference to the business plan competition that endorses the book. More information about the competition is available in this chapter under the heading: Professions. The book is regarded easy to read. Incubator managers consider it as suitable for the new venture managers.

The second book mentioned is "Marknadsplanen" by Anderberg and Eliasson (1999). The book contains advice on how to develop a marketing plan. This book is course literature in "entrepreneurship and business planning" an introductory program in business administration at GEBS. It has therefore been read by all who have participated in this course. One manager at Beta and two incubator managers mention this book.

Ivarsson refers to a third book called "New Venture Development" (Timmons, 1999). The book is intended for graduate students and MBAs with an interest in entrepreneurship, especially in the creation of new organizations. The target audience for this book are students, not necessarily business starters.

The three books share a peculiar commonality. They present negative statements about the use of business plans at different places in their books, yet they advocate and provide extensive templates at hand on how to write them.

There is no substitute for the real thing—actually starting a company. But short of that, it is possible to expose students to many of the vital issues and immerse them in key learning experiences such as the development of business plans.

Timmons 1999: x

I think that exaggerated planning is the main reason that so many companies die. You plan so long and so carefully that there are no forces left to implement the plans. Possibly many feel uncertain without an enormous decision material.

Kamprad in Andberg & Eliasson 1999:3

Victory usually goes to those green enough to underestimate the monumental hurdles they are facing.

Richard Feynman in Kubr, Ilar & Marchesi 2000:14

These contradictory statements about business plans may serve as a safeguard for the authors, admitting that the reality might look different than what the books suggest.

Computer Programs

Computer programs are categorized in the literary genre primarily because computer programs and books mainly address the content of the plan. They have therefore a similar function. A former CEO of the Science Park, a member of the board at Alfa, and an accountant at Omikron, all refer to the computer program LOTS when it comes to business planning. All of them have been involved in larger older companies and they are older than the average respondents. LOTS is an extensive program primarily targeting small and medium-sized organizations. The newsletter from LOTS reads:

Our customers know that we have a holistic view on the company. We now want that holistic view to encompass the well being of the employees. We want that they also should think about the company vision and values.

Ekström 2002:10

Computerized business plan programs are of marginal importance to the new firms in this study. None of the company managers refers to the computer program, and none of them has used it to plan business. Even though there is knowledge about this program in the firms' environment, it does not seem as if it is transmitted to the new firms. Possibly it is because the program is seen as suitable for slightly older and larger companies than the ones in the incubator.

6.1.2 Professions

The Science Park Environment and Incubator Managers

Interviews with incubator managers indicate that business plans have been of varying importance from the start of the incubator in 1996 to the end of this study in 2003. Joelsson argues that he and his partners did not stress the importance of business plans much when they started the incubator. Advice rather focused on assistance regarding firm registration and establishing contacts with supporting services companies and potential customers (Joel Joelsson, 20030822).

Delta, Beta and Epsilon had their initial contacts with the incubator during 1999. All these companies indicate the special atmosphere in the incubator, and that many companies applied for venture capital at the time. Managers at Epsilon and Beta indicate that incubator managers have been influencing them to write business plans.

Business plans were not of central importance for the incubator managers during the interviews in 2002. They say that they do not really advice new ventures to write business plans. Instead incubator managers focus assistance on firm registration and establishing contacts with supporting service companies and potential customers. There are no outspoken intentional influences between the incubator manager and business plan behavior among the new venture managers in this study. Still however, business plans were important at

the time. Incubator managers hold that it is easier to give advice to company managers who have business plans, they give such companies more time for advice, and they evaluate such companies more positively.

Incubator managers express a belief that business plans are necessary if you are looking for external capital. Companies in this study share this belief.

Incubator managers started proactive advice sessions called “coach” in 2002. During a coach session with Gamma 2002, they structured their advice according to a formula similar to a business plan in structure. After the coach session, they had an additional meeting focused at evaluating Gammas business plan. The incubator management encouraged participation in the Venture Cup, and offered “the business plan book” as support when the managers at Gamma were going to write a business plan.

During 2003 and 2004, business plans became more important in the incubator. External capital providers put pressures on the Science Park to bring in more technology-based companies. Vinnova and Connect probably played a role in increasing the importance of business plans in the Science Park. For example, one of the most commonly used activities in Connect is the “leap boards”, a panel that provides a forum for financing, partnership and literature. In order to participate in these leap boards, companies must have business plans.

Accountants

The interviewed accountants were from Omega, and Omikron. The individuals interviewed were selected through snowball sampling from the entrepreneurs in the study, i.e. the entrepreneurs have referred to them as their accountants. The role of the accounting agency is primarily to assist companies in their bookkeeping and annual revisions. The accountants have studied at “Business College in Grönköping” a predecessor of GEBS. None of the accountants remembers having advised their clients to write business plans.

Venture Cup

Venture Cup Sweden started in Gothenburg in 1998. McKinsey & Company, Chalmers and Gothenburg University initiated the competition. The Business Plan Book is published by Mckinsey (Kubr, Ilar & Marchesi, 2000). It is also the endorsed book for the Venture Cup competition. The total prize money for Venture Cup is 550 000 SEK.

The competition is open to non-established firms. To join the incubator a company must be registered. This means that incubator companies can not participate and get the money from the competition.

Representatives from Venture Cup visit Science Park Jönköping annually to inform new students and incubator companies what the competition is about. As discussed earlier, Incubator managers endorse both the book and the competition. All the studied companies know about the competition and many

refer to it. The manager at Delta has participated in the competition with a business idea that he did not pursue.

There are two reasons to categorize Venture Cup into the professional category. First, the competition offers counseling from various experts. Second, judges of Venture Cup are considered expert professionals in their fields and the task they have at the competition is to assess and judge the quality of business plans:

The jury in Venture Cup consists of experienced entrepreneurs, venture capitalists and industry experts... As a participant in Venture Cup you get access to personal counseling from able experts and experienced entrepreneurs.

Venture cup, information material, 2000

6.1.3 Financial Organizations

Banks

Banks are important sources for new organizations' finance (Bruns, 2004). In this study, two loan managers from Lamda were interviewed. The managers at Gamma indicate that the loan officer did not expect a business plan like the one that Gamma had written:

Very positively surprised... We had a business plan, budget and so on. I think it was something she did not expect at this stage.

Georg Georgsson 20021126

The loan officer stated that she was impressed by Gamma's business plan. The bank officers indicate that a business plan would positively influence the evaluation of a loan application of a new venture, but it is not one of the more important criteria. Guiding principles on how to evaluate loan applications are present in the "Credit Policy Document" in banks. The document is a bank's secret which I could not access. However both loan managers indicated that there was nothing in it about business plans. Gamma's managers thought that banks demand business plans while bank officials just saw them as a positive sign that the new company had a business plan.

External Ownership Capital

Alfa, Beta and Delta have been actively involved in attracting external ownership capital. These companies have written business plans.

The original template for how to write a business plan in Alfa came from a student at GEBS. This template was then utilized as a base for developing the business plan in Alfa. The external owners made Alfa abandon its original business plan. Instead of the big plan it favored of a one paged document on the board meeting about what happened in the company and what strategies they had for the future.

The managers at Beta got the advice to write a business plan from Jonasson. As additional help they had *The Business Plan Book* (Kubr, Ilar & Marchesi, 2000). The plan itself was used when they applied for external capital.

Deltas manager had participated in Venture Cup and had in addition written business plans as a student. Therefore it became natural for him to write a business plan when he started the firm. In his contact with the external capital provider, he discussed his business plans initially, but later abandoned the full written business plan in favor of shorter written and verbal communication.

6.1.4 Schools

The Business School

All incubator managers from the founding of Innovating Incubator until the end of my study 2003 were previous students from GEBS taking business administration as main topic (Joelsson, Jakobsson, Jonasson, Jennysdotter, Ivarsson, and Ingesson). Most of the company managers in this study participated in courses organized by GEBS. The first course that the students take in business administration is on entrepreneurship and business planning. This course, contrary to its name, focuses more on general knowledge in entrepreneurship and business administration. It dedicates one chapter out of nine to how to write business plans (Davidsson, 2002).

All organizations with written business plans had at least one manager who took the entrepreneurship and business planning course at GEBS. The two organizations without business plan had not participated in a course on business planning at the school. The positive opinions about business planning expressed by the entrepreneurs resemble GEBS teaching on the subject.

Business school students have historically been responsible for founding the majority of companies in the incubator. Lately however, there has diverse mix of entrepreneurs with different educational backgrounds in the incubator.

The Business School in Karlstad

Gunnarsson was educated at the business school in Karlstad where he studied innovation. According to him, the Karlstad business school emphasizes the importance of business plans:

When you start a company you shall have a business plan that works. And should you work according to these principles you really should have a business plan when you register your business.

Gunnar Gunnarsson 20021126.

This quote implies that there is some common ground in the institutional sources for business planning between Grönköping and Karlstad. It is likely that universities and schools are major contributors to the institutionalization process of business plans in new ventures. In the US about 78 of the top 100

companies have courses with business plans as a key element in them. Approximately as many of the US universities endorse business plan competitions (Honig, 2004).

The School of Education and Communication

Both Erikasdotter and Evasdotter at Epsilon attended the college of communication. While the school teaches how to make marketing plans, it does not teach how to write business plans. This echoes Honig and Karlsson's (2004) argument that the absence of course content with the business plan as a key element reduces the likelihood that a company will engage in business planning behavior.

The School of Engineering

The managers of Gamma had a slightly diverse background. Two were educated at Grönköping Engineering School. The engineering school in Grönköping has a basic course in industrial management and entrepreneurship. The course is given by teachers from GEBS. Among other things, the students are taught financial accounting, forecasting and how to write a business plan (Larsson, 2002). One chapter out of four in this course compendium is dedicated to the writing of business plans. Managers of Gamma wrote a business plan.

The Lighting School

Samuelsson and Svensson have an educational background from the lighting college in Grönköping. This college is independent and separated from the University of Grönköping. The college has no elements of business plans in its course curricula. The managers at Seta had little knowledge about what a business plan was at the time of this study.

Therefore they had no plan at the time of this study to write a business plan. Nor did anyone seem to expect them to write a business plan. When I talked to the incubator managers, they guessed that Seta did not have a plan. This further supports the idea that lack of business plan content in school education leads to less business planning.

6.1.5 Governmental and Nongovernmental Institutions

ALMI

ALMI is a governmental institution offering new organizations two main types of services, business counseling and business loans. In counseling it has a similar role as the incubator managers, and in the loan aspect they can be considered as complement to bank loans.

The incubator started out in 1998 in facilities close to ALMI. This was the start of the cooperation between the incubator and ALMI. Business plan counseling for new student firms was then based on templates from ALMI.

Gamma and Seta had contact with ALMI. Gamma was recommended by its bank to apply for additional funds at ALMI. From ALMI it got feedback on its business plan, but no additional funding. The respondents said that ALMI incubator managers seemed more interested in understanding the reality behind the plan than the actual plan. Even though the counselor at ALMI evaluated Gamma's business plan positively, no loan was extended.

In Seta the situation was the reverse. At the initial meeting the ALMI counselor demanded more documentation before any loans could be granted. More documents were prepared, and Seta got some money to conduct a pre-study for its products. However, Seta was negative towards the advice from ALMI. Samuelsson argued that the ALMI counselor had difficulties understanding and evaluating Seta's product. In the studied companies, there were few indications that any other governmental and non governmental agencies played any significant role in spreading the business plan institution.

6.1.6 Industrial Peers

Jota

Jota was started 1997 by Robert Robertsson, Jessica Jessicasdotter and Joel Joelsson. Jota was a high profile company within the incubator, managing to start several firms and attracting external capital. The idea of the company was to start a lot of companies, then sell them, keeping only a small share. This company was one of the most in well known companies in the incubator during 1999-2001. It was considered a successful company in writing business plans, getting venture capital and starting multiple businesses. These were things that were evaluated positively by many at the time. Beta viewed them as an early role that spurred it to write a business plan. However, after the Internet bust, many began to view Jota with less admiration. The manager of Epsilon had the following words about Jota:

During the time I worked with Jota, there were many companies in the corridor that worked with business plans. All of them have become bankrupt because they started with a business plan instead of developing a service on which there is a need on the market.

Erika Erikasdotter 20020823

Jota made a major impression, whether good or bad, on the culture of the incubator. At the inauguration of Science Park I heard Karlsson saying that it reminded him of the happy old days:

When Jota and others invited full houses of people who were partying while the wine was flowing

Observation notes 20020503

This observation describes the period roughly between 1998-2001, and it indicates the central role Jota played in it.

Rho

Rho was founded in 1998. They have experienced continuous, partly acquisition-based growth from its start. It had 13 employees in 2003.

Beta's managers had an especially good relation with one of Rho's owners, Rickardsson. They met him regularly through their business start up process and he provided them with personal as well as business advice. Beta also had business with Rho. When Bengtsson left Beta to join the military, Björnsson left his office in the incubator to share a room with Rho.

Rho was one of the more successful firms in the incubator, and it was held in with high prestige in it. However there were signs that the company was beginning to lose standing in 2002. Erikasdotter said the Silver Oak should have gone to Theta instead of Rho. Echoing Erikasdotter's remarks, Andersson said that rho's management had limited experience doing business, which revealed itself when talking about business issues. These negative remarks came as Rho was experiencing financial difficulties in 2002.

Theta

Tova Tovasdotter is the owner and manager of Theta. It started 1997. Contrary to Jota and Rho, Theta has had an endogenous growth strategy, characterized by lower profile and less limelight than Rho and Jota. Even so, in the five years to 2003, Theta registered continuous growth.

Tovasdotter is a good friend of Erikasdotter and they support each other in their business. With respect to business planning it is interesting to note that while Tovasdotter has written a business plan, Erikasdotter takes Theta as an example of a company without one. Further, Tovasdotter is certain that Erikasdotter was advised to write a business plan.

If I say that she will meet Torvald Torvaldsson, then I know he will tell her to write a business plan. But I have never told Erika Erikasdotter to write a business plan

Tova Tovasdotter 20021209

In 2003 Torvaldsson had yet to recommend Erikasdotter to write a business plan. This indicates that even if you have contact with actors who write business plans, and endorse them it is not sure that they would choose to transfer the idea to you.

Kappa

Kappa is a recently started company with Karl Karlsson, PhD candidate in business administration and Kjell Kjellsson PhD candidate in engineering. Kappa plays an important role in explaining why Gamma managers have written a business plan. The managers of Kappa are older, and have longer experience than Gamma's managers.

Then we got help with some things through Kappa with whom we work. They also pushed us that we should make a business plan, and what it should contain.

Gabriel Gabriellsson 20021126

Karlsson gave Gamma's managers a business plan template and helped them write the plan.

6.2 Institutional Pressures

Organizations continuously try to adapt to their environment in order to gain legitimacy and subsequently recognition and resources from it. Noticing that organizations are increasingly similar, DiMaggio and Powell (1983) developed a framework for explaining this growing homogeneity. They argue that organizations become increasingly similar, not only because of efficiency concerns as argued by population ecologists and contingency theorists (Scott, 2003), but also because of attempts to conform to institutional pressures in order to gain recognition and resources (Mizruch & Fein, 1999). This section presents and discusses empirical material concerning what the respondents experience with respect to isomorphic pressures (DiMaggio & Powell, 1983) be they normative, mimetic or coercive.

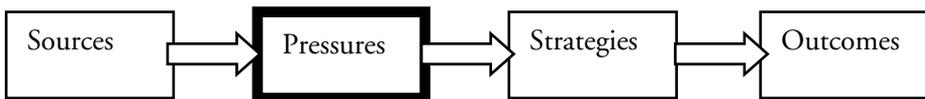


Figure 6-2 Institutional Pressures

6.2.1 Coercive

Incubator Managers

The perception that business plans are necessary, and a must if organizations want to have external funding is widely spread among both the new organization managers and incubator managers.

[The business plan] has a very strong role if you are going to apply for money. Then you cannot escape from having a business plan, because that is like the standard demand, whether you go to the bank, an organization or a foundation to apply for money.

Jenny Jennysdotter 20020426

All companies in Siliconovative shall now have a business plan, but that is because all companies are going to have external capital.

Jonas Jonasson 20021214

In Siliconovative, the incubator manager has put up a coercive demand that all companies in there should have business plans. During recent discussions, the incubator managers in Grönköping say that the business plan will be more strongly recommended by them, perhaps even coerced in the future. One reason for this increase in emphasis on business plans is due to what the incubator managers call scaleable ideas, i.e. that the business model can easily grow to significant size. In practice this could mean that there will be a stronger focus at production/technology oriented business in the incubator.

Business Plan Competitions

Business plans are often the entry ticket for participation in new business competitions and could therefore be described as coercion. Venture Cup is the only business plan competition referred to in this study. Unless participants in Venture Cup write a plan, they can not win the competition, or even participate in its second stage:

Venture Cup is a national business plan competition, and through cooperation between Science Park and Innovating Incubator we are also represented in Grönköping ... The total prize sum is 580,000 Swedish crowns."

Joel Eriksson 20040113

The competition has spread from Switzerland and Germany to several places in Sweden, Norway, Finland and Denmark. In the USA it is also popular to have business plan competitions (see introduction). This type of pressure on young firms to write business plans is widely spread. While this dissertation focuses on specifying the type of pressure in specific cases, the type of coercive pressure exerted in business plan competitions is widely spread and the ensuring effects likely to be similar. Venture Cup is a potentially important source for coercive pressures on new ventures to write business plans. There are no specific indications of coercive pressures on any of the companies in this study, as none of them has competed at Venture Cup. Knowledge about Venture Cup is widely spread throughout the Science Park.

Banks

A manager at Gamma expresses a need to have a business plan when applying for bank loans. He means that without it is not possible to get a loan:

We must have a business plan, to go to the bank. If we want a loan we must have a business plan.

Gunnar Gunnarsson 20021126

This need for business plans does not match up with the bank lenders' opinion about its necessity.

Employees at the bank give the impression that business plans are neither coerced, nor of any key importance. Asked about the important criteria for lending money for newly started businesses, one bank employee said:

Trust, repayment ability and you always take some sort of security (deposits) on a loan.

Lars Larsson 20030619

The same respondent added that a business plan was important as it could improve the trust in a loan applicant and could thus improve the chances of getting a loan. That suggests that even if a business plan is not coerced, it generates legitimacy, primarily from its normative value. Even though these bank employees do not force new ventures to write plans, they find business plans as good to have, and they associate it with trustworthy and professional management.

Asked about formal bank guidelines for business plans, another employee clearly stated that there were no formal requirements to have a business plan, but she thought they were good. The criteria the banks usually follow in granting loans include trust in the applicants' ability to pay back, a record of how past loans were repaid, and if they have collateral and deposits.

No there are not any formal requirements to have a business plan but I think they are good... Foundations in granting loans are how serious the applicants are, preferably a record, that the business they run has repayment ability and that they have security deposits.

Lena Lenasdotter 20030619

The business plan of Beta had also been presented to the bank, and Epsilon obtained a loan from the same bank without having a business plan. What these lenders say contradicts the business plan literature. In business planning literature it is often suggested that banks coerce new organizations to write business plans in order to get access to funding (Tovman, 1998; Allen, 2003).

External Ownership Capital

In an interview, Andersson expresses that one has to have a business plan if one is going to present oneself to investors.

Primarily if you are going to present yourself to investors you have to have a business plan.

Anders Andersson 20020528

This institutional pressure however does not correspond to how Alfa got its external funding, which was obtained through Andersson's contacts rather than a well written business plan.

Danielsson said that Delta wrote a business plan in order to meet people who could invest in its analysis program:

We had to write a business plan because we wanted to reach persons, and to be able to talk about if they were willing to wager any money.

Daniel Danielsson 20020524

The actual role of the business plan in Delta is unclear, it was reported to have been written in 1998 but I had no access to it since Danielsson could not find it.

6.2.2 Normative

Literature

The Business Plan Book is used by three companies in this study. It is the most commonly referred to and used book. The book can be understood as reinforcing the positive normative value put on writing a business plan, as it emphasizes the virtues of writing a business plan at several places in the book. Several things that are peculiar about this book, might have accounted for its relative success in this environment.

First, the book was endorsed by the Venture Cup competition, and the competition itself is important in the incubator. One of the company managers in this study has participated in the competition, and most of the company managers know about it.

Second, incubator managers, even though they have knowledge about several books on business plans, most often recommend this book. Ivarsson and Ingesson both support it.

Third, McKinsey has a reputation of a high status employer among business students. A book supported by McKinsey will therefore have some legitimacy among business students due to the high status it enjoys. Moreover, Furusten (1995) observes that books published by consulting firms in general and McKinsey in particular, reach exceptionally good circulation.

Fourth, the book is given out for free from the companies participating in a business plan competition. However, the book focuses on high growth companies in particular, and not new firms. This facet, however, has not dwindled the popularity of the book among the new ventures in this incubator.

However the book may also have been influential in enabling new ventures loose couple talks from action. Since the book has internally ambiguous statements, the entrepreneurs should find it easy to act upon it in the same manner. The section on strategies, dwells on this issue.

