

## The Business Plan in the Context of Corporate Entrepreneurship: A Literature Review

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### Abstract

Business planning is seen by some authors as an important step in the entrepreneurial process, supporting companies in business development. However, there is no unanimity about the importance of the business plan, since both benefits and costs arise from business planning. This paper intends to contribute to this debate by analyzing the business plan in the context of corporate entrepreneurship through a literature review. Since business planning requires the spending of company's resources but helps the company gain financing, this analysis leads to the conclusion that business planning may be like an investment - it is necessary to spend resources to gain more resources, therefore, the choice of the company to plan will depend on its evaluation of whether the financing obtained will surpass the resources spent.

**Key-words:** Entrepreneurship; Corporate entrepreneurship; Entrepreneurial process; Business plan

### 1. Introduction

Entrepreneurship has been linked with the concepts of new entry and innovation and described as the exploitation of new opportunities by entrepreneurs (Ardichvili, Cardozo, & Ray, 2003; Choi & Shepherd, 2004; Lumpkin & Dess, 1996; Shane & Venkataraman, 2000; Stevenson & Gumpert, 1985). It refers to companies' entry into new markets (when they are able to identify and exploit a new business opportunity), or to innovations or renewals within the companies (Lumpkin & Dess, 1996; Shane & Venkataraman, 2000; Sharma & Chrisman, 1999). While entrepreneurship can take place in the creation of a company as well (start-up entrepreneurship), the focus of this paper will be the entrepreneurship that takes place within established companies - corporate entrepreneurship (Thornberry, 2001), which results from their need to continue innovating and acting entrepreneurially so that they can maintain or gain a competitive advantage and continue to grow (Covin & Miles, 1999; Thornberry, 2001).

To act entrepreneurially companies follow a process (that may be different among them) - the entrepreneurial process, which is essentially the pursuit of an opportunity identified (Ardichvili et al., 2003; Choi & Shepherd, 2004; Stevenson & Gumpert, 1985). Authors have different perspectives of the stages that integrate this process. One stage that is mentioned by some is the conception of a business plan (Ardichvili et al., 2003; Haber & Reichel, 2007). This document acts as a support in the exploitation of the opportunity, allowing entrepreneurs to gather and analyze crucial information and to make forecasts about what will be the value created to the company (Chwolka & Raith, 2012; Honig, 2004). Although the business plan is thought by some as a fundamental support in business development, others disagree given that from its writing also emanate costs (Karlsson & Honig, 2009). Thus, the business plan will be further analyzed in this paper to help understand the debate between planning and not planning.

The paper will begin with an analysis of corporate entrepreneurship to determine its benefits and

the different types of corporate entrepreneurship that can take place in a firm. Then will be presented the entrepreneurial process and its stages according to different authors. The paper will then focus on the topic business plan, namely its goals, the planning process and the benefits and costs of the business plan formulation.

## 2. Corporate Entrepreneurship

Corporate entrepreneurship is according to Sharma and Chrisman (1999: 18): "the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization". That is, it occurs within a company or organization already established in the market and can consist on the formation of a new business, an innovation or renewal in the company or the creation of a new organization, using the resources of the existing company (Sharma & Chrisman, 1999; Thornberry, 2001; Wolcott & Lippitz, 2007).

The main purpose of corporate entrepreneurship is to create economic value for the company, contributing to the company's performance and competitive advantage. The development of something new in the company, which occurs in corporate entrepreneurship, will also result in an increase in the entrepreneur's knowledge and skills (Covin & Miles, 1999; Thornberry, 2001), and may later reflect in more benefits for the company. However, corporate entrepreneurship does not only result in benefits for companies. When a company chooses to be entrepreneurial, has to take into account that it is also engaging in a risky activity since a significant investment of the company's resources is required and there is no certainty of success (Thornberry, 2001; Wolcott & Lippitz, 2007). Thus, risk-taking behavior becomes an essential characteristic of entrepreneurs. They must be willing to face risky situations so that they can have truly entrepreneurial initiatives (Miller, 1983).