Accounting

Accountants from both Omega and Omikron express positive views about business planning. Both companies have access to extra informational material on how to write business plans. They note that the incubator companies rarely ask them for advice concerning business planning. Recent changes in the regulation on accounting firms also limit the extent to which accountants can be involved in giving advice on management issues. However both companies have collaboration partners whom they can refer to if a company needs assistance with its business planning. Both accountants are positive towards new ventures writing business plans:

One of the most common advice is that you always must have a plan in the long run... You have to choose track.

Olof Olofsson 20030323

The quote above indicates that if the entrepreneurs ask for advice on business plans from their accountants, they would speak about the virtues of planning and focus your business. However, neither the accountants nor company managers indicate that they have specifically talked about business plans.

Schools

Educational facilities are commonly seen as central sources of normative pressure (Karnoe, 1995). The quote below indicates a direct connection between university education and normative pressure for writing a business plan:

I attended some courses in the university where it was indicated that business plans were very good to have.

Daniel Danielsson 20020524

All firms with written business plans in this study have at least one manager who had business plans as a part of university education (Andersson, Björnsson, Bengtsson, Georgsson, Gabrielsson, Gunnarsson and Danielsson). Education therefore has a likely influence on attitudes towards writing business plans. The managers who did not have a business plan course (Erikasdotter, Svensson and Samuelsson) did not write a business plan.

Incubator Managers

Ivarsson and Ingesson, have similar ideas about business plans for new ventures. They think it is a useful tool for getting external funding, but they also believe

that it is not a critical issue for the new ventures. The critical issue, according to the incubator managers, is to do business:

I am positive towards business plans in general. The negative aspect can be that you lock yourself in and look too much on what you wrote once.

Inge Ingesson 20020425

Ivarsson describes how companies are persuaded to write a business plan. In informal or formal meetings, the entrepreneurs, discuss how an entrepreneur's business idea can be structured according to different topics such as marketing, organization etc. Once these topics have been discussed, the next step is to have these ideas structured into a descriptive outline of the business, a describing plan:

We often try to tell the ones who come to us for business council: Try to structure this down on a paper... then we try to steer them a little bit towards some sort of describing plan.

Ivar Ivarsson 20020425

Inge Ingesson, in the quote below, indicates a growing awareness of the importance of business plans to new organizations. He stresses the importance of a business plan in respect to external financing, and in order to look professional in general:

I realize the importance of having a business plan when you try to sell your idea or want to try to look professional... in some of the companies I do not think it is one of those things one has to do first. Because it is important to get started with something... one has to try a lot in the beginning.

Inge Ingesson 20021114

On the other hand he does not in this interview think that all companies in the incubator need to have a business plan, especially not the really young ones, since, in his opinion business plans could make the company less prone to test several alternatives.

Björn Björnsson from Beta provides a specific illustration about the normative influence of Incubator managers with respect to business plans. This incubator manager encourages them to think about writing a business plan, and applying for external capital. The managers at Beta were attracted to this idea, since they also tried to model themselves after Jota, which had written many business plans and had been successful in attracting external capital:

It was he [Jonasson] who got us into business plans and thoughts about venture capital, thoughts that we did not have at first.

Björn Björnsson 20020611

It was natural for Jonasson to help Beta with business plans because it was in the spirit of the incubator at that time to "race" for money:

Beta... It was natural to help them with business plans.

Jonas Jonasson 20021214

Erika Erikasdotter indicates that the incubator managers advised her to write a business plan and to apply for venture capital. She did neither. The reasons why she did not is further explained in section 6.4.

Ivar Ivarsson remembers that he gave feedback on Gamma's business plan. This feedback was given after Gamma met the bank, but before meeting with representatives at ALMI. Gabriel Gabriellsson at Gamma saw Ivar's comments as more focused on how the business plan could be implemented, than on how the actual business plan was written.

Banks and Venture Capitalists (see Coercive Pressure)

6.2.3 Mimetic

Beta mimicked Jota's business concept. Similar to Jota, their idea was to start a different company for each idea the company had.

We wanted to do a lot of things, we were inspired by Jota.

Björn Björnsson 20020611

Beta's managers refer to the time 1999 when they started and Jota was a high status company which had written several business plans. Erika Erikasdotter and Jonas Jonasson hold similar perceptions. It was common to write business plans during that time.

Erikasdotter indicates that one of the reasons she does not write a business plan is that she mimics a company which she believes has no business plan, and she signaled dislike for Jota that wrote business plans. However, the company that she mimics, Theta, has a business plan. It means that even though a company that is mimicked, it does not mean that all aspects of that company is mimicked. In this case, Erika did not mimic the business plan of Theta, even though other things Tovasdotter did was mimicked.

6.3 Source-Pressure Relationship

Entrepreneurship literature especially business plan literature presumes certain actors to exert certain pressures, and different institutional sources may exert certain type of pressures. This is explained extensively in chapter 2.3. This section describes and compares the empirical relations in this study with relations discussed in chapter 2.3.

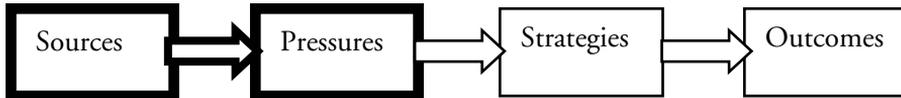


Figure 6-3 The Relation Between Institutional Sources and Pressures

6.3.1 Coercive

Coercive pressures could be connected to legal authority as exercised by the state. However, coercive pressures may also be operationalized more broadly as encompassing formal and informal rules (Scott, 2001). A young organization may have to deal with such rules in order to gain resources to insure survival and growth. Entrepreneurship literature indicates that venture capitalists, governmental agencies and banks could be sources for such pressures (Tiffany & Peterson, 1997; Hindle, 1997). Coercive pressures are absent in this table. Based on previous studies, it seems likely that this study finds coercive pressure from financial organizations, governmental organizations and possibly also from incubator managers. However, neither of these actors enforces the writing of business plans with rules, or rule-like conditions in this study.

Financial organizations express a positive orientation towards business plans, and they may suggest that writing a business plan would be good, but those I have been in contact with indicate that they don't have formal or informal rules forcing new ventures to write business plans. Instead they indicate that they consider business plans a good document, which could make them to favorably evaluate the company. Representatives of the bank that has given three of the studied companies' loans are positively surprised of the good quality of the business plans given to them by companies in the incubator, and one of the external capital providers indicates both positive and negative attitudes to writing business plans. None of the external capital providers I have been in contact with says that they have rules, or that they demand business plans.

One interesting note from the incubator managers is "*should the bank not demand it?*" (Incubator manager, 20040910). This indicates that the bank may potentially lose some legitimacy towards incubator companies and towards incubator managers if they don't start to demand business plans, since that is

expected from the banks. Therefore to demand business plans may be a source of institutional pressures for the bank, rather than the other way around.

That external ownership capital providers demand that business plans should be written is perhaps the most widely spread institutionalized truism among new ventures, educators and incubator managers. This opinion is also ever present in the literature on how to write a business plan (Kubr, Ilar & Marchesi, 2000; Allen 2003). The literatures pay scant attention to research. The idea that venture capitalists really coerce new ventures to write business plans is often taken for granted among researchers (Delmar & Shane, 2004; Spitzer, Alpar & Hills, 1989) and thus unsupported by empirical investigation.

The study discussed earlier by Geijer, Hjelte and Stenlund (2002) supports the idea that business plans do not seem to play a major role in some venture capital firms in Stockholm. Other anecdotal stories indicate that millions of dollars have been invested in business ideas, investments done based on interviews during a plane flight, or funded investment ideas made of the basis on scribbled notes on napkins. These examples show that business plans are not coerced by all venture capitalists.

The companies which did write business plans did so before discussing them with their external capital providers. This indicates again that it is the perception that external capital providers and other sources demand business plans that makes the organizations in this study write them rather than any actual coercion from the capital providers. That a young organization has to write a business plan is a heavily institutionalized idea among the studied companies.

As discussed previously, the government likely plays an important role enforcing the business plan by coercion. There are strong indications that the employment offices play a significant positive influence on the behavior new venture business plans (Honig & Karlsson, 2004). Similarly the Swedish employment office can grant unemployment benefits to those who are trying to start up a business. In many cases such grants are only given if the company has written a business plan (Falkenhall, Johansson, & Olofsson, 2003). Government assistance agencies can therefore play an important role in the spread of the business plan institution. A study by Honig and Karlsson (2004) reveals a strong relationship between having contact with a government assistance agency and the writing of business plans. However, none of the new ventures in this study has had contact with the employment office, and therefore this influence is not investigated. Gamma and Seta had a contact with the governmental organization, ALMI, which handles loans for small organizations. However, the interview with the managers at Gamma indicates that the assistance from ALMI to the business plan was normative rather than coercive. ALMI representatives commented on the content in Gammas business plan. In the case of Seta, no business plan was demanded, but ALMI did ask for a market survey to be conducted.

Since this study is limited to the specific environment at Innovative Incubator, it is not possible on the basis of it draw general conclusions applicable to other environments. However anecdotal evidence from other authors (e.g. Geijer, Hjelte & Stenlund, 2002; Gumpert, 2002; McGrath and MacMillan, 1995) indicates that the coercive pressures of venture capitalists and banks conveyed in entrepreneurship in general and business planning literature in particular is not valid for several other environments too.

6.3.2 Normative

The literature is an important diffusion mechanism for management tools in general (Furusten, 1995), and business plans are no exception. As discussed in the introduction and also observed in Honig (2004), the literature is abundant with articles and books on how to write a business plan, and business plans are an almost compulsory topic for a chapter in books on entrepreneurship. The literature is normally seen as a key diffusion mechanism for societal level norms (Furusten, 1995). This study supports this idea. One book is particularly popular among the young companies in this study. The book “The Business Plan” (Kubr, Ilar and Marchesi, 2000) is known to all but one of the companies, and two of them explicitly say that it helped them when they were writing their business plans. Further, several statements, such as “we wrote it before we were applying for external capital”, and “venture capitalists demands the writing of business plans“, echo arguments found in the business plan book. “Professional investors only support projects that build on a thorough and sustainable business plan” (Kubr, Ilar and Marchesi, 2000:18) and that “business plans should be written before the company is actually started” (Kubr, Ilar and Marchesi, 2000:25). These normative messages found in this book are not unique however. Most literature in the field has similar messages (Hindle, 1997). While the literature originally was thought of as a source of normative pressure, it has been categorized in this study to be of a content pressure type. This pressure type emerged from the analysis, and is described more in depth in section 7.1. The use of business plan literature in this study is more of a reference guide on how to write a business plan after the company already had decided to write one.

The literature, comparatively, gives less attention to the role of professions in the specific case of business plans. However, with guidance from previous studies in institutional theory, professions are commonly associated with normative pressure (DiMaggio & Powell, 1983). Incubator managers in this study play a professional role in being advisors with respect to how to start a firm, and could therefore be called firm start-up professionals. Interestingly, the first professional advice they receive as new firm managers is from the incubator managers, who thereby shape how the company managers act. The incubator managers play important roles in distributing books on how to write business plans and encourage their writing. They also give feedback on the business

plans that some new ventures have written. During the time of this study, business plans were not coerced. Managers express that they do not force any company to write a business plan, but they certainly encourage businesses to do so., but apparently such behavior was encouraged. This study indicates that business plans were more explicitly endorsed in the past. There are also indications that business plans during 2004-005 have been more explicitly endorsed, than in 2002. In contrast to the study by Glader (1975), where consultants and accountants was actively involved in the development of business plans, companies in this study develop their business plans largely themselves with assistance of templates coming from books and various other sources, and with support of incubator managers.

In three cases there are indications of mimetic pressure from industrial peers. There is also an extensive amount of templates and feedback provided on the content of the business plan in the different organizations. There is extensive content pressure with respect to business plans. In three of the companies templates on how to write business plans have been offered and advice on how to write the plans has been given by many organizations. Commonly, sources that exert normative pressure also provide content pressures in the form of how to write a business plan (in a sense they create the problem and provide the remedy, c.f. Røvik, 2000). In this sense, a tool such as the business planning tool is important for the legitimacy of the organizations giving the normative advice, since their ability to provide the solution to the business planning problem can grant them legitimacy, and a sense of usefulness. The incubator managers and governmental assistance personel is occupied with providing good advice to young organizations. It is part of their purpose. Business plans gives them an opportunity to fulfill that purpose.

6.3.3 Mimetic

A specific requirement for incubator managers in Grönköping is that they must be managers of their own independent firms to be qualified as such. The logic is that they in this way can become experts, or at least knowledgeable about the specific problems that new ventures face. Incubator managers can therefore be seen as a potential source for mimetic pressure as well as normative pressure. Interestingly, none of the incubator managers has written a business plan of their own, albeit they give other counterparts in the incubator the advice to write one.

As Mizruchi and Fein (1999) suggests, institutional theory have predominantly looked at the important influence industrial peers have in the spread of management knowledge. Mimetic pressures play a minor role in this study on business plans, and the influence of mimetic pressure with respect to business planning on the companies in this study is inconclusive. There are some indications that companies, try to mimic their older and successful peers. Gamma got the template on how to write a business plan from a cooperating

firm. In Epsilon, they clearly mimic some aspects of another firm, but not the business plan aspect. In a Beta company there is a clear indication that they mimic several aspects of a successful peer, also business plans. This is in line with DiMaggio and Powell's argument, that companies are likely to mimic successful peers (DiMaggio & Powell, 1983). There has been a significant interest in mimetic isomorphism from industrial peers in previous publications (Mizruchi & Fein, 1999). This variable has proven an important explanatory variable in survey-based studies. Often however, the variable has been operationalized by investigating the homogenizing effect of industry, i.e. to explain intra-industry similarities.

Because of the nature of mimetic pressures, they vary according to the legitimacy and performance of the mimicked company. If the mimicked company does poorly, it leads to changes also in the desirability to mimic that company. This is clearly seen in this study. Epsilon started doing business with a company which had a business plans. However, the manager at Epsilon did not like that company. She explains that companies writing business plans, such as Jota, went bankrupt, while companies gaining less attention did much better. Similarly, Beta, indicates that it mimicked Jota, but since it started to do worse, they stopped mimicking Jota and started to focus on improving sales.

6.4 Institutional Strategies

By focusing on aspects external to the organization, insufficient attention has been paid to what happens to management tools when they reach organizations (Røvik, 2000). By introducing, describing and analyzing strategies for dealing with institutional pressures some of the relations between agency and convergent institutional forces can be understood.

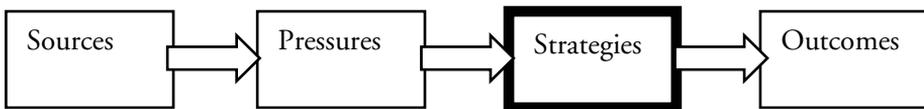


Figure 6-4 Institutional Strategies

The categories are originally developed by Oliver (1991), and described more extensively in section 2.6. This section presents and discusses empirical material concerning how the entrepreneurs deal with these different actors and influences. They may engage in conformist, compromise, avoidance, defiance, and manipulation strategies (Oliver, 1991). They may separate the way they write, act and speak about plans. Such behaviors and responses are described and analyzed in this section.

6.4.1 Acquiescence

Management at Gamma had just written its business plan when they were first interviewed. The firm management had a positive attitude towards writing business plans. Gamma's activities are best described as acquiescence at the time they were interviewed:

It feels like it is a tool really. We feel that it can really be used. We want to revise it, such that it really is solid and changeable. It feels like it has been the goal and how we have gotten there in some way.

Gabriel Gabriëlsson 20021210

A likely reason for Gamma's positive attitude at the time of this interview was that the company got several positive reactions to the plan. There were however early indications that the acquiescence shown by Gamma could be slowly deteriorating into compromise. During informal discussions during 2004, Gamma indicate that no changes had been made to the business plan.

Managers from Beta, Delta and Alfa express positive attitudes towards business plans, and believe in their benefits. Those companies have done no efforts to update their plans since they met with external capital providers.

6.4.2 Compromise

The dialogue below is about the role of the business plan in the work introduction of Augustsson into Alfa. Andersson is giving different indications about the role of the business plan:

Interviewer: Has August Augustsson been informed about the business plan?

Anders Andersson: Yes he knows what it is about.

Interviewer: Did he read the document?

Anders Andersson: No.

Interviewer: But you briefed him about the business verbally?

Anders Andersson: He understands. He will learn on the way.

Anders Andersson 20030624

The quote above indicates that Augustsson has not been briefed about the formal business plan. Andersson makes the impression that Augustsson has taken part of the businesses plan. The discussion shows that the plan did not play a significant role in the introduction of Augustsson.

Delta's manager Danielsson thinks that the business plan is important, and he tried to act in a planned manner during the first interview. Danielsson had

prepared a business plan at the start of the venture, in order to gain legitimacy. He indicates that the business plan was not externally coerced upon the other two managers and that they did it voluntarily because they felt the company needed it. This internal demand is partly an effect of their university education in business planning. All three managers at Delta at that time were also students at the business school, and had participated in a course of business planning:

We wrote a business plan right at the beginning, we were professional and serious. It was not as much an (external) demand, but it was an internal demand from the three of us.

Daniel Danielsson 20020524

He was proud of his business plan, but could not produce a copy when asked for one:

The basic structure is... [he looks for the business plan and mumbles and can not find it. He promises to keep trying to find it].

Daniel Danielsson 20020524

I reminded him about the business plan at three other occasions, without him finding it. There is no doubt that Danielsson had written a business plan, his failure to find a copy is rather an indication that the business plan was no longer important for the operations of the company, and that he had not updated it.

However, for Beta, planning was an important aspect of their business:

Planning is the foundation, really, for both the company and control mechanisms.

Björn Björnsson 20030626

Beta wrote a business plan in the start-up phase of the business in 1999. At the time of this study, Bengtsson perceived the business as radically different from the time the plan was written. The managers had done nothing to adapt the old business plan to conditions at the time of this study. Evaluating the proposal for venture capital during the summer made them realize that the risk involved in attracting venture capital was too big. After that they did not look back on the business plan again:

We have not used any [plan] after that. From the moment we realized that we were not going to get any money, we gave up. We have never thought about it again.

Bengt Bengtsson 20021115

Björnsson and Bengtsson indicate that their business does not really need a business plan. They say that it takes too much time to write a business plan, which only of little use. They attribute the reason for writing a business plan to

external financing. Since they don't look for external ownership capital any more, they don't want to write a business plan either.

Alfa has two different documents which it has labeled business plans. The first is a 14-page document written before Alfa was started. It has the looks of a regular business plan (as defined in section 1.7). The CEO of Alfa was amused to see it being browsed through:

Andersson: Hehe that was fun to look through?

Interviewer: Why are you laughing?

Andersson: It is so much fun to watch you, it is such a long time ago [the business plan was written]. Now the business is about other things.

Anders Andersson 20020528

Alfa had used the plan in order to describe itself to some students at GEBS, external ownership capital providers and to me. The plan was never updated during the time of this study.

The second is a one-page plan used to describe the future intentions of Alfa for its external ownership capital provider. It was updated annually, and evaluated by the external owners of Alfa from 2001 to 2004.

There are inconsistencies between different written business plans (in Alfa), between talk, action and writing (in Delta) and between talk and talk (in Beta). Beta's Bengtsson describes the ambiguity and possible frustration that some of the new ventures experience.

There is no time to sit and write down all ideas you have and plan.

Bengt Bengtsson 20021115

If we had a business plan for our venture... it would be much easier to, based on it, do activities.

Bengt Bengtsson 20021115

Companies with business plans talk positively about it, but do little to act accordingly. One interpretation is that they try to avoid acquiescence to the business plan institution by talking positively about it, but they protect their operations from the time consuming interference that business plan implementation could cause.

If Gamma followed the same route as other companies in writing business plans, it would most probably end up in a compromise. In a short telephone interview, 20041104, with Georgsson it was found that gamma, had made no changes to its business plan since the time it was written. All of the companies writing business plans therefore show similar trajectories. Business plans were written early during the business cycle, in some instances before the actual company was started. There seems to be little if any intrinsic motivation to write and update the business plan. This lends further support to the

assumption in this work that business plan practice is externally driven, rather than intrinsically motivated.

The business plans were not updated since they were written and there was no intention of any company doing so, and indication that their compromising strategies were rather stable, in the sense that the companies did not need to change this strategy.

There was disconnect between the desires to do more business planning, and actually doing it, which implies that business plans are enforced by normative pressures. Several entrepreneurs in this study, and actors surrounding the entrepreneurs, testify to the virtues of writing business plans, and their desire that more business plans are needed. This indicates that writing a business plan is not understood as a rewarding business practice to engage in among entrepreneurs:

I think it is important with business planning. But I still feel resistance towards sitting down and write one.

Björn Björnsson 20030626

Björnsson's quote illustrates the ambivalent posture he and the other entrepreneurs have against writing business plans. Internally, they identify that business plans are something that is good, but they continuously fail to produce them. This quote is interesting for several reasons. First, writing a business plan created ambiguity between their non-planning action and their internalized intention to plan. Each reminder will make it more likely for the actor to plan. Still, once written, they do not tend to update their plans, or apply them. Because they do not think it is worthwhile. Therefore they keep this constant ambiguity, a positive attitude towards more planning, do nothing to carry it out.

Incubator managers also express this ambiguity:

We don't have a business plan for Innovating Incubator, something that we should have.

Inge Ingesson 20020425

It is possible that incubator managers have been involved in contributing to this compromise by promoting the importance of doing "real" business and the importance of writing a plan at the same time. It may even be the case that incubator managers unconsciously encourage the writing of business plans to generate money, and not let the plan hinder any other development of operations in the ventures.

6.4.3 Avoidance

Epsilon avoids institutional sources where a business plan could be needed, such as applying for external funding, expressing no need to get access to such sources.

All of them have ended in one or another drastic way, end of financing, bankruptcy and so on. I knew in my heart that this way of living and doing business was not my way, to do business in that way”.

Erika Erikasdotter 20020823

Erikasdotter is apparently trying to avoid the arenas where institutional pressures can be exerted. The actors that Erikasdotter has contacts with, such as suppliers and customers, do not say that business plans are needed and do not intend to make contact with those who may exert pressure to produce them. Erikasdotter is not aware that Tovasdotter, with whom she has a lot of contact, has written a business plan. She is convinced that Theta does not have a written business plan. This could mean that Erikasdotter does not only avoid sources exerting institutional pressure to write plans but possibly also the information about business plans.

Seta also shows a non-conformist response to institutional pressures. In Seta, it is more an unawareness of the institutional pressures to produce a business plan, than an active choice not to produce it that lies behind the non-conformity response:

You asked me if I heard about business plans, but I don't think I ever have.

Samuel Samuelsson 20020528

The knowledge about business plans is well spread in the incubator. It is therefore unlikely that managers in Seta have not had the possibility to be exposed to the business plan institution. After all, seminars on how to write a business plan are held annually or biannually, and are officially announced in the incubator through wall posters, as well as through general e-mails to all incubator companies. Seta's educational background has no elements of business planning in it. Samuelsson was an artist and Svensson started at the lighting school directly after high school. They have no background in business studies or business-related courses.

Neither Seta nor Epsilon has changed position on business plans or business planning. This suggests that avoidance is a rather stable strategy to deal with institutional pressures.

6.4.4 Defiance

Among the new ventures in the study, Epsilon most actively resists the pressure to produce a business plan. The manager of Epsilon associates business plans with the Internet bust, the subsequent breakdown of parts of the venture capital

industry, and the bankruptcy of some fast growing new ventures. She indicates that she does not like the types of companies involved with writing business plans. Companies writing business plans are associated with behavior which clashes with values deeply rooted in Swedish culture. The reference below to the white wine at breakfast is given to emphasize the differences between the people who wrote business plans and people like herself. To drink in the morning, especially on a working day, is an apparent break with traditional Swedish culture, which strongly disproves of drinking during weekdays, and even worse during mornings.

They wrote a lot of business plans, applied for a lot of money. [They had] white wine for breakfast... It was nothing for me.

Erika Erikasdotter 20020823

Some of her negative attitude could be understood as based on what happened to companies she associates with business planning. She attributes their failure to the fact that they wrote business plans, instead of doing 'real' business:

Instead they wrote a lot of business plans, and then they applied for venture capital, and then when they got it and it was withdrawn, they went bankrupt.

Erika Erikasdotter 20021119

What role the business plans had in making these companies to go bankrupt is unclear. However, it is not unlikely that many companies that went down during the Internet bubble burst had business plans. This anecdotal negative correlation between business plan and performance during the Internet bubble has been used to delegitimize the business plan institution.

6.4.5 Manipulation

The study reveals no instances of managers of new ventures trying to manipulate the business plan institution through e.g. lobbying towards banks, incubator managers to change their institutional pressures. The practice of manipulation is perhaps too resource consuming and gains from manipulation would be small for the new ventures. In all the studied companies, the effort to overthrow the business plan institution would be farfetched and cost more time than to use an avoidance or compromise strategy.

6.5 Pressure-Strategy Relationship

The type of institutional pressure that is exerted may explain what strategic response the organization will choose.



Figure 6-5 The Relation Between Institutional Pressures and Strategies

As institutional pressures range from the conscious to the unconscious, possibilities for agency ranges from the active departure to the passive conformity, coercive pressures typically being theorized as more conscious and mimetic pressures as more unconscious and taken for granted (Scott, 2001). The section below discusses the relation between institutional pressures and strategies.

6.5.1 Acquiescence

The companies that wrote business plans had all participated in a course at university level with business plan content (Alfa, Beta, Gamma, Delta). To have a business plan course at the university seems to have clearly worked moderating factor in the decision to write a business plan. The university courses are essential for driving an interest in writing business plans and gaining access to external capital. Acquiescence is influenced by the norm that writing business plans is good, especially before meeting with capital providers, and the relative ease of writing business plans that different templates on how to write business plans provide. The decision to conform to the institutional pressure coincides with the provision of templates in three cases (Alfa, Beta, Gamma), indicating that provision of an easy “solution” was an important determining factor for conformity. Oliver (1991) suggests that organizations may accede in several different ways; by habit, imitation, or compliance.

In the light of the empirical material in this study an easy “solution” could be added as a fourth reason to accede to institutional pressures. This solution-driven acquiescence is in line with the findings by Røvik (2000) and Abrahamson (1991) who argue that easy solutions to global problems are important determinants for the spread of management tools.

6.5.2 Compromise

The companies with business plans show similarity in their development patterns after writing them. None of them updates the plan, and several of the managers writing the plans express that the written plan significantly deviates from the firms’ current business. The discrepancy between the written plan and the current business is a natural result of rapidly changing focus of the

businesses and that the business plan once written is never updated. This development is probably unintended but nevertheless, all companies writing business plans gradually start to loose couple their business from the business plan over time, all ending up in strategies better described as compromise strategies, than acquiescing. This is the tendency of all four companies who have written a business plan, and regardless of the institutional pressure exerted in these cases.

This development in the companies supports the idea that the formative stage of an organization is highly fluid and rapidly changing (Aldrich, 1999; Gartner, 2000), and that business planning for new ventures needs to be flexible and frequently adapted if it should be aligned with the operations of the firm (McGrath and MacMillan, 1995; Sarasvathy, 2001)

There are some indications that the interest for the written business plan decreases over time for the new ventures. The empirical material offers two explanations for the low interest in updating the business plan. The first is that business plans are written in order to gain access to external capital. Once the plan is used for that purpose, it is not considered important again, and therefore the entrepreneurs do not look back on it. All of the new ventures with business plans wrote it before they contacted external capital providers, and never rewrote it after their meeting with external capital providers.

A second complementary explanation is that the written business plan is associated with certain companies with a short-term aim to achieve an entrepreneurial exit. Gradually over time the success of these mimicked companies turns into non-success, whereas the mimetic pressure to conform gradually turned less persuasive. This is evident for the organization that conforms to the mimetic pressures (Beta).

The study is also still open to the interpretation that new ventures may loose couple with less likely consequences of getting caught acting inconsistently. This study does not focus on investigating the aspect of getting caught with inconsistent behavior with respect to the written business plan. The business plans in this study were never audited unless the entrepreneurs took the initiative to present it.

The institutional pressure to produce a business plan is separate from operational activities of these new ventures. That is, the four companies with business plans indicate that they have done little to implement it. These organizations show inconsistencies in the way they talk, produce and act with respect to business plans. Institutional theorists would generally call inconsistencies between the formal management tool and how the organizations operational actions take place as loose coupling (Meyer and Rowan, 1977) or hypocrisies (Brunsson, 1989). This finding provides a rational explanation to the enigmatic finding of why writing business plans is not related to positive changes in operational efficiency in several studies on new businesses and business planning (Honig and Karlsson, 2001; Lumpkin, Shraeder & Hills,

1998; Schwenk & Shraeder, 1993). If the plan is not implemented, the search for a straight forward link between operational efficiency is in vane.

New ventures have a variety of ways of dealing with the written business plan. I argue that inconsistencies between talk/act/write are better labeled hypocrisies (Brunson, 1989) than loose couplings, as they are instances of internally inconsistent claims, rather than separation of tasks on a sub organizational level as loose coupling indicates (Meyer and Rowan, 1977). Interestingly, activities such as hypocrisy and loose coupling are organizational responses usually associated with older, larger, and more politicized organizations. This study shows that hypocrisy is widely spread and illustrates that young organizations are not strange to engage in this behavior. Here are some examples:

- Interest in writing and updating the business plan ends shortly after the business plan is used to attract external capital.
- The companies that have written business plans still defend the virtue of writing a plan, even though they show no evidence of planning or following the plan.
- The companies with business plans consider their businesses to be distinctly different from those described in their latest business plans.
- One plan has been gone for two years, another plan abandoned for two years, and a third plan has been replaced by a much shorter, one-page plan. The plan that was developed at the start of this study, was loosely coupled to the organization by the end of it.

In a situation like this the isomorphic institutional pressure is loose coupling, or compromise, rather than what institutional theory predominantly predicts, i.e. conformity. If this phenomenon is common, it is possible to even talk about a pressure to loose couple.

It should be noted that hypocrisy and loose coupling are not necessarily inefficient and under-performing strategies of organizations. Authors suggest that loose coupling is an efficient and stable way of organizing a firm (Meyer & Rowan, 1977), and that hypocrisy could in some cases be the only way of handling multiple ambiguous stakeholders (Brunsson, 1989).

The discussion above implicitly suggests that adoption of a business plan becomes “mearly” symbolic over time, leading to loose coupling between formal structures and the operations of the firms. Albeit symbolic, adoption has several effects: First, as discussed previously, displaying the symbolic of a business plan connects the organization to wider value associations accompanying the business plan institution, e.g. trustworthiness, control, structure, and responsibility. The companies adopting the plan, albeit “mearly” symbolically, gain legitimacy. More is said about the legitimacy effects in section 6.6.2 and 6.7.2. More about wider value associations is found in section 7.3.2. Second, inter-organizational benchmarking and mimetic isomorphism often do not pay

attention to the details of implementation. In other words, the symbolic act of business plan adoption becomes a part of the institutional pressures for other organizations in the same field. Third, consistency in itself has a positive connotation. Inconsistent adoption of business plans therefore puts an additional normative pressure on the organization to conform fully. This study has an empirical example of this. Andreasson, when announcing he should leave Alfa, brings up the limited planning in the organization as one cause for leaving. He associated this to inconsistencies in Andersson's management style and behavior. Even if the inconsistency surfaces, it have not changed Alfa's strategy with respect to business plans.

6.5.3 Avoidance

Two of the companies are without business plans (Epsilon and Seta). The educational background of the managers in these firms (Erikasdotter, Samuelsson and Svensson) differs from that of the managers with business plans. Erika, Samuel and Sven have no formal education in business plans. The companies did not feel the need to revise their non-conformity strategy towards written business plans. Managers at Seta are primarily unaware of the business plan institution, despite having similar opportunities to be influenced by incubator managers, information evenings on how to write business plans, and posters for business plan competitions as other companies in the park. Since they know little about business planning, they are considered neither conforming nor rejecting the institution. One interpretation is that these companies were able to avoid conforming to institutional pressures with respect to this specific tool because they were not previously educated in how or why to conform.

6.5.4 Defiance

Epsilon feels that writing a business plan is not in line with the company's identity, e.g. it is not one of those companies looking for external capital, and writing "flashy" business plans to obtain it. The strategies that the new ventures in this study engage in is therefore not clearly connected to what pressure they are exerted to, but rather to how the pressure is applied, and to what extent they are subjected to it. While Samuelsson and Svensson, largely ignore that there is an institutional pressure to implement this tool, Erika takes on the tool head on, and expresses some criticism of it. My interpretation is that Erikasdotter, who has seen business plans written, and worked close to some of the companies who engaged in business plan writing has to take a decision with respect to her attitude towards the tool, and why she is not using it. This is something Samuel and Sven could avoid, since they have not seen a business plan, and do not have in-depth knowledge about what it is.

6.5.5 Manipulation

There are no attempts to manipulate the business plan institution from the companies in this study. This is support the assumption that manipulation is too resource intensive to be viable for a young organization (Oliver, 1991; Zimmerman and Ziets, 2002). This study indicates also that business plans are marginally intrusive in the operations of the young firm. It took the managerial team of Gamma and Alfa about two weeks to write the plan, and the operations remained largely unaffected. Moreover, not conforming to the pressure to write business plans does not lead to any observed effects either. The potential gains from manipulating the business plan institution for each individual new organization are therefore small.

6.6 Outcomes of Managerial Actions

Institutional outcomes reflect the effect of the institutional process. The most commonly discussed outcomes in institutional theory are legitimacy and efficiency. This section presents and discusses consequences of institutional strategies with respect to legitimacy and efficiency.

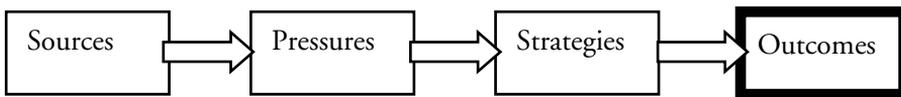


Figure 6-6 Institutional Outcomes

6.6.1 Efficiency

The coded sentences about efficiency give a contradictory image about the relation between efficiency and performance. At the time of this study, the respondents did not update their business plans. They said that they would rather spend time on other activities. The quote below illustrates how Epsilon's manager views business planning in relation to other activities in the firm:

So then I made the choice to work harder and sell my services instead of continuing to write a business plan.

Erika Erikasdotter 20021119

She indicates that instead of writing a business plan, she can make efforts to sell her services. She thinks focusing on selling her services leads to greater rewards than writing a business plan. Similarly, the CEO of Alfa suggests that the time spent on business planning could be better used to pursue business opportunities:

Why you don't do it [write business plans] is because of lack of time. It is because you see opportunities that you don't want to miss.

Anders Andersson 20021112

Some actors appreciate planning, and argue that plans can produce efficiency. Important in this situation is to consider that Axelsson was more of an employee in Alfa and was responsible for actual production of the web page, while Andersson is responsible for customer contacts and external financing:

You get some planning on it, it becomes slightly more simple, and you do not check the homepage of Aftonbladet (a big Swedish newspaper), or leave for coffee if you have a plan and you know what you should do.

Axel Axelsson 20020827

In a later interview he attributes his leaving the company to the lack of business planning. He wants to be more actively engaged in the decisions in the organization. Working with written business plans could be a way for him to be engaged. Not only the entrepreneurs are aware of this but also some of the actors in the entrepreneurs task environment:

I am especially thinking about one example, with a person who has been immensely successful and as far as I know have not written any formal business plan.

Arvid Arvidsson 20021129

The external owner of Alfa implies that successful performance and written business plans are not connected. This external owner does not think there is a necessary relation between writing a business plan and success.

6.6.2 Legitimacy

Writing a business plan is commonly associated with being serious, and professional. This is indicated by entrepreneurs as well as different actors in the entrepreneurs' environment.

If you look at the business plan you can see that in itself it is not very credible, or the numbers I read to you...I don't know if it was a good business plan, but we had one that was big and had a lot of pages, and it may impress some investors.

Björn Björnsson 20020611 84

Arvidsson, an external owner of Alfa, gives some indication to why it is important to write a business plan in order to get external ownership capital. The argument, though still about legitimacy occasionally concerns the legitimacy of his role as an external investor, but now it is about the legitimacy of him in his role sometimes as external investor.

No, but it is important. If things go wrong, that you can show that you really have done everything right, that you have insured yourself with contracts and such... The business plan and budget are planning tools and demands from all venture capital companies.

Arvid Arvidsson 20021129

It is evident from the interviews that writing a business plan is strongly connected to representing the company in a serious, professional manner. The quote below is another indication of the belief in legitimizing the effects of writing a business plan. Interestingly, the entrepreneur attributes herself to the status of professionalism and seriousness, while legitimacy commonly is understood as granted by others (Suchman, 1995).

We had already from the beginning started to write a business plan, we were professional and serious.

Daniel Danielsson 20020524

The managers at Seta have a quite opposite approach to business plans than Danielsson. They have not really experienced that there is a need for the type of legitimacy that a business plan should grant:

Interviewer: What if an important customer demands a business plan from you? Would you write one?

Samuelsson: No we would probably not... we would put someone on it who explain the meaning properly. It would be if the customer was the king or someone at the castle.

Samuel Samuelsson 20020528

Seta had hardly heard about the business plan phenomenon, and it does not know how to do it. Samuelsson argues that in order to go through that effort, some major gains should be possible, such as a customer order from the king, and that someone should guide them through how to do it properly.

There are indications that legitimacy is gained from writing a business plan. While there is no rule that a business plan has to be in place, for a loan to be granted, it is likely that companies get a favorable evaluation because of it. The loan granter believes Gamma is serious:

I think a business plan shows how serious a company is.

Lena Lenasdotter 20030619

It is unclear however how important the business plan is in the actual loan giving. A business plan is not, as discussed previously, a required document for loan giving in this bank.

To Jennysdotter and other incubator managers, writing a business plan implies seriousness. While they don't refuse giving advice to any entrepreneur

seeking it in the incubator, they think that they are able to give better advice if they get a written business plan to evaluate than if not:

We will take them more seriously if ... they send a business plan three days before we discuss it, because we read it, and prepare and probably give an entirely different feedback on their idea for the first time.

Jenny Jennysdotter 20020429

This study indicates that legitimacy and performance are interrelated. Efficiency seems to drive legitimacy, rather than the other way around, in the companies studied. During the Internet crisis the legitimacy of some companies faltered because of loss of performance. However companies awarded the Silver Oak do not perform better than the time before getting the prize, or indeed other new ventures not getting the prize.

6.7 Strategy-Outcome Relationship

The study of different outcomes is inherently related to strategic responses to institutional pressures. If what is institutionally demanded also is competitively inefficient, organizations would have rational incentives to diverge from complete conformity to the institutional standards (Seo and Creed, 2002). Therefore it is possible to argue that defiance, avoidance and compromise strategies will be more common if there is tension between institutional isomorphism and competitive isomorphism, e.g. contradictions between what is efficient and what is appropriate. In the context of business planning in new ventures, this means that if business plans are both efficient and legitimate, then we would most likely see acquiescence, while if there are positive institutional effects of conforming to pressures on writing business plan, and there are competing competitive pressures, we would likely see intermediate responses such as loose coupling (Meyer and Rowan, 1977) or in Oliver's words compromise, avoidance and defiance (Oliver, 1991). As discussed in the introduction chapter, studies about business plans in new ventures are inconclusive and positive competitive advantages from using business plans are dubious.

Indications of positive institutional effects of writing business plans are hard to find. Therefore we would expect to more frequently find avoidance, defiance and compromise, rather than acquiescence in these cases.

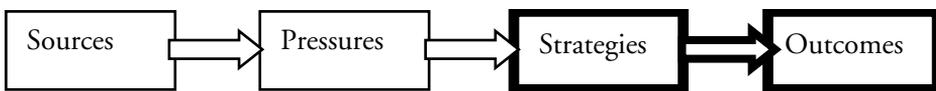


Figure 6-7 The Relation Between Institutional Strategies and Outcomes

Few studies have tried to understand the outcomes of how institutional pressures are dealt with. Again, institutional theorists have predominantly been interested to see if conforming to institutional pressures has effects on legitimacy and/or survival. Therefore, it is important to describe how alternative institutional strategies influence outcomes.

6.7.1 Efficiency

The four companies writing a business plan have settled with a situation where business plans are loose coupled from their operations. This may indicate that business plans lead to legitimacy but not efficiency (Meyer and Rowan, 1977). While some of them express that they wish they more frequently updated their written business plans, perceiving some benefits from writing them, none of the business plan writing organizations has worked with the business plan tool ever since the business plan was first written. Managers from Alfa, Beta and Gamma say that they do not plan because of lack of time, and they choose to spend their time on other activities, such as selling and producing. They have also, as previously discussed, changed from acquiescing to the business plan, to loose coupling the business plan. This indicates that the activity of writing business plans is viewed rather as a waste of time. In addition, companies not writing business plans indicate that they can do without them. In addition, companies not writing business plans state that they can do without them because they see no use in writing them and simply think they do not have the time. In terms of performance outcomes there are no apparent differences between the business planning companies and the non-business planning companies. Possibly the non-planning companies performed slightly better.

While this study can not statistically evaluate the efficiency of writing a business plan in general, its findings support previous empirical studies which reveal none or negative relationships between planning and efficiency (Honig and Karlsson, 2004; Lumpkin, Shraeder and Hills, 1998). If loose couplings between the plan and the new venture operations are frequent, the relationship between planning and efficiency will be weak. Because, how can a plan that is not followed or implemented affect organizational efficiency in a consistent positive way? Moreover, this study (see section 7.2) lends some support to entrepreneurship theories that indicate negative effects of formal planning and forecasting on performance outcomes in new ventures (c.f. Stevenson & Gumpert, 1985; Saraswathy, 2001).

6.7.2 Legitimacy

The four companies with business plans in this study also experience some positive effects from writing them. This positive experience often comes from positive comments on the plans from venture external actors such as incubator managers, banks or government support agencies. The incubator managers,

banks and external ownership capital providers all stress that writing a business plan conveys a serious impression and are more willing to help with advice if business plans are prepared. It is common for entrepreneurs to express that they find it rewarding if the organization internally decides to write business plans.

This indeed supports the theoretical coupling of conformity and legitimacy often assumed in institutional theory.