Corporate entrepreneurship can then occur in four ways according to Thornberry (2001). First, by encouraging the company's employees to have entrepreneurial initiatives - Intrapreneuring; second, by developing a new business within the company - Corporate Venturing; third, through the Organizational Transformation of the company; and finally, by the company's change of the competition rules to which it is subject - Industry Rule-Bending. These four types of corporate entrepreneurship are presented in Table 1.

<b>Types of Corporate Entrepreneurship (Thornberry, 2001)</b>	
Intrapreneuring	Companies aim to turn their workers into entrepreneurs, allowing them to create innovations within the company.
Corporate Venturing	Creation of a new business within a company that distinguishes itself from the current business.
Organizational Transformation	An innovation or a reorganization of resources leads to the development of new business opportunities.
Industry Rule-Bending	The company tries to change the competition rules in the market in which it operates.

Table 1 – Types of corporate entrepreneurship described by Thornberry (2001)

Intrapreneuring is a concept that is also used in the literature to refer to corporate entrepreneurship in the general sense (Russell, 1999) or to identify the situation in which ideas for new products emerge from one or more individuals within a company (Covin & Miles, 1999). However, this paper focuses on the definition according to Thornberry (2001). Intrapreneuring is therefore the type of corporate entrepreneurship that occurs when companies aim to turn their workers into

entrepreneurs so that the company's employees create innovations in the company's business (Thornberry, 2001). The increased involvement of the company's workers in the business can lead to more opinions, which may increase innovation activities in the company. However, there are also consequences, such as higher employee management costs and the risk of confidential information escaping, as there may be more people accessing potentially confidential information about the company (Barringer & Bluedorn, 1999).

Corporate Venturing is the concept used to describe the creation of a new business within a company that distinguishes itself from the current business, resulting this new business from the creation of a new product, an innovation or a new market opportunity. This can lead to the formation of new divisions within the company and a change in its strategy (Narayanan, Yang, & Zahra, 2009; Sharma & Chrisman, 1999; Thornberry, 2001; Vanhaverbeke & Peeters, 2005). Companies may incur in internal or external Corporate Venturing. In the first case, the new business is formed within the domain of the company, while in the second case there are investments by the company in businesses external to its domain, either to develop or to create them (Covin & Miles, 2007; Sharma & Chrisman, 1999). This type of corporate entrepreneurship is positive for companies since it contributes to their heterogeneity (by increasing their business portfolio), to their competitive advantage and to the development of skills (Narayanan et al., 2009; Vanhaverbeke & Peeters, 2005). However, it can be difficult for companies to change their organizational structure and processes, which is essential when they incur in Corporate Venturing (Narayanan et al., 2009).

Corporate entrepreneurship through the Organizational Transformation of a company results from an innovation (e.g. product innovation) or a reorganization of resources, which leads to the development of new business opportunities (Covin & Miles, 1999; Dougherty, 1992; Thornberry, 2001). It is possible to find this type of transformation associated with other concepts in the literature such as the terms strategic renewal (Guth & Ginsberg, 1990; Sharma & Chrisman, 1999), organizational renewal (Dougherty, 1992) or organizational rejuvenation (Covin & Miles, 1999), since it consists in the renewal of an existing company through a significant change in its strategy (e.g. marketing strategy), structure, processes and resources combination. What happens is therefore a transformation of the company and not the formation of a new business (Covin & Miles, 1999; Guth & Ginsberg, 1990; Sharma & Chrisman, 1999). This will lead to the creation of wealth and economic value for the company, to the increase of its competitiveness, and possibly to the creation of value for its customers (Covin & Miles, 1999; Guth & Ginsberg, 1990; Thornberry, 2001).