However this simple assumption needs to be qualified. While writing business plans leads to positive evaluations, so does display of efficiency. The two organizations which do not write business plans both receive awards for best incubator companies. Getting this reward is a legitimizing event, crediting the incubator company with prestige and symbol connected to a strong oak. This indicates that writing a business plan is not a decisive factor in the evaluation of the award. There have been no indications that companies which are not conforming have lost legitimacy. Even though business plans are an institutionalized among some actors, their conformity is not enforced. It could rather be the other way around. Companies with business plans gain access to external capital. i.e. Jota and Rho, but was discredited by some in the incubator when their performance suffers from the dot.com crisis. Erikasdotter, Karlsson and Andersson all indicate this. Loss in legitimacy for these companies is due to the loss in performance, despite writing business plans and applying for external funds, which had been legitimacy building in previous years (both companies were awarded the “silver oak” award 1999 & 2000). Statements from Erikasdotter indicate that losses in performance could be extra damaging if the company has experienced success due to business plans and other legitimacy building activities previously.

While it comes as no surprise to most institutional theorists that business plans do not lead to efficiency, the question is whether the business plan tools have a dubious influence on legitimacy too? It is clear that writing a business plan is positively evaluated. However, when it comes to the legitimacy of the entire young organization, such legitimacy is possible to gain through other means as well. The two companies that do not write a business plan also receive the prize for best incubator company, Silver oak. Legitimacy for these two companies is perhaps more based on their results in the market than the way they manage their firms professionally and with a business plan.

Therefore, in this context of new ventures, legitimacy is granted to those who write business plans, but writing a business plan is not the only way to get legitimacy. An equally or perhaps more efficient way to grant legitimacy for these businesses is through display of good growth and performance. In fact performance drives legitimacy, rather than the other way around, for the ventures in this study.

That the young companies in this study are working in an environment less dominated by institutional pressures and more by competitive pressures is also validated by Scott (2003). This study indicates that legitimacy is gained in retrospect, i.e. once the firm has proven that it is efficient and growing. This is

Analysis of Theoretically Derived Categories

in line with the term pragmatic legitimacy (Suchman, 1995). Entrepreneurs are sometimes called pragmatic, in the sense that they don't necessarily abide to formal requirements. This study suggests that this approach not only may be very efficient, but also generate pragmatic legitimacy.

7. Analysis of Empirically Emerging Categories

This chapter is dedicated to empirically emerging categories, this study's open codes. Detailed guidelines and criteria used for categorizing sentences in each section are presented in the section on coding in the method chapter (tables 3-3 to 3-11). Each empirically emerging category has two subsections. Empirical findings represent the coded raw material. Theoretical implications contains discussions on how empirically derived finding relates to theory. The chapter describes six empirically emerging categories. These are, Content Pressures, Illusion of Grandeur, Complementary Concepts, Level of Institutionalization, The Magic of Writing Business Plans, and Gradual Decrease in Importance.

7.1 Content Pressure

Content pressure reflects control, feedback and advice given on what the content of a written document should look like.

7.1.1 Content Pressure: Empirical Findings

Content pressure is a new code that emerges from the empirical data. There are several instances where actors are concerned about the content of a business plan. Firms subjected to content pressure seem more likely to write business plans. Gamma gets ample advice on how to write a business plan from Kappa, books, parents and incubator managers. They write their plan shortly after getting advice from Karl Karlsson. He gives them a template with some bullet points on what a business plan should contain. They also use "The Business Plan Book". Later they get feedback from the incubator managers on developed drafts of the plan.

Joelsson, a former incubator manager, indicates that the incubator managers first use the ALMI's business plan templates (Joelsson 20030822). At the time of this study, "The Business Plan Book" was the most used template for the studied incubator companies. The switch of literature has four reasons:

First, the incubator move from a location near ALMI, to a location closer to the business school.

Second, the book was considered easier to read and written in a popular business format

Third, it is connected to Venture Cup and endorsed by McKinsey (see discussion on literature section 6.1.1).

Fourth, ALMI's template primarily target production companies not service business. Many incubator companies during 2001-2003 were service oriented. Incubator managers consider the product orientation of the template unsuitable.

Beta used "the business plan book" suggested to them by Jonasson.

We got it from this book, [he shows "the business plan book"] and I think it was a good support actually. But we were rather inexperienced... so we needed to read a bit.

Björn Björnsson 20020611

They were inexperienced. Having a book with a template provided a solution to their uncertainty of how to write the business plan. The quote above shows how it can reduce uncertainty in Betas situation. The actual work with writing a business plan in Beta, was started right after they got the template for how to write it.

Andersson at Alfa used the project work of a former student of GEBS as a template in writing the business plan. It made the task easier. He finished a business plan for Alfa in less than a week.

Advice on how to write a business plan has to a large degree decided the time when to write one. In Gamma, the business plan was written once they got the template from Karl Karlsson. In Alfa, work with the business plan was initiated by a student at GEBS provided a template on how to write a business plan. In Beta, a business plan was written when Jonasson advised the company to use "The Business Planning Book". In Beta and Gamma, the actual work with writing a business plan was initiated by the provision of a template. It indicates that the presence of content pressure has pivotal influence the timing of the actual work with the business plan.

7.1.2 Content Pressure: Theoretical Implications

Content pressure is the best way to describe the type of pressure exerted on three of the companies in this study. Content pressure in this study reflects the situation where a specific template is given to the entrepreneur on how to write a business plan. Content pressure is particularly important in this study as it often represents the defining moment when the entrepreneur starts to write the business plan. Time wise, the writing of business plan coincides with the time the template comes to the young organization. In a general sense content pressure is exposure to prepackaged solutions to specific problems. The isomorphic powers of content pressure can be understood through the theory of bounded rationality (Simon, 1976). I will focus on the two central concepts of bounded rationality here, and explain why it may explain seemingly strong isomorphic power of content pressure in this study. Bounded rationality theory

has two central concepts, search and satisficing (Simon, 1976). Both these concepts have a bearing upon how content pressure influences new ventures:

If alternatives of choice are not given initially to the decision maker, he must search for them.

Simon 1976:503

However search is associated with costs, such that if it is possible the actors rather not search. Simon 1976 hypothesizes that an actor can evaluate the costs involved with a search with respect to some aspiration as to how good an alternative is desired. As soon as the appropriate alternative for choice meets his level of aspiration, he would terminate the search and choose the alternative.

I argue that content pressure has an isomorphic effect because it reduces the search cost and it also reduces costs of implementation after the decision is made. As so far, this investigation echoes the idea by Erlingsdóttir (1999) that the spread of ideas in health organizations is influenced by how easy the idea is to implement, e.g. how “prepackaged” it is.

Simon (1976) cites the following with respect to who is more likely to settle for the more simple solutions, by referring to findings in psychological science:

As psychological inquiry has shown aspiration levels are not static, but tend to rise and fall in consonance with changing experiences. In a benign environment, that provides many good alternatives, aspirations rise; in harsher environments, they fall.

Simon 1976:503

Proposition 1a: How easy it is to conform to an institutional tool positively influence adoption of business plans.

While Simon’s theory appears to be applicable to the decision making of organizations in general, it may be particularly valuable in the context of new organizations explaining their propensity of using business plans. Several authors have argued that young organizations, especially those in new industries, face perhaps the most hostile environment among all organizations (Aldrich and Fiol, 1994; Aldrich, 1999). Young organizations experience larger risks of being terminated because of their relative smallness (Aldrich and Auster, 1986), they also experience risks of not being trusted and other liabilities connected to their relative newness (Stinchcombe, 1965). Building on these insights, it appears likely that the harsh environments that exist when young organizations are created reduce their aspiration levels, making it more likely for them to settle for simple solutions. Therefore, the harshness of the environment for young organizations increases the likelihood that they will conform to content pressures. In addition, a new organization may have a relatively small resource base, and less resources available for search, further necessitating settlement for a satisficing decision. If the institutionalized tool they face is

prepackaged, such as a template on how to write a business plan, it is likely that they accept this as a satisfactory solution.

Proposition 1b: High environmental uncertainty and low resource base increases likelihood of adoption of business plans.

7.2 Illusion of Grandeur

Illusion of grandeur reflects perception and conviction that the future is determined by the plan, and/or belief that the firm is bigger than it is.

7.2.1 *Illusion of Grandeur: Empirical Findings*

The empirical material indicates that there are some unintended consequences of writing the business plan. Some external actors in this study indicate that business plans are written with optimism and exaggerations:

Both of the business plans had great visions, they were well written and well worked through. They are not as concrete... as business plan for smaller older companies.

Lars Larsson 20030619

[Business plans] often generate a lot of optimism that is a wisdom one can conclude after having studied a lot of business plans, both close and at a distance.

Arvid Arvidsson 20021129

The larger the external capital the company looks for, the more money it could get. Further, big plans may have a certain allure to them and are potentially evaluated in a more positive light than small ones (Czarniawska & Joerges, 1996). Not only do these grand plans work to influence the audience, it may also trick the plan writer, to believe it is possible, to do what might not have been done before. It is this influence on the writer that is a matter of concern in this section.

That is why I describe it as hype; you wrote it in such a way such that you got the money.

Bengt Bengtsson 20021115

Beta managers consider writing a business plan and applying for external money as a natural step in their business. They were inspired by Jota whose model they tried to adapt. Instead of trying out their own modest plan, they wrote a business plan that potentially could attract a lot of money. They were themselves aware that several aspects of their business plan were exaggerated

beyond their original ambitions. The next quote, this time from the other manager, Björnsson, discusses a situation in the firm where they had to decide if they want external funding or not. In order to get the deal, they also had to invest more in the business themselves. After a few months of summer vacation, they decided against external funding:

We felt that it was a little bit too big proportions... Something that maybe was more adapted to the business plan.

Björn Björnsson 20020611

At the most recent interview 20030626, Björn Björnsson said that he was relieved that they did not accept the external capital. Since their business was supposed to earn profit on internet ads, they thought that it was likely that this site would have serious problems considering the downturn in the market for internet ads 2000.

7.2.2 *Illusion of Grandeur: Theoretical Implications*

The managers from Beta think that conforming to the business plan institution might have misled them, pushing them to take overconfident actions that almost resulted in tragic consequences in their firm. They indicate that writing a business plan has led them to believe that the future is controllable and that their speculations and plans about the future actually would become true with some certainty. They were close to investing a lot of money into a business idea they know now would not be worth the investment. In the situation described above, the style in which business plans were written convinced both entrepreneurs and investors that it was a great business. The modest type of business model that the entrepreneurs were contemplating before was replaced by a bigger and more extensive plan. Had the business plan been more modest, it might have had lower chances of getting funded. The plan itself seemed to demand an idea of a certain size.

Illusion of grandeur as it is found here could be seen as the result of two effects.

First, it has been noticed that there is a special attraction in large scale projects. The 'grand' part of illusion of grandeur may in fact be conformity not to the business plan institution *per se*, but to expectations and attraction of large things:

There seems to be a magic attraction to big projects, used as umbrellas for many actions already in existence, giving meaning and legitimacy to those about to being, and providing a space for plans, dreams and designs. Big projects are in search for big ideas. Big research projects better looked at by foundations than small projects, and long range plans appear as more serious than the short term ones.

Czarniawska & Joerges 1996: 40

Young companies are usually not involved in big projects, at least not in comparison to the project of building e.g. Öresundsbron (the construction of a bridge between Sweden and Denmark). Even so, relatively larger ideas for young organizations seem more interesting than smaller ones. This fits the entrepreneurial characteristics, and several entrepreneurship definitions focusing on the positive spirit of entrepreneurs. Entrepreneurial organizations pursue opportunities regardless of the resources they currently control, and their managers are risk-taking (Stevenson & Sahlman, 1990). When it comes to business plans, the idea is that high tech, high growth business ideas are appreciated by venture capitalists and fund givers.

Second, plans are in themselves an attempt to control or at least predict the future. This lends itself easily to the allure that the future in fact is controllable and predictable. To engage in planning, an organization must be able to predict the course of its environment, to control it, or simply to assume its stability. It creates inflexible courses of action based on relative certainty that constitutes a strategic plan (Mintzberg, 1994). These inflexible courses of actions could be efficient in stable environments, but in unpredictable environments they could be inefficient. In such environments it leads to the fallacy of predetermination. I argue in line with others that young organizations deal with highly uncertain futures and are therefore highly likely to be subjected to the fallacy of predetermination (Churchill and Muzyka, 1994). In the emerging firm, there are uncertainties in the market for products/services, how the new venture should be financed and even the products functionality may be uncertain. These are issues that often are more certain in existing firms. Illusion of grandeur is a possible effect of communicating a plan to external actors. There is a communicational advantage to write a business plan describing a company or an idea of certain grandeur. The assumption that the future projection of the idea is indeed a highly likely one is also inherent in a plan.

Hypothesis 2a: Long term plans are less effective in young organizations due to higher levels of uncertainty.

Hypothesis 2b: The effectiveness of long term plans is negatively moderated by complications of illusions of grandeur.

7.3 Complementary Concepts

Complementary Concepts refers to terms that the entrepreneur associates with the written business plan.

7.3.1 Complementary Concepts: Empirical Findings

Complementary concepts is an idea that surfaced during the analysis of the interview material. I noticed that many times that respondents shifted the topic and started talking about planning, formalization, and structures instead of written business plans. The quote below refers to a number of business plan-like activities. We can see that this respondent relates business plans to book keeping, protocols and time planning. While I, for the purpose of this study define the business plan narrowly, the respondent gives a broader definition of it:

We kept book, we kept protocols on what we decided and what we should finish until next time. We built responsibility areas... It is also a form of business plan.

Bengt Bengtsson 20021115

The quote indicates that the respondent speak in a way about activities related to writing a business plan as if they are the plan itself. There seems to be an interest among the respondents to define what they have done as a business plan activity. In the quote below, one of the incubator managers also indicates this tendency to broaden the view about what business plans can be. The quote points out the similarities and equates business plans to a written fund application:

I have written applications as well to financiers such as KK foundation and NUTEK. It is virtually a business plan you write to them, with planned business and a budget.

Johan Johansson 20020423

Arvidsson discusses business plans in relation to business ideas:

First time you were confronted with it (business plans) was during the time I studied, and then one should have a business idea.

Arvid Arvidsson 20021129

In the quote below business plans are talked about as financial management:

No, but I have had a course on project management, and there you talk about business plans, like the finances of the company.

Erika Erikasdotter 20020823

Instead of describing the plan as a product and something valuable *per se*, respondents sometimes relate why they write a business plan to abstract concept such as evaluation, control and structure. These are the arguments some of the respondents give as to why they think writing business plans is important:

I think it (the business plan) helps to take out a direction that you can evaluate your actions from.

Ivar Ivarsson 20021119

[On why they have a business plan] If you're a big company or a small it is important to have things under control.

Anders Andersson 20020528

Business plans are important...One of the most common pieces of advice is that you have to have a structure, a goal that you have to work with. You have to choose track.

Olof Olofsson 20030623

Plans were also associated with discipline. First, the entrepreneur has to have discipline in order to make his business fit into the form. Second, after the plan is written the entrepreneur needs discipline to continuously adapt his business to the written plan:

The business plan can help you organize your thoughts and ideas in a structured form.

Anders Andersson 20020428

The idea that plans lead to discipline is internalized among some entrepreneurs as could be read in the quote above. Both the accountants in the study consider writing a business plan important, especially since it helps the entrepreneur to focus his business:

The ones who do the best are the ones who have a set goal. Business plans are a very good tool to focus and steer onto a focused goal.

Olof Olofsson 20030623

7.3.2 Complementary Concepts: Theoretical Implications

Figure 7-1 below illustrates the concepts the entrepreneurs relate to business plans. These concepts are categorized under three general labels, according to their relation to business plans. These three labels are Analogies, Reductions and Rationalizations. *Analogies* are instances where the entrepreneur refers to business plans as generally the same as something else. Several respondents described business plan as protocols, budgets, papers, academic reports, and project management. *Reductions* are expressions about business plans that target a small characteristic part of the business plan phenomenon as if it is the whole business plan institution. Abstract rationalizations are benefits that the entrepreneur relates business plan writing to.

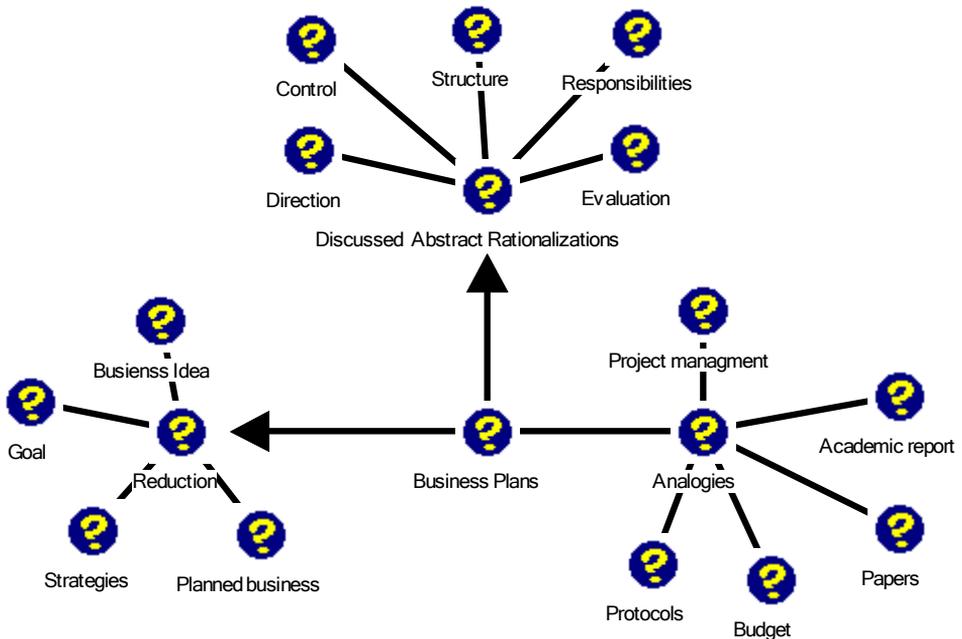


Figure 7-1: Business Plans and Some Related Concepts

The quotes indicate that the respondents speak in a way about activities related to writing a business plan as if they are the business plan itself. In a way it shows that the respondents were interested in connecting anything they had done to the business plan. By referring to business plan activities, they possibly tap into the legitimacy a written business plan might give.

A second way in which related concepts was used is, that by defining the business plan institution as any case of formalization and orderliness, they can include themselves among the conformists, and can thereby potentially gain legitimacy from it.

A third way of referring to business plan is by abstract rationalization. Instead of describing the plan as a product and something valuable *per se*, respondents sometimes relate why they write a business plan to abstract concept such as evaluation, control and structure.

Entrepreneurs are willing to stretch the meaning of the business plan institution in many ways in order to include the activities that they do in the business plan institution, possibly gaining legitimacy also from related activities that they engage in.

Business plans are perceived as relatively flexible concepts by these actors. This is somewhat surprising considering that the business plan institution is rather homogeneous presented and illustrated in the literature (Hindle, 1997). With respect to abstract generalization of the benefits of planning, this also

exists in the business plan literature. Benefits of writing a business plan according to Fry (1993): establish a planning horizon, require analysis of external environment, require analysis of the venture's internal strengths and weaknesses, give an identifiable direction for the venture, allow the focusing of resources on specific objectives, provide communication and motivation channel for employees and information for outsiders, and provide bases for comparison with later plans. Among these benefits of planning, only "*provide information for outsiders*" is a concrete benefit. Two of them are direct liabilities (require analysis of internal strengths and weaknesses, and require analysis of external environment), and the rest are production of indirect abstract benefits. Similar abstract benefits could be found in Wickham (2001) and Allen (2003).

This implies that the business plan tool is grounded in an array of concepts and behaviors that are considered virtuous. It is therefore likely that connection to other abstract benefits contributes to the successful spread of the business planning tool (C.f. Røvik, 2000). A related theoretical development indicates that discourses that are supported by broader discourses are likely to produce institutionalization (Phillips, Lawrence and Hardy, 2004).

Abstraction also plays a role helping the respondent to maintain the business plan institution and promotes the stability of the business plan concept. An argument could be made that the more abstract values the institution is connected to, the less likely it is that the respondent needs to change his behavior. It is less likely that an institution with abstract values can be challenged by direct empirical evidence. This strategy could be used to maintain to write plans or maintain the virtues of plans even though empirical outcomes seem to be unfavorable. Thus rationalization by abstraction could be used to understand how long term loose coupling between e.g. formal structures and informal structures can be sustained. The more abstract the values of an institution, the less likely it is that its consequences can be evaluated.

Concepts such as planning, formalization, and structures are more general abstract and vague than a business plan. Reviewing theory on the subject indicates that this response could be viewed as a sort of theorization i.e. the entrepreneurs attempt to abstract and rationalize their behavior. Such processes of rationalizations are often seen as essential to the successful spread of management tools (Tolbert and Zucker, 1996; Strang and Meyer 1993; Røvik, 2000).

In contrast to theorization, which is according to Røvik, a tendency for prepackaged institutional concepts to have a feeling of general applicability, the respondents indicate that they themselves theorize or make their arguments more abstract when confronted about their compromise or avoidance strategies. They talk in more general, abstract terms when defending writing a plan. This tendency to connect to more abstract concepts when asked about why they write a plan, indicates that they could sustain conformity to business plans (and possibly other management concepts as well) longer if the management concept is easily abstracted to something more general. While Røvik (2000) argues that

tools with general applicability travel more easily, this study implies that concepts that are embedded within higher level concepts could also endure longer and resist change better.