In the articles of Guth and Ginsberg (1990) and Sharma and Chrisman (1999), the concept of strategic renewal is associated with a transformation of the company and its businesses, but the concept definition by Covin and Miles (1999) bares more similarities to what Thornberry (2001) calls Industry Rule-Bending – the company's change of the competition rules in the market in which it operates. Covin and Miles (1999) describe the strategic renewal as the situation in which the company considerably changes its form of competition and its business strategy to influence its position in the market and its relation with competing companies, and to better exploit market opportunities.

Thornberry (2001) presented these types of corporate entrepreneurship, but it is possible to find others in the literature. For instance, Covin and Miles (1999) describe the types: sustained regeneration, organizational rejuvenation, strategic renewal and domain redefinition. Organizational rejuvenation has already been mentioned in the topic of Organizational Transformation and strategic renewal in the topic of Industry Rule-Bending, so only sustained regeneration and domain redefinition will be further analyzed.

Sustained regeneration refers to the companies “that regularly and continuously introduce new products and services or enter new markets” (Covin & Miles, 1999: 51), actively innovating to exploit market opportunities and, therefore, engaging in strong entrepreneurial activity. The firm

must resort to its technical knowledge to be able to introduce new products/services or its current products/services in new markets, which might lead to a new business and to an increase of the firm's competitive advantage, allowing the company to react to products short life cycles or to rapid technological changes (Dess et al., 2003; Kantur, 2016; Kuratko & Audretsch, 2009). Domain redefinition, on its turn, results from an innovation not only at the firm level, but at the market level as well. In this case, the company "creates a new product-market arena that others have not recognized or actively sought to exploit" (Covin & Miles, 1999: 54). This way, the company creates a new business in a market space that has not been exploited, achieving a first mover advantage and, thus, gaining a competitive advantage against the later entrants (Covin & Miles, 1999; Kuratko & Audretsch, 2009).

### 3. Entrepreneurial Process

The entrepreneurial process consists of "the methods, practices, and decision-making styles managers use to act entrepreneurially" (Lumpkin & Dess, 1996: 136). Several authors present the process as the identification and exploitation of an opportunity (Ardichvili et al., 2003; Choi & Shepherd, 2004; Stevenson & Gumpert, 1985). Thus, the entrepreneurial process is a dynamic process of recognition and development of an opportunity, in which there must be continuous evaluation and permanent search for new opportunities (Ardichvili et al., 2003). The stages that constitute the entrepreneurial process differ among different authors, and it is not possible to identify a single process. Cardon, Zietsma, Saparito, Matherne, and Davis (2005), for example, differ from other authors in describing the entrepreneurial process through a metaphor with the paternity process, defining the stages of conception, gestation, infancy and toddlerhood, childhood and adolescence, and finally maturity, as the company is formed and develops. However, it is possible to find some similarities in the stages of the process described in different literature, which will be presented in the perspective of a new business development. In Table 2 are presented the stages of the entrepreneurial process described by some authors.

The initial stage is closely linked to the concept of market. Stevenson & Gumpert (1985) describe the first stage of the process as the identification of the business opportunity, in which the entrepreneur must have a market orientation to be able to identify the opportunity. It is at this stage that the idea of the business to be developed arises, whether it is a new idea or a new application of old ideas (Haber & Reichel, 2007; Stevenson & Gumpert, 1985). Also, for Ardichvili et al. (2003), the first stage of the process is related to the identification of the opportunity, in order to identify a market need that can be suppressed with a new combination of resources. The authors consider this initial stage the definition of the business concept through the identification of the market need, the definition of the desired benefits and the establishment of how the resources will be used, that is, the concept must include how the entrepreneur intends to supply the market need and how the resources will be applied for this purpose.

Brockner, Higgins, and Low (2004) consider that the entrepreneurial process begins with the identification and screening of an idea. In order to evaluate the idea, the company must carry out an analysis, questioning several factors, such as whether there is a market for the product/service it intends to offer, whether it has the capacity to supply it to the market and if it has any competitive advantage over companies already established in the market. In addition to these issues, the company should also regard other factors such as the risks to which will be subjected to and how to manage them. Finally, the company must consider whether all the investment needed for the project will be offset by the returns. These are questions that must be considered at the beginning of the process to help the company understand if it is possible to put the idea into practice but also throughout the process to reflect whether to give up at some point in the process if the company comes to the conclusion that the returns of the business will not be enough to offset the investment.

Entrepreneurial Process					
Authors	Stages				
Stevenson & Gumpert (1985)	Identify opportunity	Identify how to capitalize on opportunity	Identify required resources	Determine how to control resources	Determine organizational structure
Ardichvili et al. (2003)	Define business concept		Define business model		Define business plan
Brockner et al. (2004)	Identifying and screening the idea	Procuring resources	Proving the business model	Rollout phase	Product life cycle
Cardon et al. (2005)	Conception (commitment to the venture)	Gestation (resource acquisition)	Infancy and toddlerhood (high dependence of the venture from the entrepreneur)	Childhood and adolescence (increasing independence of the venture from the entrepreneur)	Maturity (separation of firm and entrepreneur)
Haber & Reichel (2007)	Idea formulation	Feasibility study of the business concept	Establishment phase (writing business plan)	Operation stage (initiation of the life cycle of the venture)	

Table 2 – Stages of the entrepreneurial process described by different authors

The remaining stages of the process diverge more among the authors, but some point out that the second stage is the moment to identify and/or obtain the necessary resources (Ardichvili et al., 2003; Brockner et al., 2004; Cardon et al., 2005), in particular financial, technological and human resources. Investors may be needed to obtain the financial resources and, as such, the company must be able to prove the idea will be beneficial to them (Brockner et al., 2004). Ardichvili et al. (2003) consider that in the second stage of the process the company must determine what resources will use and how, through the definition of the business model. This model should include a financial model, which explains the value that the development of the opportunity will create and how it will be distributed to the stakeholders. This should include the more detailed business concept as well (Ardichvili et al., 2003), which feasibility should be analyzed at this second stage of the process, according to Haber and Reichel (2007).

For Stevenson and Gumpert (1985), resources are only related to the stages 3 and 4 of the process. Thus, before evaluating the resources, the company must identify how to capitalize on the entrepreneurial idea (stage 2), identifying the circumstances that can make the idea profitable. It is only then that the necessary resources are identified (stage 3) and how to control them is determined (stage 4), the fundamental being not the amount of resources that are applied in the project, but the innovation of the company in the use of these resources. The entrepreneurial process ends with the determination of the organizational structure (stage 5).

In the third stage of the process, according to Brockner et al. (2004), the company has to be able to demonstrate the feasibility of the business model, developing a prototype of the product/service and testing it with potential clients. For Ardichvili et al. (2003), the third (and last) stage is the time for the company to define a business plan, which should include the estimation of the expected cash flows, the description of the opportunity development activities, and the resources needed to develop it. Also for Haber and Reichel (2007) it is in the third stage (which they refer



to as establishment stage) that the business plan is developed with the purposes of analyzing the financial viability of the business and obtaining external financing. The fourth stage of the process, according to Brockner et al. (2004), is the rollout phase, which entails the business/product launch. If the launch is successful, the final stage begins, the business/product life cycle - maturity and renewal/growth or maturity and decline (Brockner et al., 2004), which Haber and Reichel (2007) call the operation stage.