Proposition 3: Embedding business plans to other concepts by analogy, reduction and abstraction improves the entrepreneur to defend business plans against challenges, thus making it endure longer and resist change better.

7.4 Level of Institutionalization

This section discusses to what extent business plans are institutionalized Level of institutionalization and how they emerge as a theme from the interviews.

7.4.1 *Level of Institutionalization: Empirical Findings*

To write a business plan is institutionalized in the norms and activities of the companies within the incubator. It is taken for granted by some of the actors. In a discussion with an incubator manager about a course in entrepreneurship he took in South Africa he said:

And a part of it was of course to write your own business plan.

Ivar Ivarsson 20020425

“Of course” is an indication that writing a business plan is taken for granted in the context of university educations, even as far away as South Africa. This taken-for-granted perception of business plans is reflected in several quotes by the entrepreneurs and their environment. The quote below is from an interview with Jonasson:

Business plan is a part of everything one talks about.

Jonas Jonasson 20021214

Ingesson, shows that the topic is not widely discussed among the coordinators:

It [after I had discussed with the incubator managers some early findings of my study] was really the first time when we discussed the topic business plans together.

Inge Ingesson 20020425

There are two rival interpretations of this. One is that business plans are not important in the incubator and therefore not talked about. Another is that business plans are taken for granted, and that they therefore are not needed to talk about. The latter interpretation seems more correct. There is a strong homogeneity in opinion about the business plans among the coordinators. A possible explanation for this is that all coordinators have gone to the same

university. The shared idea about business plans is that they are good but the time spent on planning should not be exaggerated. There are also a number of the companies in the incubator writing business plans, about 50% of the companies in the incubator (Cedere & McKelvie, 2001). 25% of the new ventures in Sweden write business plans (c.f. Honig & Karlsson 2004). It is about twice as common in relative terms to writing business plans in the incubator.

Gabrielsson at Gamma further supports the idea that there is little talk about business plans. He perceives that there are actually very few discussions about business plans right now in comparison to how much they would think it would be. He would have thought there should be more discussion about it. This further indicates that the institutionalization of business plans in the incubator 2002 is tacit rather than explicit:

I am almost surprised how little one has heard about it.

Gabriel Gabrielsson 20021210

Andersson thinks that it is common to write business plans, and predicts it will be even more common:

It [to have a written business plan] will be even more common, it is common already today, but it will be some sort of demand.

Anders Andersson 20020528

In the next sentence he says:

Then there are always companies who start their business directly and don't have any deeper thoughts.

Anders Andersson 20020528

At the same time he acknowledges that business plans will become increasingly important, he does not think that every company ever will have a business plan. There are indications that there was more talk about business plans during 1998-2000 than during 2001-2003:

On Innovating Incubator, there was a lot of venture capital, business plans and stuff like that. On the other hand, in the press and everywhere there was a lot of talk about this is the way to write business plans.

Björn Björnsson 20020611

That new ventures should have a business plan is implicitly taken for granted by many persons in this study. However this image of the institutionalization is not true for everyone. One of the studied companies was not to the same extent aware of the business plan institution as the others:

You asked me if I have ever heard about business plans, but I have probably never heard about it.

Samuel Samuelsson, 20020528

The observations in the incubator indicate that the number of business plans written has not decreased in the same way the talk about the business plans has. While the pressure to write business plans was more visible during the late 1990s and early 2000s, it becomes more tacit and vague in the 2001. During the latest informal discussion with Ingesson 2004, he said that the incubator tried to make the business plan more explicit by encouraging and perhaps even enforcing it. Now all the new ventures in the incubator have business plans, he claims. This is because they all have more “*scaleable*” ideas. Scaleable here means that the idea should easily be upgraded into a larger format, and enable further growth. They want more scaleable firms, and if they are scaleable they should have business plans.

7.4.2 Level of Institutionalization: Theoretical Implications

Institutionalization is goes through three different stages: the pre-institutionalization stage, the semi-institutionalization stage and the full-institutionalization stage (Tolbert & Zucker, 1996).

The pre-institutionalization stage involves the generation of a special solution to a specific organizational problem or set of problems, and the formalization of such arrangements. In the case of business plans for new organizations was matter of transferring the business planning method, from the area of large organizations to small and new organizations. This development took place roughly around the time Drucker wrote his article emphasizing the entrepreneurial aspects of business plans (1959). Drucker’s article is also one possible starting point for the second institutionalization stage. The semi-institutionalization stage involves the theoretization and objectification of a specific innovation. This theoretization in the case of business plans was made facilitated by the already well spread idea of long range planning in large organizations. The ideas of Drucker and others after him about entrepreneurial and new venture business planning reassemble those ideas of long range planning developed by Fayol (1988, originally published 1916), and the subsequent institutionalization were likely supported by the set of solutions already developed for long range planning of large organizations. As stated in the introduction, several additional efforts of theoretization have been made and are continually made by various groups of researchers, schools and other interest groups. Full institutionalization is characterized by virtually full spread of structures among theorized appropriate adopters, and its taken-for-grantedness across generations of organizational members.

The institutional environment of the companies investigated in this study is strongly favorable for further institutionalization of the business plan among

new ventures. There are many actors in the environment supporting the writing and use of business plans. Even so, seemingly enigmatically, companies in this study are not fully institutionalized. Business planning is neither fully spread among the new ventures studied, nor is it taken for granted among either adopters or non adopters. It has previously been observed that institutionalization processes seem less likely to affect structures in small organizations (Han, 1994). This study supports this observation and provides context specific arguments as to why it is the case. These arguments can be found elsewhere in the dissertation, but are briefly repeated here. Business plans among the companies studied are not strongly enforced. The level of enforcement of business plans have been of varying strengths in the incubator over time. However there are no indications that implementation of the plan ever has been evaluated. There are also no indications that company managers have attempted to adjust the written document to changing circumstances that changes the correctness of the plan. Customers and suppliers have been moderately interested, or at least not been indicated to have been shown the business plan. Coupled with statements indicating that customer and supplier contacts take much or all of the time of the new venture, time restrictions is likely a strong contributing factor why business plans are not spread more extensively. This is further supported by the fact that business plans were written only at the opportunity where a template were provided, and little time was needed to write the plan. Assuming that young firms in general are more costly per organization to enforce conformity among, and that they have relatively less time organizational slack necessary for implementing administrative tools (as customers and suppliers takes up the lionshare of the time).

Proposition 3a: Management tools in young organizations are (relative to old organizations) less likely to be fully institutionalized because of the relative cost involved in enforcement.

Proposition 3b: Management tools in young organizations are (relative to old organizations) unlikely to be fully institutionalized because their limited time for implementation of administrative tools.

7.5 The Magic of Writing a Business Plan

The magic of writing a business plan refers to a mode of rationality or way of thinking that looks to invisible forces to influence events, effect change in material conditions, or present the illusion of change

7.5.1 *The Magic of Writing a Business Plan: Empirical Findings*

This code arises from the many instances where writing business plans was related to things that do not seem to be somewhat unrelated to the activity. It seems that writing a plan is believed to produce effects that are magical i.e. business plan writing has effects that are extra ordinary and difficult to explain and connect to the actual writing in a causal way:

When you think, when you see it, and you read it, it becomes something entirely different.

Anders Andersson 20020428

In the quote above, the business plan is described as if it has a transformational power. That is, when ideas are written down in a paper, as in a business plan, the idea itself becomes different.

I have experienced how it opens the eyes on the individual as such that writes a business plan.

Ivar Ivarsson 20020425

Ivarsson speaks similarly about the way in which business plans can transform the perception of the one who writes them. He speaks about it metaphorically in a way that provokes the rational mind and provokes associations to magic. Business plans, as described, can make people see things they had not seen before. In a similar manner, even the ones who have never written a business plan, refer to it in terms beyond the surface of the actual plan. Erikasdotter who resents business planning acknowledges that she one day might need to do it.

I have to do it, and it is actually more for my own sake so I know it will be structure and order.

Erika Erikasdotter 20020823

While these quotes possibly reflect the value of using tactile skills in concert with cognitive skills, it also complements the illusion of grandeur concept developed previously. Writing ideas down on paper, in the form of business plan, could make people feel that the idea is structured, feasible and real. However, the challenge in turning an idea into reality resides in implementation (Pettigrew & Wipp, 1993; Mintzberg, 1994).

7.5.2 *The Magic of Writing a Business Plan: Theoretical Implications*

It seems that writing a plan is believed to produce effects that are magical in some way, i.e. effects that are extra ordinary and difficult to explain and connect

to the actual writing in a causal way. Business plans indicated here are described in a metaphorical way as if they can make people see what they had not seen before. This is not only present in the ideas of the entrepreneurs but also in the literature on planning. While this further emphasizes the importance of the literature in the studied firms, it also says that the belief in the magical qualities of business plans are more widely spread than among those young companies:

Is a business plan magic? No-no sorcery here... A business plan takes a good hard look at your company, so that you can honestly and objectively recognize its abilities...A business plan coaxes a financial report, so that you know where you stand today and what the future holds... a business plan prepares you for an uncertain future...

Tiffany & Peterson 1997: 2

The quote above is interesting from several aspects. First a statement is made that the business plan is not magical. Here the authors distance the text from the magical. Then they attempt to make the plan very rational and practical. The statement is paradoxical. While it stresses that there is no magic involved, it constantly refers to the inanimate object, the business plan, as an active actor, creating things. As Latour (1993) tells us, people don't fly, nor does airplanes, it takes a material chain of individuals and artifacts to do something as complex as getting humans into the air. 'Contrary to the plane, to write a business plan is neither a necessary (companies have been found starting without one) nor sufficient activity (hardly anyone would claim that a business could be founded on a business plan alone) to start a firm or preparation for an uncertain future. To suggest that the business plan in itself do anything, as the quote above indicates, is incomplete and analogous to the concept of magic:

[Magic is] a concept used to describe a mode of rationality or way of thinking that looks to invisible forces to influence events, effect change in material conditions or present the illusion of change

Berg, 2003: 294.

Berg (2003) describes the use and belief of magic as an essentially positive belief even though it is not based on rational assumptions about relations between objects. Belief spurs action and imagination. The belief may instill faith and results that were not there at the outset but may be produced *post hoc* as a consequence of action and imagination.

Describing magic positively leads to the neglect of its harmful effects. The recent developments in the IT sector, partially supported by a developed method in business planning, follow the same pattern. Once the capital providers understand that there is little substance underneath many business plans, they withdraw their funding, which in its turn killed new ventures. While I acknowledge the positive motivational effects of magic beliefs when rational understandings are absent, the recent developments in the dot.com industry underline the great risks involved in such beliefs as well. Both the

motivational and the aggrandizing effects of business plans should be acknowledged.

Proposition 4: Magical beliefs coupled with a management tool may simultaneously increase the motivation in the organization, and increase the risk of failure.

7.6 Gradual Decrease in Importance

Gradual decrease in the importance of business plans is defined as the change of attitude towards business planning in the years after their writing.

7.6.1 Gradual Decrease in Importance: Empirical Findings

New ventures in this study gradually give less and less attention to the plan. It is as if they feel satisfied with having written it once, and that it then could be forgotten. Several other comments from colleagues and other entrepreneurs indicate the same thing. In the case of Delta, a gradual decrease in importance of the plan can be illustrated. Asking Danielsson how much he used business plans now, he said that he relied on it a lot in the beginning.

In the beginning we used it a lot. We updated it for each board meeting

Daniel Danielsson 20020524

The quote hints that the plan was put to lesser use later. Björnsson in Beta said he regretted the early writing of the business plans. He indicated that his company was in some way pushed into writing a plan at a time it did not need one:

When we look back on it, we thought that we went too quickly into writing a business plan. We have been pushed too much in that direction.

Björn Björnsson 20020611

Later in the same interview, he said that owners and customers don't care about business plans. He indicated that there were no pressures from other actors to write a plan, and that they did not feel a necessity to write one.

We don't have other owners and our customers don't care much about business plans.

Björn Björnsson 20020611

He said the main reason for writing a business plan was the idea to attract external financing. Once the company stopped looking for external financing, it also stopped developing its business plan.

It was mostly during the time we had business plans and thoughts about external financing.

Bengt Bengtsson 20021115

During 2003 he was still hesitant to write a business plan:

I still feel resistance towards sitting down and write a business plan.

Björn Björnsson 20030626

Alfa has abandoned its long business plan. Alfa now uses shorter plans (about one page long descriptions of what has happened in the company and the company's key financial indicators). Informal discussions with Georgsson indicate that Gamma did not update or rewrite the plan in about a year. He explains that the company simply had too many other things to do. Therefore it could be said that in all the studied organizations, the importance of the business plan diminishes over time. The company probably with a business plan that remained valid for the longest period of time, Delta, had lost trace of it. Beta indicates that it now feel's as if it was pushed into writing a business plan, and currently has little interest in writing one. Alfa and Gamma both indicate that they do not think that business plans are as important anymore and put no effort into updating the plan.

7.6.2 Gradual Decrease in Importance: Theoretical Implications

Young organizations gradually seem to give less and less importance to the plan. Since business plans are written documents and business is fluid, especially in the company's early stage, the business plan needs to be constantly updated in order to fit the description of the firm. This process is doomed to be inefficient. Given that one agrees that the situation for young organizations is one of fluid internal structure and dynamic market, one should acknowledge that a theory of administrative behaviour might not apply as the most efficient way to organize an emerging firm. Once the plan is written, it is not uncommon that the plan is put in a drawer somewhere and then forgotten. Even though it has been put in a drawer and been forgotten, it is always possible for the respondent to refer to it in case they need to.

This gradual decrease in the activities around writing business plans is also an explanation to the increasing difference between the plan and the organization's actual operations. Assuming that young organizations commonly change significantly during the first years of business, not adapting the business plan will lead to increasing differences between the plan and the current business:

But an organization must also attend to practical activity... A stable solution is to maintain the organization in a loosely coupled state.

Meyer & Rowan 1977:360

In this study, businesses writing business plans gradually decrease their involvement in planning, and the plan gradually becomes more and more different from the business.

This repeated pattern goes against the normative advice found in most books on business plans. Most texts argue for continual development of the business plans (Barrow, Barrow & Brown, 1998; Blackwell, 1998; Fry, 1993; Arkebauer & Miller, 1999) A fundamental theoretical explanation for why acquiescence deteriorates among the young organizations business plans surveyed in this study seems to be that the business plan is growing old; its accuracy is decaying over time.

Written words meant to reflect current or future states will become obsolete unless they are remodeled, rewritten and updated (or that both the current is fully known and future is entirely stable). In the interviews there are many instances where plans were accurate when they were written but that are now outdated as the company has changed, but the business plan has not. This means that conformity to something that demands written documentation will naturally decay and become increasingly different from the present. The less room for flexible interpretation of the written statements, be they forecasts or descriptions of current states, the greater the decay (c.f. fortune tellers, horoscopes, the bible, religious ideas about vague concepts such as love and hate are still up to date, while literary descriptions of levitation and blindness curing are more difficult for most to agree with).

This study implies that this process is important also with respect to the written business plan. This means that the correspondence between the firm and the plan will naturally decrease. Thus a necessary condition for an acquiescence strategy (Oliver 1998) is that any written document widely open for interpretation, is updated as frequently as the organization changes. Given the conditions above, this natural decay process makes acquiescence difficult when the organization frequently changes, and the organization's environment becomes fluid. The study finds a gradual decrease in importance of the business plan, and consequently a gradual shift from acquiescence to compromise and loose coupling. Loose coupling, however, seems like a rather stable phenomenon. Weick (1979) claims that the dual properties of organizations, indeed could be contradictory but still can be "*surprisingly stable and productive* (231)". I predict that manipulation strategies will have an equally short duration as manipulation is highly resource intensive and costly.

I argue here that an organization's strategy over time with relation to an institutionalized tool stabilizes at the intermediate response compromise and avoidance. Phrased differently:

Proposition 5a: Compromise strategies and avoidance strategies will have longer durations than acquiescence, and manipulation strategies in new ventures.

Proposition 5b: Acquiescence and manipulation will in the long run develop into avoidance and compromise strategies.

The development of institutional strategies in this study can be thought of as when a ball is dropped in one corner of an urn. Regardless of what side of the urn the ball will be dropped from, it will end up in the bottom and in the middle. Similarly in these cases, initial acquiescence gradually leads to compromise. I argue that initial strategies of despise and attempts for manipulation also develop into intermediate responses such as compromise and avoidance.

In summary, this chapter has developed theoretical implications for six of the empirically emerging codes: Content Pressure, Illusion of Grandeur, Complementary Concepts, Level of Institutionalization, The Magic of Writing Business Plans and Gradual Decrease of Importance. All of these concepts enrich the theoretical framework presented earlier in this dissertation, and could potentially contribute to a developed understanding of institutionalization of new ventures.

8. Conclusions

The purpose of this study is to describe and analyze the institutionalization process of business plans in new ventures.

Specifically, this study investigates three questions:

- How are new firms influenced to write business plans and who influences them?
- What strategies do new firms use to deal with those influences?
- What are the consequences of the chosen strategies?

This study investigates these questions through an intensive survey of six companies in an incubator environment in Grönköping from 2001 to 2003. First, this chapter provides a discussion about these questions, and how they might relate to other settings. Second, it discusses the results of this study in relation to institutional theory, business plan literature and practice, and the study of new ventures. Third, it presents some directions for future research. Before proceeding, it is appropriate to voice some words of caution. This study is a localized study based on events taking place in Grönköping Science Park primarily during 2001-2004. The place and time are like no other, and thus it is unwise to try to use these findings to predict what will happen in other contexts. However, since expansion of management knowledge in general is growing increasingly similar across nations (Meyer, 2002), and business plans for new ventures are certainly not an exception here, issues raised in this study may be found interesting and relevant to many.

8.1 How do Sources Pressure New Ventures?

The influence of Grönköping Entrepreneurial Business School on the business planning behavior of new ventures in the incubator is hard to overestimate. There are ample indications that the school is an important actor in producing, both knowledge about how to write a business plan, and ideas about the necessity of plans for new ventures when they want to apply for external capital. Incubator managers play an equally important role. Even though they rarely force the young entrepreneurs to write a business plan, they often indicate that business plans are good to write, when going to a bank or someone with external capital, you have to have a business plan. They also provide books and are more willing to provide time and effort if the company is willing to write a

plan. The business plan competition Venture Cup and the book "The Business Plan Book" that originates from McKinsey are also important to understand the business plans that the entrepreneurs have written. Three of the studied companies have explicitly used the book when writing the plan. Jota, Rho and other companies founded during 1999 and 2000 exert influence on the new venture in the incubator today. They represent the era when a lot of venture capital was brought into the incubator company and many companies wrote business plans to get it. External ownership capital and banks have a more intricate influence on the new ventures than generally perceived. None of the bank/ownership capital owners has unconditionally coerced organizations to write business plans. It is rather the case that the new ventures believe that business plans have to be written, they do it anyhow.

When talking about sources in a general way, it is unfair to describe them as purely external in their nature. Entrepreneurs say that the reason why they write business plan is due to their personal initiative and needs they have perceived in the organizations. While it might be the case that each entrepreneur invents the idea to write a business plan independently from external pressure, another interpretation more in line with institutional theory is that business plans are highly institutionalized. The entrepreneurs thereby internalize the values of writing a plan.

A focus in this study has been to understand the *sources* of institutionalization (Karnoe, 1995), or where the institutional pressures come from. In this study, it is possible to fruitfully distinguish several important societal institutions influencing new ventures. Some institutions are explicitly attributed to the institutional pressure but when investigated more closely it emerges that they do not push for business plans, such as banks and venture capitalists. Others are not explicitly mentioned as often as sources for institutional pressure, but their importance is hard to overestimate, such as the business school and the incubator management. This study indicates that while banks and venture capitalist are often explicitly referred to as the reason for the writing of a business plan, business school education and Incubator managers are probably more influential in actually creating the idea that venture capitalists and banks demand business plans.

In this study, venture capitalists do not coerce new ventures to write business plans. A one page document was demanded from Alfa by its external capital provider, and the manager at Delta was able to manage his relationship with his investors without even knowing where his business plan was. Therefore business plans play a minor role among these external investors. Business plan literature suggests that business plans often are imperative for getting external capital (Hindle, 1997; Kubr, Ilar, Marchesi, 2000). Contrary to this suggestion, some studies indicate that this demand may not be as ubiquitous.

This study, in line with previous ones indicates that it is rather the perception that external equity providers demand them, than actual demands for them from the equity providers that make companies writing business plans.

A study by Geijer, Hjelte & Stenlund (2002) illustrates how one Stockholm-based venture company works.

Of all investments that were made between 1996-1998 only eight of them had business plans... Several of those were no longer than one page in length.

Geijer, Hjelte & Stenlund 2002:2

Still this company has a business plan template on its homepage, and proudly mentions business plans as an important screening tool for investment. While it pressure new ventures to write business plans, they evaluate companies on other criteria. This may not be unique to a Swedish setting since similar reflections are made by Gumpert and Lange (2004). They find that venture capitalists do not consider writing a business plan as important as that they thought. Companies that don't write business plans seem to be as likely to get funded. The perception is that new ventures need a business plan just for the sake of writing it. The external equity provider seems more than willing to reconstruct the business plan institution, even though it does not formally use it for their investment decision.