#### **4. The Business Plan and its goals**

Since the business plan is an important component and support of the entrepreneurial process (Ardichvili et al., 2003; Haber & Reichel, 2007; Honig, 2004) it should be better analyzed. The business plan is a formal document, which describes and develops the opportunity of a business identified by the entrepreneur and the strategy defined to explore it, and is designed to improve the company's performance in the market (Chwolka & Raith, 2012; Gruber, 2007; Honig, 2004). In addition to comprise a document that allows analyzing the viability of the business, the business plan also consists of a project constituted by the strategy that the company must follow to develop the new business (Fernández-Guerrero, Revuelto-Taboada, & Simón-Moya, 2012). Essentially, the business plan evaluates the current situation of the company and presents the company's vision for the future, through the prediction of the expected situation for the company in the future after the development of the business (Delmar & Shane, 2004; Honig, 2004).

The business plan is designed with the purposes of defining the business concept and developing the ideas about the new business (Gruber, 2007). Planning is a support in the entrepreneurial process by enabling companies to make decisions regarding the various steps to be taken in this process, including the fundamental decision on whether they should actually enter the market, thus contributing to their survival (Chwolka & Raith, 2012). The plan also has the fundamental goal of gaining financing for the development of the business which is sometimes the only reason why entrepreneurs decide to make a plan (Bewayo, 2010; Bianchi, Winch, & Grey, 1998; Fernández-Guerrero et al., 2012), since banks and investors typically require a business plan before investing in businesses (Honig, 2004) as it gives them a perspective of the entrepreneur's ideas allowing them to assess its potential and to assess if the revenues expected are consistent with the actions planned for the business development. This financing will be one important contribution from the business plan to the business survival but, if entrepreneurs have many resources they may choose not to write a business plan since external financing will not be so important to the business startup (Burke, Fraser, & Greene, 2010; Castrogiovanni, 1996; Delmar & Shane, 2004).

Another goal of some companies when designing a business plan, which departs from the main purposes of the plan but may be equally important, is to gain legitimacy and credibility for their business. Sometimes, in this case, entrepreneurs do not really mean to use the business plan as a support for the new business (Delmar & Shane, 2004; Honig, 2004; Ivanisevic, Katic, Buchmeister, & Leber, 2016; Karlsson & Honig, 2009), but because they think it is something supposed to be done when starting a business and that makes their business show potential for success (Castrogiovanni, 1996). However, while legitimizing the business might seem not that fundamental to its start, it can be important to gather the support of stakeholders and to obtain resources, which in turn are fundamental to the business success (Delmar & Shane, 2004).

In terms of the contents and structure of the business plan, these diverge from plan to plan, companies do not follow a single model (Ivanisevic et al., 2016). However, there are certain topics accepted as key elements of a plan. The plan should include among its contents the description of the product or service, the definition of the business goals, the identification of the steps necessary to achieve these goals, and a financial projection of the business. It should also have a delineation of the company's strategies (organizational and financial), the expected results of these strategies and possible corrective measures in case the expected results are not met. Thus, the plan consists

of a set of commercial, financial, statistical and economic information that allows the entrepreneur to understand the system where the company will act, the restrictions that will be subject to and the resources available, and thus determine how these factors will affect it (Bianchi et al., 1998; Bracker & Pearson, 1986; Brinckmann, Grichnik, & Kapsa, 2010; Honig, 2004).

With the gathered information, it becomes possible for the entrepreneur to plan the fundamental factors of a business, namely to predict production and to establish marketing and management methods (Honig, 2004). Since the business plan is a support in the preparation of a new business, it should also provide information about potential customers, the market in which the product is to be offered and the company's competition (Brinckmann et al., 2010; Honig, 2004). Finally, another very common element in business plans is the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis (Bracker & Pearson, 1986), which allows to analyze the new business both at the company level (strengths and weaknesses) and the external level (opportunities and threats).

Bracker and Pearson (1986) defined some types of business plans according to their structures and content, distinguishing between structured plans (written plans), intuitive plans (plans that are only in the mind of the entrepreneur) and unstructured plans (when there is no structured planning in the firm). They also divided the structured plans into strategic plans (long-range plans) and operational plans (short-range plans). However, the authors concluded that the planning process has more influence on the company's performance than the business plan itself.