The findings also echo the research made by Zacharakis and Shepherd (2001). They indicate that large business plans increase the potential for a venture capitalist to make a bad investment decision. Two effects may be accountable for this. First, relatively large decision material reduces the possibility for the venture capitalist's to analyze all data. Second, the relatively large decision material improves the venture capitalists' belief that they can analyze the data correctly. The longer the business plans, the more likely it is that the venture capitalist will investigate the document based on simplifying decision heuristics rather than the content of the text. For example, they could be more prone to examine if the business plan is structured in an appropriate way instead of evaluating whether the business idea is good or not.

The Alfa case imply that the external capital providers, prefer short business plans, It also shows that the external capital provider invested not primarily because of the plan, but because the entrepreneur is known by the external capital provider in before hand.

Several banks offer advisory information on how to write a business plans in special templates, or as advice linked to their homepage. However these banks are mostly present in Commonwealth countries. Barclays bank, have a template on how to write a business plan (Barclays Bank 1991), and a seminar on how to write one (Barclays, 2005). Royal Canadien Bank presents business plans as the central task for starting up a new firm (Royal Bank, 2005). The national bank of Australia also offers business plan templates (National Bank, 2005)

It is a bit surprising not to find more US-based banks stressing the importance of business plans and providing business plan templates, given that much of the literature on business plans has been written by US writers, and it is likely that business plans for new ventures originated first in the US (Drucker, 1959). At the Lamda homepage business plans are presented to firms

requesting equity investments. Lamda offers a checklist consisting of 13 bullet points of what a business plan should contain. For loans, business plans are not mentioned. Two Swedish banks (Föreningssparbanken and Handelsbanken) make no references to business plans on their homepages.

In other words, the institutional *pressure* by norms exerted by the business school and incubator environment creates the perception of a coercive institutional pressure from banks and venture capitalists, a pressure that does not show to exist in the companies studied here. Most extensive studies would fail to find this relationship, as they would need to assert causality through concurrence rather than relation. The concurrence of meeting a bank and writing a business plan is determined by the institutionalized notion that you have to have a business plan when you meet the bank as constructed by schools and Incubator managers, rather than a causal coercive influence by the bank.

8.2 What Strategies Do the Young Firms Use to Deal Institutional Pressures?

The companies in this study are more prone towards conformist strategies than non-conformist ones. Manipulation, e.g. lobbying of governmental agencies is difficult for new ventures to engage in and no such behavior was recorded. While defiance would be a more reasonable action for new ventures, a few sentences indicates that one companies studied defy the business plan institution. As a new venture it can be difficult to have enough courage to defy an institutional pressure. It can be difficult to have enough legitimacy to have anyone listen to you. All these factors indicate that the organizations in this study would theoretically also be more prone towards conformist or avoidance strategies rather than defiance and manipulation. Their power in relation to their resource dependencies is weak. Following the prediction of Oliver (1991) we suspect little manipulation. Manipulation is a very costly and resource intensive strategy. This finding if it is general, have significant implications for business plan policy and research. Few young companies will have the legitimacy to change the business plan institution. If it is in fact detrimental, it needs to be manipulated or changed by other actors.

Strategies of new ventures are influenced by two of their qualities; their marginal position and their resource scarcity. By virtue of their peripheral position in organizational networks, their relatively marginal knowledge about business life, and their relative insignificance, they hold a unique position towards institutional pressures. They can ignore the institutional pressure as it is not assumed that they know all aspects of business life. Furthermore entrepreneurs are often understood as mentally free, independent and detached which further assists them to be freer with respect to institutional pressures for conformity, than others (Ahl, 2002). Their conformity is not scrutinized to the

same extent as larger organizations, making them able to resist institutional pressure by ignorance or superficial types of conformity, e.g. forms of loose coupling. Contrary to the received view, not only old organizations loose couple. Young firms are likely to become more successful in their loose coupling attempt since it is less likely that they get “caught”.

On the other hand new ventures are highly resource dependent and have relatively small power. This significantly reduces the options they have for employing different dependence-reducing strategies, e.g. cooption and large scale buffering (Scott, 2001). Some new ventures are thereby unaware of the institutional pressure, while others who become aware may conform superficially without a high risk of being caught. Both these factors improve the opportunities new ventures have to develop freely and contribute with innovation and growth, but may also lead to higher death rates among new ventures as non conformity to institutional pressures leads to higher risk levels in the organization (Kondra & Hining's, 1998).

Compromise strategies results in mimetic pressures to almost the same degree as acquiescence, since inter-organizational comparisons often do not pay attention to details of implementation (Strang and Meyer, 1993). Therefore, loose coupling does not necessarily lead to deinstitutionalization. It is rather the other way around. As the costs for adopting a management tool without implementation is low, loose coupling facilitates spread, rather than restricting it (Røvik, 2000).

It seems as if the new organizations in this study have a preference for shallow adoption of the business plan tool. The adoption of business plans are rather correct in relation to literature and norms about how a business plan should look, but their influence in operations is not as extensive as suggested in most literature. It has been suggested that management tools often are subjected to careful translation and adoption of their content (Sahlin-Andersson & Sevón, 2003). This seems not to be the case in the studied organizations. The plan is better described as rapidly adopted and a loosely coupled entity. The size, age and competitive situation of the ventures investigated in this study significantly differ from the significantly older, larger and less competitively (and more institutionally) influenced organization on which Sahlin-Andersson & Sevón (2003) base their arguments. The present study indicates that age may be an important factor in understanding how organizations deal with institutional pressures. It has been suggested that institutional tools becomes translated for the following three reasons: due to rational reasons, unintentionally, and because of their identity (Røvik, 2000). This study suggests that each one of these assumptions are moderated by the organizations age. Rational reasons for translation are that the translation does not fit with the existing operations of the company. The company will therefore adopt the parts of the tool that best fit its operations, and disturbs the least. As new ventures' existing operations are fluid, there are slim opportunities to relate the tool to anything constant. They can therefore not take a rational approach to

translation. Unintentional translation relates to changes in the original tool due to mistakes in the adoption of the tool. While the companies with business plan perhaps unintentionally forget to implement the plan, this probably has very little influence on changing or developing the business planning tool as such. Lastly, translation could be a result of identity management (Sahlin-Andersson & Sevón, 2003). It means that an organization might try to translate an institutional tool to a strong company specific identity. The companies in this study do not seem to have developed strong identities. This is not strange due to their relative youth. Therefore translation might not to the same extent be influenced by the studied companies' strongly developed internal identities.

8.3 What are the Consequences of Chosen Actions?

There are three investigated outcomes of organizational strategies: Efficiency, legitimacy and illusions of grandeur. This study has not been able to establish direct relations between business plans and performance, neither positive nor negative. However, there are indications that writing a business plan leads to positive legitimacy effects. This effect is obtained even though the company might partially conform (compromise or loose couple). Not to conform to the institutional pressure by, e.g. defying or avoiding writing business plans does not lead to a decrease in that firm's legitimacy. Positive performance indicators seem to be able to offset any loss of legitimacy due to the defiance of business plans.

The incubator, banks and external ownership capital providers suggest that writing a business plan conveys a serious impression and are more willing to help with advice if business plans are prepared. Some of the entrepreneurs indicate that the activity of writing is beneficial *per se* for self control and for creativity. Even so, some caution is advisable when it comes to writing a business plan. The business planning genre is almost by definition an exercise in writing about your business in a positive manner. Once you have written it, the written word produces an illusion of grandeur. Even if you know that it is an exaggeration when you write it, the persuasion of the written text could make you believe it. Especially mischievous can be a belief that the plan dictates the future. Planning, by virtue of its genre traits, leads to the production of an illusion that the future is more controllable, and overconfidence in the firm's current and future qualities. This overconfidence can lead to both positive and negative effects. The interviews carried out for this study show negative effects of such overconfidence. It should be clarified however that the shadow of a bursting Internet bubble probably eclipsed positive effects and magnified the observability of the negative effects of such overconfidence.

The thick business plan is fashionable, but only comfortable to wear on certain occasions (c.f. Røvik, 2000: 40-41). Once business plans are implemented in the new ventures, they produce *outcomes* with regard to the relationships between organizational members, their strategies, and ideas. This study is in many ways unable to conclude whether conformity to the business plan institution leads to greater efficiency or not. Companies which conform and those which do not show similar performance. This implies that writing a business plan is unrelated to efficiency. There are some indications in this study that the new ventures gain legitimacy from the bank and the incubator managers because of their business plans. This study also shows that writing a business plan has other consequences. First, it is an early formal written behavior, which in Gamma spurs the development of a “formal writer” person and the others in the firm become “producers”.

8.4 Implications for Institutional Theory

Institutional theory has come a long way to explain how ideas become institutionalized. It has been suggested that important work in institutional theory still needs to be done. Questions such as why some organizations react in more superficial or more in-depth ways to externally imposed rules and beliefs?, Why responses vary from isomorphism to hostile manipulation?, and how to reconcile the ancient freedom/control debate by better theorizing of the ongoing interdependence of structure and agency?, are yet to be answered (Scott, 2001). This study, albeit temporary and limited in scope, presents some illustrations, suggestions and answers to these questions. Newer smaller ventures have special characteristics which distinguish them from older larger organizations. They have high uncertainties with respect to sales, networks and high risks of termination (Stinchcombe, 1965). Considering this it may seem foolish to start a new business in a new industry. However this is truth with some modification. While they suffer from liabilities of newness, they have also strategies to deal with them. These strategies are discussed by Aldrich and Fiol, (1994).

This study argues in addition that liability, power and enforcement mechanisms are important for understanding strategic responses to institutional pressures. It indicates that there is acceptance for deviation of new ventures. They are often not held liable to their business plan. The external monitoring and enforcement of conformity of new ventures is limited. This gives new companies special conditions for agency and strategic responses. They have to adapt, but only superficially. Large old organizations by contrast are not forced to adapt to external pressures to the same extent, but are at the same time pressured to be more consistent as they are more closely monitored and enforced. I see age and size as important since they are indicators of liabilities, power, and enforcement mechanisms. Larger buffers and bargaining power

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leads to greater possibilities to resist external pressures. However, size as such also decreases the cost of external audit, increasing the likelihood of being penalized for inconsistencies. This leads to over-conformity of powerful organizations (Scott 2003) or manipulation of the external environment to be consistent with the organization using voice (Hirschman, 1970). A simple prediction results from this argument. More power increases the possibility to conform and to manipulate institutional pressures, and reduces the possibility for inconsistent behavior. Less power increases the likelihood of intermediate responses, and decreases the possibilities to conform to or manipulate institutional pressures.

New ventures in this study indicate that they conform to the institutional pressure temporarily, when writing the actual plan. At the point of finishing the plan, it is congruent with the activities of the firm, and in-depth conformity to the plan might even be intended. However, since there is an absence of continuous pressure for conforming to the business plan institution, the discrepancy between the firm and the business plan increases. Neo-institutional theory commonly assumes that change in conformity is the result of changes external to the organization. This study indicates that there is an inherent conflict between different external pressures. Business plans are encouraged by education, professionals and literature but their efficiency in relation to firm operation is doubtful, and pressures from other sources such as customers and suppliers are absent. Change in strategy with respect to the institution is a process result over time, due to conflicting characteristics of the environmental pressures. This gives room to divergent strategies, and deinstitutionalization (Scott, 2001; Farjoun, 2002)

Business education and easily available templates play an important role for conformist responses to institutional pressures. The meeting with a template for how to write a business plan provides the temporal starting point for entrepreneurs to write the plan, suggesting that content plays an essential role in institutional decision making. Previous research has indicated that models that are well packaged in the sense that they are easily adopted travel more easily (Sevón, 1996; Røvik, 1998). This study uses Simon's theory of bounded rationality (Simon, 1976) to explain why this is the case. Content pressure can be understood as a decrease in search cost, and therefore influences the decision-making process with respect to business plan favorably. Education with business plan content seems to play a role in the conformist responses to institutional pressures. Companies managers with business planning educational background writes business plans, while company managers without do not.

Through the in-depth understanding of the interplay between the young firms and their institutional environment, this study developed a descriptive framework for resolving the freedom/control debate in institutional theory. In line with the general sociological theorizing of Giddens (1984) and more neo-institutional specific by Scott (2001). This line of reasoning is therefore further

developed in appendix B. there I argue that in the specific analysis of institutionalization on the micro level, the freedom/control debate becomes less of an issue. It could be resolved through studying the institutionalization process as a recursive process of interaction between the focal firm and the source of institutional pressure. Such study puts a focus on how misunderstandings and incomplete information develop and changes the content of the institution. While this theoretical development was inspired by the knowledge generated in this study, it is beyond this study's methodology and theoretical framework to do justice to the agency/control issue. Further studies should be designed to investigate this issue properly.

8.5 Implications for Studies of New Ventures

The environmental conditions at the time and place in which new ventures are created are of central concern to many entrepreneurship scholars (Aldrich, 1999; Delmar and Aronson, 2001). In the relation between the environment and the entrepreneur resides a paradox of newness. By virtue of their newness, new ventures are strongly subjected to institutional pressures for conformity (Stinchcombe, 1965; Aldrich and Fiol, 1994). At the same time, researchers continuously argue that young firms play significant roles in rebelling against established institutional norms (Schumpeter, 1934; Birch, 1987; Stevenson & Sahlman, 1990; Zimmerman & Zeitz, 2002). This study suggests that new ventures, under certain conditions, through separating the formal activity of writing a business plan from the operations of the firm, can formally conform and subsequently informally break institutional norms. Using a loose coupling strategy, the new ventures can resolve the rebelling/conformity paradox by creating a new internal structure, while conforming formally to environmental demands. At the same time, they create a problematic inconsistency between formal and informal behavior. However, following the implications for institutional theory above, new ventures find it easier to encompass inconsistent institutional responses.

Think about the trajectory of an organizational innovation in these terms. Following the implications for institutional theory above, new ventures have it easier to encompass inconsistent institutional responses. This leaves the new organization the necessary room to develop an internal structure different from its environment. If the different internal structure proves efficient over time, and the company grows, also the visibility of the company, and demands for it to behave consistent with its formal structure increase. The company's evidently successful internal structure has gained respect because of its pragmatically proven efficient structures. At this time, the company and its model for internal structuring may have gained so much legitimacy that it can challenge the incumbent model. This explains why new ventures have a strong position to

develop innovations, and at the same time can gain necessary legitimacy from its environment.

There are some indications that self-employment is increasing in status in the Swedish environment. Especially the innovative ability of new ventures is being stressed. To create a new business has been compared to esthetic and artistic creation (Hjort, Johannisson, & Steyert, 2002). This development may lead to increasing possibilities for entrepreneurs to deviate from established institutional pressures and prescribed management tools such as business plans. At the same time, it may lead to that new ventures will have fewer possibilities to acquire resources from established resource providers.

On a more practical note, writing a business plan seems to give entrepreneurs in this study increased confidence in their own ability as managers. Because when they write a business plan and communicate that they have written one, they get positive responses from people around them. In this sense, writing a business plan legitimates. Previous studies indicate that writing a business plan positively influence the likelihood of a nascent firm to continue trying to start a new business, and not give up (Honig & Karlsson, 2004; Delmar & Shane, 2004). In a similar vein, Lange, Bygrave and Evans (2004) find that writing a business plan increases the probability for a potential entrepreneur to start a business. At the same time several studies have shown that writing a business plan does not influence financial performance (Castrogiovanni, 1996; Ford, Matthews, Baucus, 2003), or employment growth (Lange, Bygrave & Evans, 2004).

Writing a business plan consumes a lot of resources and that is probably a major cost to the new venture. It takes time to write a business plan, it takes a lot of time to write one adhering to all institutional demands that are put on a great business plan. It probably takes even more time to see to it that the plan is "up to date". The studied companies say it takes them 1-2 weeks to write a business plan. Six months after writing their business plans, the companies stop updating them. A reasonable interpretation is that it takes too much time to update the business plan given the benefits they perceive they could gain from it. This study also indicates that there are other costs associated with writing a business plan. By writing a business plan the entrepreneur could underestimate the uncertainty present in predicting future events and the activity of writing it may lead to illusions of grandeur. More light is shed on this point below. Connected to this, entrepreneurs could also become less flexible in their thought due to the time they have committed to writing the plan. This would be because they suffer from negative decision effects due to escalation of commitment (Brockner, 1992). The more time they have spent trying to start up a business, the more likely it would be for them to start it, just because of the increased time invested, in spite of indications that the start up attempt may be failing. Some of the inconclusive results with respect to performance could be due to this possible effect of committing time and resources to writing business plans.

A second, previously discussed possibility is that the writing of a business plan prompts the entrepreneurs to underestimate uncertainty, and it could therefore reduce their protection against environmental changes. A formal document of future events necessarily creates an illusion that the future is foreseeable, even if it may not be the case.

In the meantime, the entrepreneurs may end up in an illusion of grandeur, because they exaggerate the potential of the firm. Business plans should be written in a positive “selling” manner. Therefore the entrepreneurs may start to believe that the exaggerated uncertain potential is a real and relatively certain future state. The information printed in a business plan is likely to be written in an exaggeratedly positive manner. It is a part of the tacit business plan genre to write them positively. Not only should a business plan be written, but it should be winning! While this is not necessarily a problem for the new venture as such, it may have unintended consequences to exaggerate positive aspects of a plan. After a while, the entrepreneurs may forget that the positive aspects are exaggerated, or start to believe that the forecasts are realistic to avoid cognitive dissonance (Neighbour, 1992). When for example an organization forecasts a good future revenue stream, and starts to believe in it, it could easily find itself in liquidity problems.

On the other hand, in some situations a large degree of confidence and belief in future states out of whether what you currently control can be beneficial. It depends on the environment that the organization exists in if illusions of grandeur are harmful to the organization or not. In resource abundant environments, illusions of grandeur can be helpful to stimulate imagination, generate resource support and to produce a clear strategy to pursue. The prediction of future resource streams may materialize as the illusion becomes self-fulfilling (Berg, 2003)

8.6 Implications for Literature on Business Plans

Business plans are widely promoted among a wide variety of sources. Especially prominent among those sources are literature, educational facilities and business plan competitions. I find that these sources are influential to spread the business plan institution also to the companies in this study. The business school and the managers at the incubator have been especially important. These actors have primarily advocated the writing of business plans through normative means, stressing their importance for the company owners’ own sake, and in order to get external funding. Importantly however, other actors in the environments of the young firms do not enforce the business plan as strongly as literature, teachers and business plan competitions suggest. Bank lenders and external capital providers to the young companies in the study think that it is good for new ventures to have business plans, but business plans have not been central in

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their lending/investment decision. Some companies lost interest in writing and updating their business plan. Some even show disappointment about the weak effects of writing the business plans and state that theirs may have misled them. The analysis implies that the rather homogenous messages conveyed by the literature, educational facilities and business plan competitions are flawed in several of their central arguments, when applied to the companies in this study.

One conclusion of this study is that the literature about business plans gives advice that is misplaced. As pointed out earlier, Hindle (1997) summarizes the central notions of many books and articles about business plans. Some of these notions could be questioned in the empirical setting of this study:

- Books on business plans are written as support for business start-ups with an audience of venture capitalists and other stakeholders.
- Financial projections are relatively important.
- A plan should describe a specific investment offer.

Hindle's (1997) review indicates that books generally give the impression that business plays a major role in the young company in search for external capital. This study implies that a business plan only plays a minor role in the external capital providers' investment decision. Neither the bank lenders, nor the external owners I have been interviewing argue for the importance of the business plan. Other means of evaluation, such as previous knowledge of the person, and personal wealth are more important. Other central notions in books and articles according to Hindle (1997) are that:

- Goals, objectives, aims and strategies must be defined. The plan should be less than 40 pages.
- The business plan should rigidly follow a certain table of content.

These aspects of business planning seem to make little sense among the companies in this study due to the fluid nature of their business. Several companies indicate that their lines of business are constantly changing, and that they could not anticipate how the company would look today. The written business plans in the studied companies largely conform to these standards. Their plans are about 10-30 pages long. The literature is helpful for the organizations which want to write a business plan, and the use of business plan books reduces the time it takes to write them. Therefore it might reduce the costs of conforming to the business plan institution. This is a positive effect. The importance of adjusting the plan to the reality has been stressed by many authors of entrepreneurship books (Timmons, 1999; Wickham, 2001; Allen, 2003). However, this study indicates that those who write a plan also run the risk of adjusting the reality to the plan, which can lead to illusions of grandeur. It is an empirical question to decide if the business plan literature does more harm than good. However, by reading this study, I hope that writers of business

plan literature can become more reflective and understand both negative and positive effects of business plans. Perhaps even from a different perspective than they did before.

8.7 Implications for New Business Managers

A study such as this is constructed to generate knowledge about how things are, and why they are in this manner. A study such as this is less suited for an evaluation of how things should be. The moral foundation of critical realism is emancipation and some advice can be derived from this foundation. Managers of new businesses should treat normative advice from external sources with respect, albeit with some healthy skepticism.

Books about how to write business plans describe an environment which may not be the same as the one you act in. While business plan books often refer to pressures to write business plans that is applicable almost everywhere, no such pressures are confronted in this study. It may not even be correct in the USA where many of these books are written (Gumpert, 2002).

Writing a business plan probably grants you legitimacy to a certain degree. The companies examined in this study indicate that writing a business plan gives a greater opportunity to gain advice from external actors. The benefits from writing the plan need to be considered in the light of the time it consumes to write it. It is very time-consuming to have a continuously updated plan, and none of the companies in the study chooses to update the plan.

As a manager, in an environment resembling that of the companies in this study, you likely have several options to deal with institutional pressures to write a business plan. The companies in this study choose to loose couple the formal business plan from the operations of the firm over time. You may also, as other new ventures in this study avoid actors who demand business plans or engage in other strategies to deal with institutional pressures.

8.8 Future Studies

This study paves the way for many suggestions for further research. The sections below discuss some of the most interesting ideas. The topics are generated in a manner to avoid some limitations and delimitations of the study and ideas on how to support and develop its conclusions.

8.8.1 To Test the Propositions

Some of the findings of this exploratory study can be reduced to a testable format. These findings are developed into condensed arguments, and propositions. It is my hope that these propositions will be tested in the future.

They can be developed into more formal hypothesis, and or be replicated by consecutive qualitative testing. The propositions will not be repeated here but can be found in chapter 7.

8.8.2 The Long-term Outcome/Strategy Interrelation

The study by Oliver (1991) implies that an organization will naturally select the strategy that is the best considering trade-off between legitimacy and efficiency. I think that strategies are constantly adjusted based on more or less rational understandings of the trade-off between legitimacy and efficiency. Even so, it might be that certain institutional strategies may be more beneficial than others given the same situation. It would be interesting to investigate if this is the case, and if so, what important situational characteristics would make the strategy successful?

The recursive process model indicates that the institutional sources have the same basic powers as the agents. This is a feeling obtained from the interviews with the institutional sources. There are probably both similarities and differences between sources and agents, and a study is focusing more on the issues of convergence and divergence between the two different types of actors would be interesting. It is the joint action of entrepreneurs and institutional actors that creates the possibility for certain strategies to be possible.

8.8.3 International Comparisons

The study of nascent entrepreneurship is still in its infancy, resulting in few if any cross-cultural longitudinal studies. Cross-national studies are particularly important because evidence suggests that the degree and type of internationalization a firm embraces has significant impact on the firm's strategy and activities (Oviatt and McDougall, 1994). Not only companies but also managerial recipes such as the business plan travel internationally.

Traditionally, the entrepreneur has been described as someone who carries out new combinations, and does new things, or recombines old things in a new way (Schumpeter, 1934). The entrepreneurial style is typically considered intuitive, inspirational, and promoting. The business plan paradigm suggests something quite contrary of that, namely analytical thinking, predictions and long range planning (c.f. discussion in section 1.1) A lot of literature on business plans were produced during the eighties in the US. Books of entrepreneurial business planning were mainly restricted to USA during the 1980s. They spread to Europe and other parts of the world during the 1990's. The interest in business plan literature has been strong throughout the 1990s until the present day on both continents. Business plans have been present in Sweden since the 1990s. A real boost to business plans in Sweden has come through Switzerland and Germany in the form of the business plan competition Venture Cup. Venture cup has been brought Sweden by a consultant from

McKinsey (Kubr, Ilar & Marchesi, 2000). An interesting question is what decides the spread of management recipes to hold in a country. This study focuses on institutionalization processes in new ventures. It does not cover the institutionalization process of the business plan recipe globally. To understand institutionalization processes in young firms totally, aspects of institutionalization processes globally needs to be understood.

Related to the issue of internationalization is the general level of institutionalization in the Swedish society and/or the world. To what extent are business plans institutionalized? To understand this issue, one has to focus on higher level indicators as published articles, governmental regulations and laws, bank principles and laws, venture capital policies, and investigations of spread of business plan in organizations across all organizations. Such investigation would create additional and complementary knowledge to this research project, and would enable constructive comparisons and more complete understanding of the business plan phenomena.

A survey of the number of books at Swedish libraries with business plan titles gives an indication of the general institutionalization trend of the phenomenon in Sweden.

Figure 8-1 below illustrates the number of titles with “Affärsplan” and “Business plan” available at Swedish libraries according to publication date. The table gives a hint of a possible institutionalization trend.

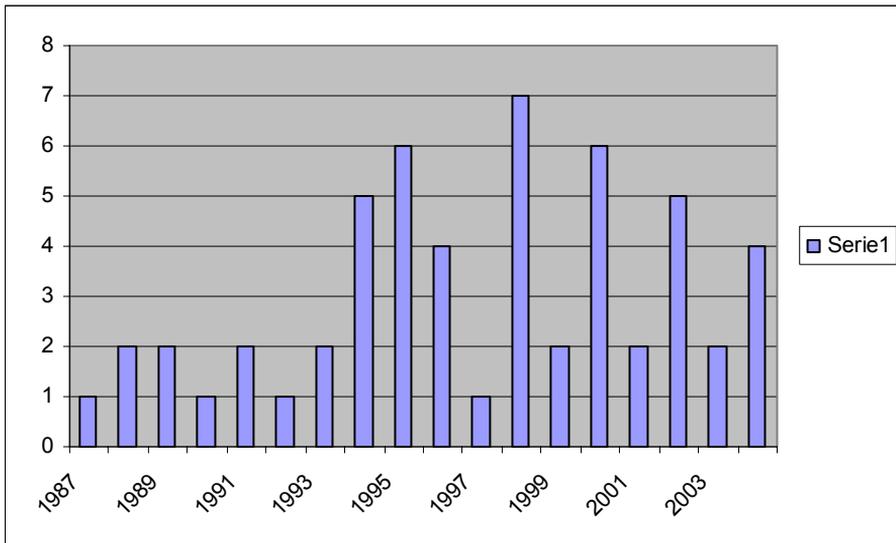


Figure 8-1: Number of “Affärsplan” and “business plan” titles in Swedish libraries 2004

We see an increasing trend until 1998, and then a slightly decreasing one. Possibly, this could indicate a recent deinstitutionalization trend. The deinstitutionalization trend, if there is one, interestingly coincides with the negative development of the dot.com businesses. This could indicate a relation between market trends and institutionalization trends. It could also be an indication that theorizing around business plans are no longer interesting to write about. However, figure 8-1 is very cursory and as such it gives at best an incomplete picture of institutionalization trends. It would take a serious effort to generate a more complete picture of this phenomenon.

8.8.4 The Role of Business Plans in Teaching

Entrepreneurship courses are taught at nearly every American Assembly of College Schools of Business (AACSB) accredited institution, at over 1400 postsecondary schools, and enjoy considerable world-wide growth (Katz, 2003). Course content varies widely, including the use of case material, simulations, and various “hands-on” approaches (Vesper & McMullan, 1988; Gorman, Hanlon & King, 1997). One of the more popular curricula formats consists of teaching and monitoring the production of a business plan. In a study of leading entrepreneurship educators, the development of a business plan is identified as being the most important course feature of entrepreneurship courses (Hills, 1988). I assisted Honig (2004) examining the 2004 college catalogs of all of the top 100 Universities in the USA (U.S. News and World Report, 2004) for courses that specifically refer to business plan education in course descriptions. Not surprisingly, we found 78 out of the top 100 Universities offered such courses, typically in the area of entrepreneurship and/or small business management. Notably, neither the teaching of business plans, nor the plans themselves, are sufficiently justified on the basis of theoretical or empirical literature (Honig, 2004). Several questions could be raised with respect to business plan education. What do students learn with relation to what they should learn? How are business plans taught? What consequences on young firm management does the teaching conducted in schools have? The author is currently conducting a study that investigates the institutional determinants of the business plan pedagogy of teachers in entrepreneurship.

8.8.5 The Conceptual Context of Business Plans

Business plans do not exist in a vacuum. It is a concept that exists in a context of other concepts to which it relates. What other concepts there might be naturally emerge from the entrepreneurs’ speech when they try to make sense of what a business plan is and/or why they do it. Business plans are related and/or referred to as, e.g. planning, control, budgets, marketing, formality, bureaucracy, efficient and time consuming. There is no doubt that it will be

interesting to investigate in-depth the relations between business plans and these concepts.

This study focuses on the written business plan, for new ventures, their antecedents and effects. The focus is not on planning. The relationship between the business plan and planning can vary. In this dissertation, business plans are not equated to planning or even understood as planning as such. The business plan in this study is a written product, and the focus is on how this written product came to be.

Most commonly it is assumed that the business plan is the result of extensive planning efforts, a culmination of investigative efforts into financial forecasting, projections of consumer demands, etc. If so, the relation between planning and plan is that the plan is the written reconstruction and essence of the planning effort. However, this study is written from an institutional perspective. Therefore, the plan is understood as not necessarily related to the planning effort, but is instead related to external demands for business plans and the search for how to comply with them. The essential argument is that business plans are written because there is external pressure to write them. They are not a result of extensive planning efforts but the result of adaptation to institutionalized prescriptions on how to write them that floats around (mainly through the same channels as the once that exert the institutional pressure to write them). Writing a business plan by copying someone else's business plan and replacing names can take less than an hour, and to describe the organization based on a well written template does not need to take more than a day or two. If then the company does not use the plan for internal coordination but only for external communication, the cost for loosely conforming in this manner is small. On the other hand, if the company fundamentally evaluates its current state, runs a market analysis, calculates budgets, three year plans and five year plans and constantly reevaluates their constancy with the plan as most of the literature suggests, then writing the plan and planning the firm can take virtually all the time in the firm. The cost of strictly conforming to the business plan institution is much greater. The relation between plans and planning is thus a highly relative one, and needs not be much related. It would be interesting as a future research topic to investigate the relation between the plan and planning in depth.

8.8.6 Methodological Advances with Computer Assisted Qualitative Analysis

Using software such as NUD*ist or NVivo, the researcher can solve two problems stemming from the cognitive limitation of the human mind. Sentences may carry any number of concurrent interpretations, and thus assist the brain in handling and the data can be recalled and re-grouped in coded categories of interpretation using automated routines, and thus support the memory.

As a way of imposing rigor to the interpretation of text, researchers have used, and are still using, techniques where sentences or clusters of sentences are coded directly in the text as they are interpreted and assigned meaning. A common practice is to highlight sentences with a colored pen depending on the conceptual category to which the sentences are assigned. Two distinct disadvantages of this practice exist. Since a sentence can be interpreted as belonging to multiple categories of interpretation, a pen-and-paper approach renders a messy text at best. A more dire consequence may be to discourage the researcher from assigning multiple interpretations to individual sentences in an effort to avoid cluttering up the text. Second, the task of keeping track of hundreds of sentences will exceed the capabilities of the human mind. The marking of sentences by an analog method runs a clear risk of being reduced to some few examples.

As in all interpretive work, categories are defined and assigned by the researcher. While interpreting the text, the researcher assigns sentences or clusters of sentences to various categories of interpretations. New categories may be added at any point and the text re-interpreted in the light of these new categories. Any single sentence can be assigned to multiple categories of interpretation up to the total number of categories used in the analysis of the text.

Thus, the analysis is only supported by the software, not produced by it.

Modern content analysis is fundamentally based on the idea that we understand things through categories. Common in content analysis is to work from a pre-specified coding schema that ideally covers all previous categories of knowledge and their definitions. However, practically this is done by a) selecting a number of codes that the researcher thinks are relevant, b) defining conceptual categories of interpretation and c) assigning self-contained parts of the text, usually sentences, to these categories (Bergström and Boreus, 2000). This is a process of text interpretation where the concepts are explicitly stated. Similarly new categories can be produced to represent texts that are essential for understanding, but outside the predefined conceptual framework.

Under the assumption that text is actually understood through cognitive categorizing and creation of new concepts and patterns, any instance of text could be coded as a part of a category or categories, or not a part of a category or categories. Given this assumption, categorical association can be coded as a dichotomous variable and thus be analyzed statistically. Further research has to be conducted to transform this idea to practice.

8.9 Explaining Some Process

When conducting a big work such as this, even though it is not yet finished, it is sometimes helpful to look back. It may seem, by the looks of the text above that research is a linear process: theory, method, data, and analysis. However,

the structure of the text is merely meant to convey certain messages of the text more clearly, a means to avoiding criticism and inviting to readership. Having said this, conducting a study like this is an evolving process representing evolution of knowledge in theory and data. Only a marginal part of this evolution is captured in the dissertation for reasons mentioned above. Even so, it is important to describe the research process and knowledge development in the dissertation for anyone who may undertake a similar experience or research effort.

This dissertation starts out from the notion that business plans are an inefficient tool for the management of new ventures. This notion came primarily from a study conducted by Honig & Karlsson 2004. They establish both a weak relationship between plans and performance, or performance and plans if you so will. They also note that institutional sources seem to play a significant part in explaining why new ventures write business plans. Thus, already from the start I was prone to think about business plans as an institutionally promoted tool (rather than efficiency driven). Investigating the phenomenon in depth made me realize that the assertion that business plans are institutionalized and not profitable/rational is neither interesting nor a good use of qualitative methodology. So from a focus to prove this institutionalization, I started to investigate the process involved in managing the institution, business plan, called in this study the institutionalization process. Studies of the institutionalization process had previously focused on how a social structure gets institutionalized in the sense more spread or increasingly taken for granted. This means primarily a focus on questions such as: What origins does the institutional pressure have? What kinds of pressures are exerted? This study includes this investigation but investigates also how do the young firms deal with the institutional pressures and what consequences do their actions have on their environment but also on their activities.

My early ideas about the phenomenon of institutionalization was one of coerced conformity, i.e. that organizations over a period of some time, long or short, were coerced by different means to do what institutions demanded from them. Especially new ventures can be thought of strongly influenced by their institutional environment, according to previous theorists (e.g. Stinchcombe 1965; Aldrich and Fiol, 1994). Interviewing some companies, I started to realize that conformity was the only measure a new venture had towards institutional pressures; they could differ in their ways in which they confronted institutional pressures. While some flatly rejected institutional pressures others conformed in some aspects and rejected it at other levels. With the help of Oliver, Meyer and Rowan, and Røvik, I started to question the idea that institutional pressures lead to conformity. It may lead to conformity at some level, but not in all. I also found that certain pressures seem to invoke special types of ways of dealing with the pressure. There were different ways of categorizing how they dealt with it. At first I used Oliver's categorization, viewing the way she dealt with it as strategies. However I was soon slightly

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dissatisfied by it, and retreated to viewing different ways of dealing with institutional pressures such as analytical categories, describing what I had seen in the studied companies. I did not any longer focus on strategies as a necessarily intentional way of responding to institutional pressures. The interviews have made me realize that the new organizations in this study end up in the strategies they do largely because their institutional pressure is inconsistent.

This study is an intensive study focuses on six small firms, in a small incubator, in a small town in Sweden. It has a narrow application to a special set of firms in a specific setting at a specific point in time. Even so, I don't regret the choice of this specific set of firms. What might be lost in possibilities to generalize is gained in understanding of what really causes the organizations to act in the way they do. Without studying the companies and their environment in depth, I doubt that I would ever have realized that the institutional pressure is mainly normative, instead of coercive, and that the respondents have internalized the normative pressure to such an extent that they perceive the external actors coerce them into doing it, even if they do not. It would also be difficult with a more extensive study to understand the gradual decrease in conformity that the new ventures show towards the business plan institution, and the reasons underlying it.

Several things have happened in the academic world since I embarked on this research project. Some authors have spurred off a debate in the wake of the Internet bubble in the business plans are blamed for some poor decision making of entrepreneurs. Gumpert (2002) wrote the book titled "Burn the Business Plan" symbolizing a true shift since the publication of his article in Harvard Business Review talking about the virtues of writing a business plan (Rich and Gumpert, 1985). However the book's title does not convey the whole story about what the book is about. despite the title, the book extensively describes how to write a business plan (Edelman, 2004) Similarly the academic debate on whether writing a business plan is good or not for a new firm has resurged (Delmar & Shane, 2004; Honig & Karlsson, 2004).

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Appendix A: A Short Description of Persons and Companies in This Study

The appendix provides short descriptions of each person and company referred to in this study. Several respondents requested anonymity; therefore all person names in the study are fictitious.

Short Descriptions of Persons

Arvid Arvidsson

Arvidsson is one of three current owners in Alfa and a good friend of Andersson, the manager. The board of Alfa consists of Arvidsson who is chairman, Abrahamsson and Andersson. Arvidsson has a degree from Stockholm School of Economics, in accounting and finance. He is currently owner of several other firms and manager of one other firm.

Axel Axelsson

Axelsson was at the beginning of the study owner and manager of Alfa. He has an incomplete education in computer engineering from the engineering school in Grönköping. He quit the school when he started to work in Alfa together with Andersson. At the end of the study, he left the firm and started to study again.

Anders Andersson

Andersson is the manager of Alfa. Before he started Alfa he had been involved in a large number of other activities, one of which was to start the association of “young stock traders” in Grönköping. He has participated in the course entrepreneurship and business planning at GEBS. He started the firm together with Axelsson, but is now running it with an employee.

Björn Björnsson

Björnsson finished his studies in informatics at GEBS during this study. He was one of two managers in Beta in the beginning of this study. At the end of this study he was the only manager left in the company. By then he moved into the premises of Rho, still as an independent company.

Bengt Bengtsson

Bengtsson was one of two managers in Beta at the beginning of this study. He has a degree in informatics from GEBS, which he was completing at the same

time as he was running the business. At the end of this study Bengt left Beta to join the military on Gotland.

Daniel Danielsson

Danielsson is the manager of the business Delta. He has a University degree in business administration. He started the business 1999 at the time Jennysdotter and Jonasson was incubator managers. At the start of the business he was one of three managers in the company, but at the time of the study, he was the only manager left. He left the firm in 2004, and moved to his girlfriend in the USA.

Dirk Dirksson

The first external investor in Delta. He took over management of Delta when Danielsson left the firm.

Erika Erikasdotter

Erikasdotter has a degree in media and communication from the school of education and communication in Grönköping. She started Epsilon when she joined the summer entrepreneur project organized by Innovating Incubator. She was the only manager in the company; shortly after this study was conducted she hired one employee. At the end of the study, the company was terminated and she moved abroad.

Eva Evasdotter

Evasdotter was employed at Epsilon in the beginning of this study. She has a degree in media and communication at the school of communication and education in Grönköping. Erikasdotter was her superior.

Gunnar Gunnarsson

Gunnarsson has a degree in innovation management from the University of Karlstad, and in media and communication from the school of education and communication in Grönköping. He is one of three managers at Gamma, and had a key responsibility for developing the text in Gamma's business plan. He was at the time of this study involved also in all other parts of Gammas business.

Gabriel Gabrielsson

Gabrielsson had a diverse background before his studies in computer communication at the engineering school in Grönköping. He is one of three managers at Gamma, and at the time of this study was specifically engaged in customer contacts. He was engaged in all parts of Gammas business.

Georg Georgsson

Georgsson has a degree in computer communication at the engineering school in Grönköping. He has an interest in music, including working as a disc-jockey

Appendix

during his high school studies, and playing classical guitar. He is one of three managers at Gamma. At the time of this study he was involved in all parts of Gamma's business, especially dealing with purchasing production material.

Ivar Ivarsson

Ivarsson was an incubator manager, one of two responsible incubator managers at the time of this study. Together with Ingesson, he constitutes the third generation of incubator managers since the incubator started 1996. He has a university degree in business administration, focusing broadly at marketing and management courses. He took two courses in entrepreneurship, both dealing with business plan issues. One of them involved writing a business plan. He recently graduated from the university.

Inge Ingesson

Ingesson was one of two responsible incubator managers at the time of this study. He has some previous work experience in team building exercises for conference participants and a university education in business administration, focusing mainly in finance and accounting courses. He recently graduated from the university. Together with Ivarsson, he represents the third generation of incubator managers since the incubator started 1996.

Jonas Jonasson

Jonasson replaced the founders of the incubator, and he and Jennysdotter made up the second pair of incubator managers. He left innovative incubator and worked at the time of this study at Siliconovative incubator in the Swedish capital. At this incubator, business plans are compulsory. Jonasson has a university degree in business administration from GEBS.

Johan Johansson

At the time of this study Johansson was responsible for the development of Pre-Innovating Incubator, an arena for development of student and company ideas into businesses. While formally employed by the university, he worked closely with the incubator managers and the Science Park management. He started an own business in the incubator 1999, at the time Joelsson and Jakobsson were incubator managers.

Jenny Jennysdotter

Jennysdotter started became an incubator manager 1999 together with Jonasson. She was incubator manager at the start of this study. In the end of 2002, she became manager of Grönköping Science Park replacing Mats Matsson. Jennysdotter has a degree in business administration at university level, and has participated in courses evaluating business plans.

Joel Joelsson

Joelsson started the incubator together with Jakobsson, and they were its first managers. He had an idea to assist students to start their own businesses based on a school work they wrote in their last year of studies. During the first years they developed the incubator from scratch with support from the dean of the school.

Kalle Kalleson

PhD. Candidate and one of the founders of Kappa

Lena Lenasdotter

Lenasdotter works at Lamda, a large Swedish commercial bank. She is in charge of loan giving, and has handled the loan of Gamma.

Lars Larsson

Larsson works at Lamda, with loan giving. He was at the time of the interview responsible for contacts between the Science Park and the bank.

Mats Matsson

Matsson was manager of Grönköping Science Park at the beginning of this study, and at the start-up of the Science Park. He has a licentiate degree in applied meteorology from the Royal Institute of Technology. He has worked as engineer and manager in different companies. At the start of this study, he was responsible for business development at the municipality and had started his work at Grönköping Science Park. At the end of this study he worked at an electronics company in Grönköping Science Park.

Olle Olsson

Olsson is a partner at Orion accounting firm in Grönköping. He has a degree in accounting from Grönköping University College. He was responsible for Orion's presence at the Science Park. He is a chartered accountant

Olof Olofsson

Olofsson is a partner at Omega (Omega) accounting firm in Grönköping. He graduated from the business education at Grönköping University College. He is responsible for Omega's general presence at the Science Park. He is a chartered accountant.

Samuel Samuelsson

Samuelsson is a painter and artist. At the time of this study he had just finished his education in lighting design, and started his own company (Seta) together with Svensson. Samuelsson was for the duration of this study, one of the two managers of the firm.

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Sven Svensson

Svensson started the company Seta after finishing the lighting design education. He has been one of two managers in Seta for the duration of this study.

Tova Tovasdötter

After finishing her marketing education, Tovasdötter started working with market research, first as an employee at Grönköping Entrepreneurial Business School and then as a company co-founder. One and a half years after starting this firm, Tovasdötter started her own business, Theta. Tovasdötter is a good friend of Erikasdötter.

Names referred to, but not interviewed

Adrian Adriansson

Participated in developing the idea about Alfa, but left the idea before the company was founded.

Assar Assarsson

Participated in developing the idea about Alfa, but left the idea before the company was founded.

August Augustsson

Employee at Alfa. He started to work there when Axelsson quit the firm.

Abraham Abrahamsson

Abrahamsson is an external owner at Alfa and an award-winning financial journalist.

Bertil Bertilsson

A student who worked on the development of the idea for Beta. Bertilsson quit Beta during 2000, half a year after the company started.

Birger Birgersson

An early team member in the development of Beta.

Erik Eriksson

Former president of Grönköpings Entrepreneurial Business School

Emil Emilsson

Former teacher at Grönköpings Entrepreneurial Business School

Isak Isaksson

Employed at Pre-Innovating Incubator during 2003. Works closely with Ivarsson and Ingesson.

Jana Janasdotter

Janasdotter was employed at Pre-Innovating Incubator for a short time during 2002

Jakob Jakobsson

Participated in the creation of Innovating Incubator, and was one of two initial incubator managers.

Jarl Jarlsson

Was a co-writer of the initial ideas of “Innovating Incubator: Where student ideas become reality”.

Jesper Jespersson

Employed at the Pre- innovating incubator 2003

Jessica Jessicasdotter

One of the founders of Jota

Johannes Johannesson

One of the founders of Jota.

Jon Jonsson

Employed at Pre-Innovating Incubator during 2003, moved to Innovative Incubator 2004.

Kjell Kjellsson

One of the owners of Kappa.

Rickard Rickardsson

One of the founders of Rho and a source of management advice for Beta.

The Silver Oak

An award for best innovative incubator company.

Torvald Torvaldsson

Torvaldsson was running his own company, at the time of this study. He was involved as mentor in Theta and Epsilon. He also has strong connections to Grönköping Entrepreneurial Business School.

Short Company Descriptions

The text below describes all the different organizations included in this study. In addition these descriptions, chapter 4 and 5 include in-depth information about the incubator and the six focal companies.

Focal organizations

Alfa

Alfa provides financial information on an internet page. Individuals engaged in the company during this study are Andersson, Arvidsson, Axelsson, Abrahamsson and Augustsson. Alfa is a focal company in this study.

Beta

Beta works mainly with web production and consulting. During this study there were two active individuals in the company Björnsson, and Bengtsson. Beta is a focal company in this study.

Gamma

CD and video media production for universities and events are its key business. The three owners are Georgsson, Gabrielsson and Gunnarsson. Gamma is a focal company in this study.

Delta

Delta was managing stocks and funds for its customers. At the time of this study, Danielsson was the only active person in the company. Delta is a focal company in this study.

Epsilon

Epsilon worked with public relations and marketing consultancy. Erikasdotter was the owner of the company, and she had one employee, Evasdotter. Epsilon is a focal company in this study.

Seta

Seta works with light planning and design. Svensson and Samuelsson are the two owner/managers of the firm. Seta is a focal company in this study.

Non focal organizations

ALMI

A government-funded organization that supplies loans to new and small businesses.

Grönköping

A city in Sweden

Innovating Incubator

Innovating Incubator: or the incubator, is an incubator primarily targeting student businesses at the time of this study. All focal organizations were situated in the incubator at the start of this study.

Jota

Jota started in 1998 and was a high profile company in the Incubator during 1999-2001. It was a source of inspiration for Betas business model, and discussed in negative terms by Erikasdotter.

Kappa

Kappa was active during the start of this company working with university-related education. The managers at Kappa were Kalleson and Kjellsson. They gave advice to Gamma on what a business plan should contain.

Lamda

A Swedish commercial bank, and a partner bank of the incubator

Luna

A partner bank of the incubator

Pre-Innovating Incubator

Pre-Innovating Incubator works closely with the incubator and the rest of the Science Park. They deal with individuals who want to start a business, but have not yet registered their firm or established sales.

Omega

An accounting firm used by some incubator companies, and a partner of the incubator.

Orion

An accounting firm used by some incubator companies, and a partner of the incubator.

Rho

Rho is one of the larger companies in Grönköping Science Park, and it was started in the incubator 1998. Jakobsson, Rickardsson and Joelsson are three of Rho current owners.

Science Park Grönköping

The Science Park works with start, development and growth of knowledge intensive companies. Innovating Incubator and Pre-Innovating Incubator are parts of Grönköping Science Park. Manager of Grönköping Science Park at the start of this study was Matsson. He was later replaced with Jennysdotter

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Siliconovative

An incubator situated in another Swedish city.

Theta

Theta works primarily with marketing surveys. It was started 1998 in the incubator by Tovasdöter. The companies had close ties to Epsilon.

Vacation Venture

Vacation Venture is a project that lets students who have the summer off to get an opportunity to start their own company and work with consulting during the holiday. It also helps companies to get work capacity during the summer, when many of their regular employees are having a vacation.

Appendix B: The Recursive Institutionalization Process

Institutional theory has primarily been concerned with the environmental determinates of organizational action (DiMaggio & Powell, 1983). Several recent studies in institutional theory have indicated that more attention should be placed on organizational agency (Beckert, 1999; Oliver, 1991; Fligstein 1997; Goodrick and Salancik, 1996). However when agency is brought into institutional theory, some of the strengths of institutional theory are lost. Institutional theorists have had a hard time integrating both aspects of the institutionalization process. It seems that either organizational action is shaped by environmental pressures or it is not. Beckert (1999) asks: If organizational structures and strategies are shaped by institutional environments, what is the role of strategic choice in the management of organization? Several attempts at solutions to this question have been made.

Greenwood and Hining's (1996) suggest that organizations can exert agency as institutional pressures are not complete and coherent. Institutional entrepreneurship has been suggested as a second solution to the problem. In this view, certain individuals with extraordinary resources or abilities can alter/create young institutions for their own benefit.

The analysis in this report suggests a third alternative. Agency and institutional pressures are in this model treated as opposite aspects of the same kind. Two sides of the same coin. Organizations are not only subjected to institutional pressures but they also construct them. Organizations old and new engage in this constant construction, and reconstruction of institutions. In line with the reasoning of Giddens (1984), there are indications here that new organizations with respect to the business plan institution both construct and reconstruct the business plan institution.

The data material is investigated from the assumption that young organizations are also creating the institutions surrounding them. This is called the recursive process of institutionalization. In figure A-1 the recursive process of institutionalization is described. This process figure is meant to illustrate the dynamic relation between the focal organization and its external actors.

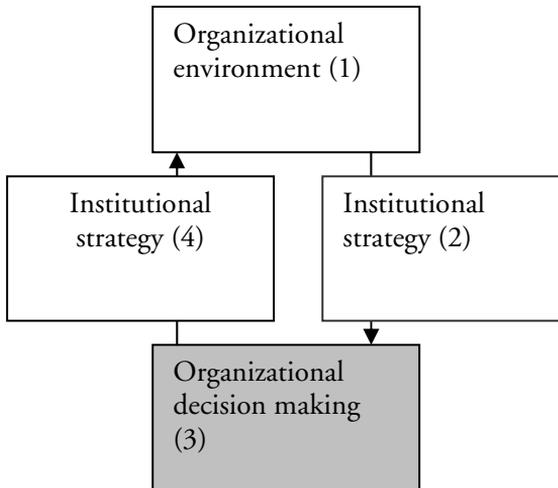


Figure A-1 The Recursive Process of Institutionalization

In figure A-1, presents a simplification of the relation between the organization and its environment by granting them the same theoretical powers. One reason why it is so difficult to see that organizations have agency is because other actors, be it larger firms or older organizations' have significantly more power and can thus determine the faith of the small organization. However, this model stresses that the firm and its environment mutually interact. Organizations outside of the focal organization have the ability to exert agency on the organization similar to that the focal organization can exert on its institutional environment. There are two basic components in the model. Let's start with describing the decision making component. Our knowledge of the decision making process with respect to institutional pressures is marginal.

Decision-making activities are bounded on what concepts the organizations readily can evaluate, and the cost of getting more information. This notion is based on Simon's (1976) idea about bounded rationality in decision making. Basically, content pressure reduces the cost of making a conformist decision, and it offers a potential way to reduce decision uncertainty. The decision making outcome to institutional pressures is more complex than to conform or not to conform.

The essence is that agency is based on the focal organizations understanding of their situations and the options available to them.

Making sense of these aspects is called *decision making* and acting upon the sense that is made is called *institutional strategy*.

Focal and non-focal organizations do not differ in a general sense with respect to these abilities, regardless of size. Inter organizational action and interaction generates an interrelated understanding of things. Such interaction

may create change in understanding through force, persuasion, or just exposure. If and when change in understanding occurs when organizations interact, they trigger *decision making activities* within each individual/and or company. Basically such decision making concerns how to deal with the renewed understanding.

In the following sections, I will discuss three examples of how the organizational agency and organizational predetermination can be analyzed with the assistance of the framework presented above. All examples are taken from the empirical context of this dissertation.

Example 1: Gamma Meets the Bank

External organization (Kappa) wants cooperation with focal organization (Gamma), and had a strategy to use content pressure perhaps in hope of reciprocity in improved cooperation. It could be said that Kalleson exerts content pressure on the focal organization in hope of reciprocity in terms of improved collaboration. It seems as if improved collaboration has taken place. Gamma then took the decision to write a business plan based on the template. This decision is influenced by the fact it has the template. First, it has the alternative, and therefore could evaluate it, to see if it is satisfactory. The template reduces the cost to make use of it, and thereby further increases the positive evaluation the decision to write a plan. It serves the purpose to reduce uncertainty when it comes to how a bank evaluates loans.

With this document Gamma acts by initiating a contact with the bank, proposing a bank loan for 50 000 Swedish kronor (acquiescence to the content/normative pressure from Kalleson). The bank evaluates the loan proposal according to its principles governing how it can grant loans, mainly based on criteria other than the business plan document. Therefore Lenasdotter shows elements of surprise when she sees the plan. A well developed business plan (in this case of about 20 pages) is not what the bank expects (misplaced acquiescence), nor does it describe variables that the bank needs to make a decision on a small bank loan. Even though the business plan is slightly misplaced in this situation, the loan officer still commends the use of the business plan, thus enforcing the institution (compromise/loose coupling strategy from the bank). However, the fact that Lamda have seen business plans from Beta and Gamma, and its aware of the normative pressure for writing and evaluating business plans, it is likely that this incidence could spark off a future acquiescent response to this pressure from one of its financial organizations, or by virtue of mimetic pressures to evaluate it stemming from other banks.

Within Gamma the positive evaluation of the plan further institutionalizes the importance of the plan for a while, and activities in updating the plan and opinions of the plan are vivid and positive. An illustration of Gammas institutionalization process can be found in figure A-2.

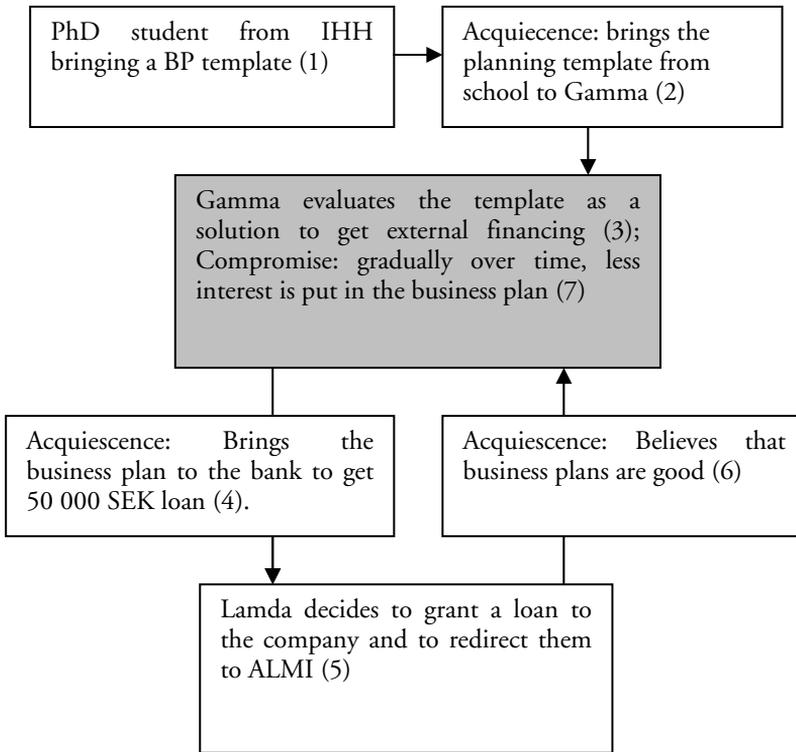


Figure A-2 Gammas Recursive Institutionalization Process

In this way, Gamma uses an acquiescence strategy and the bank an avoidance strategy (more of a façade type of strategy), the institution of writing a business plan is upheld even though the supposed coercive institutional pressure is not in place. The conformity from Gamma's side takes place before the bank is met, and despite of the absence of a coercive pressure. It was because it is normatively enforced that plans should be written before meeting with the bank, that Gamma writes one.

After some time now, there are indications that business planning activities in Gamma are gradually decreasing. Its strategy is now better described as loose coupling/avoidance than acquiescence.

Example 2: Alfa Looks for External Ownership Capital

When Alfa began (1998), some of the individuals involved in developing the business idea of Alfa from GEBS brought a business plan template to it. The manager at Alfa indicated that he used this template to produce a business plan.

The reason to write the business plan was that the company had a template to create the plan from. Alfa wanted to have external owners before registering.

This idea was also a reason for writing a business plan. Since Andersson had an extensive contact net from previous work tasks, he approached two friends. Both these friends he knew from the association “Young Stock Owners”. Both friends agreed to invest ownership capital in Alfa. None of them demanded that a business plan should be written in order for them to invest in the company. However they did comment on the actual formulation of the business plan text.

Almost exactly the same type of process as in Gamma took place in Alfa. An illustration of Alfa’s institutionalization process can be found in figure A-3.

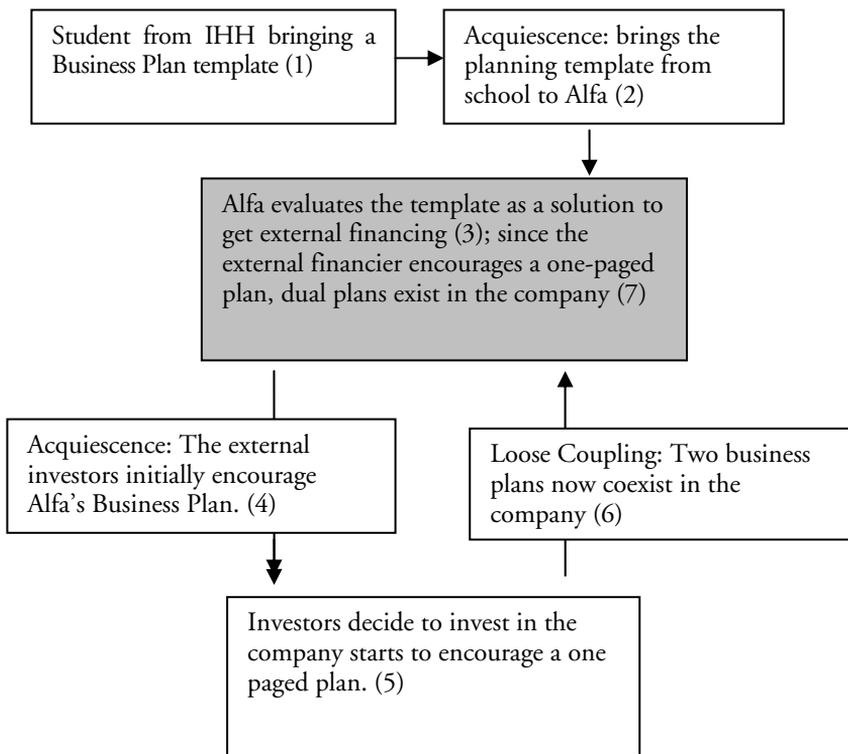


Figure A-3 Alfa’s Recursive Institutionalization Process

Alfa is confronted with a template, and an indication of how to use it. Based on the template, it becomes easy to write a plan, and thus the decision to write a plan becomes more favorable. This decision precedes actual meetings with external investors. The external investors evaluate the production of the plan in a positive manner, however the decision to invest is firmly based in the previous knowledge they have about the manager of the firm.

At later stages, the external investors would prefer that the lengthy business plan should be loose coupled (it is sufficient with a one page summary, and it does not need to be related to the business plan). The manager at Alfa is happy about this development because, as he says, bureaucracy and planning are not his forte. The template originating from the business school, Alfa produces the plan is positively evaluated (normatively upheld). The external owners advocate a compromise strategy. The manager avoids the normative pressure and loose couples. Stages (3-6) represent an implicit and stable relation between the management and the external owners. Compromise in the form of separation between norm and behavior is implicitly understood among both actors. As long as no other influential actors disturb this fit, this relation will likely endure. In the enduring sense, between these actors, the compromise strategy with respect to business plans has been institutionalized.

Example 3: Business Plans? - Never Heard of Them.

The managers of Seta graduated from the college of lighting design. This school is different from the engineering and business school in many respects. With respect to business plans specifically, it has no courses on business plans, and the managers of Seta had never heard the concept of business planning in the school. The institutional pressure to write business plan is an easily noticeable feature if you are a company within the incubator. From 2002-2003 there were at least three seminars on how to write them, constant information about business plan competitions, and incubator managers talked about them occasionally. Many of the activities were sent through email to all incubator companies, and most of them were posted easily visible in the incubator corridor. While the researcher probably was extra attentive to such information, it was likely that some of the information also reached Seta. Even so, Samuelsson argues that he never heard about the concept of business planning and he said that he even did not know what it was. Since they did not know about it, they had not written a business plan and nor did they intend to. If they were to write one it would be “if they wanted us to do the lighting for the royal castle in Stockholm”.

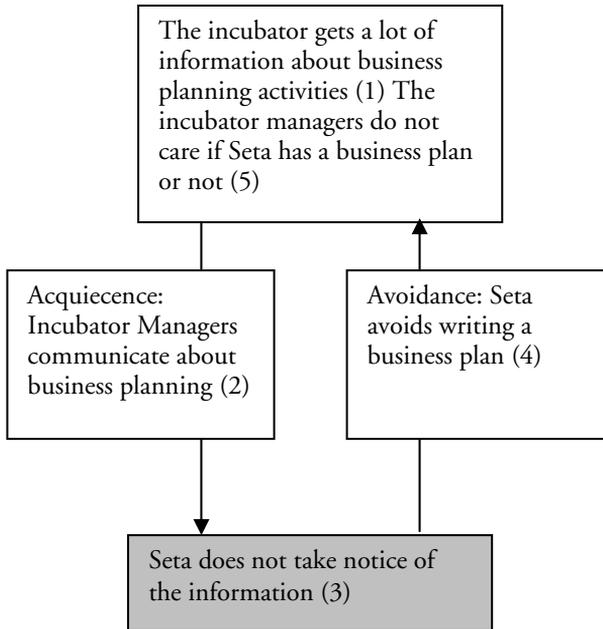


Figure A-4 The Recursive Institutionalization Process in Seta

Figure A-4 shows how the incubator supports the institutionalization of the business plan. However, Seta's managers, who unlike managers of some of the other studied companies, were not exposed to the business plan institution during their college/university period. They had not written a business plan. They had never noticed any noteworthy institutional pressure. This was a bit peculiar, as several emails and information leaflets were sent to them and large papers with information about business plans within the incubator were posted. It seems the managers at Seta wanted to avoid that type of information. The incubator managers knew that Seta did not have a business plan. However, they did nothing to force Seta to conform. In that way it was possible for Seta to continue to avoid conforming to the business plan institution.

Even though young organizations are subjected to liabilities of newness, and don't have the same power as many of their larger counterparts, there are still possibilities for nonconformist agency. This study implies that, instead of attacking the institution head on, young organizations can avoid arenas where conformity is necessary and they can conceal their non-conformity in action, by conforming to formal requirements for planning.

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