## 5. The Planning Process

It is not only the business plan that affects business performance but also the planning process itself, that is, the positive contribution of the business plan to companies stems not only from the business plan itself, but also from the whole process of defining the plan (Brinckmann et al., 2010). The planning process is the process of researching and collecting information that is fundamental to the business and its consequent analysis (Honig, 2004). This process will start when the entrepreneur identifies an opportunity, making it necessary to verify if this is in fact an idea that could benefit the company and what is the best strategy for the idea to be of value to the company (McGrath, 2010). For this process it will be fundamental that the entrepreneur has a developed planning capacity, since the more time is spent in the formulation of the business plan, the less likely it is to achieve the goals of the plan and, thus, the chances of business success will decrease (Gruber, 2007; Van de Ven, Hudson, & Schroeder, 1984). The benefits of planning depend from the activities developed in the planning and the time invested in the planning process as well, therefore, the entrepreneur must be able to choose what is worth of time investment and focus only on the fundamental activities (Gruber, 2007).

The process of developing the business plan should be gradual, beginning with simple business planning activities (e.g. meetings and market analysis) that enable the entrepreneur to acquire some knowledge. As the plan is developed, the entrepreneur and the company gain experience and acquire more knowledge and as such can increase the investment in planning activities, applying more and more resources to planning as the process unfolds. This type of activity must occur simultaneously with other activities associated with the development of the business (Brinckmann et al., 2010). However, it is not always beneficial that business development activities occur simultaneously with the preparation of the business plan. In the case of marketing activities, it may be more beneficial for companies to develop them only after the business plan is complete. For example, the business plan can help define the target customers of the business, so it might be more beneficial for the entrepreneur to talk to potential clients only after the business plan is completed (Shane & Delmar, 2004). Finally, when the planning is completed and the business plan written, entrepreneurs should send the plan to the maximum number of people connected to the business to be analyzed, increasing the chances of business success if more people analyze it (Van de Ven et al., 1984).

However, it is not always the entrepreneurs that formulate the business plan, sometimes they approach consultants to prepare them, especially in the early stages of business development (Bianchi et al., 1998). This aid can be beneficial for companies, like Van de Ven et al. (1984) concluded in their study on new firms - success was superior in companies where there was greater support from consultants. Chrisman, McMullan, and Hall (2005) argue as well that consultant support in the planning process contributes to the performance of the business, even though they recognize that the planning process leads to the learning of entrepreneurs when they develop the plans without external help. This learning factor should not be overlooked. Learning is one of the fundamental outcomes of a business plan, since formulating the business plan will help the entrepreneur to acquire knowledge about the new business (e.g. about competition or the market) which in turn will help the entrepreneur to determine the best actions to develop the business, contributing to the business survival. Learning will also help the entrepreneur to select the correct information about the business to present to potential financiers, increasing the chances of gaining the financing needed (Castrogiovanni, 1996).

Business planning is also affected by the type of companies in which it occurs, with a difference in the planning between emerging companies and companies already established in the market. In emerging companies there is a great deal of uncertainty that will affect planning, given that as companies are starting their activity, they have little knowledge and experience (Brinckmann et al., 2010; Gruber, 2007). This uncertainty can lead companies to invest in a business plan as a mean to decrease it, however, uncertainty can hinder the learning gained by business planning and diminish the chances of business success (Castrogiovanni, 1996). Still, Delmar and Shane (2003), found in their study that planning is beneficial even with the uncertainty present in new firms.

On the other hand, established companies have greater knowledge and information resulting from their experience, which is reflected in a lower degree of uncertainty in the business plans. The lower degree of uncertainty in established firms leads to a more positive influence of business planning in these companies than in emerging ones. Also, the fact that there is greater concern in emerging companies to reduce losses and that there is a great shortage of information (thus planning costs can greatly outweigh the benefits) results in a limitation of the costs incurred in market analysis, and therefore these companies may choose not to invest in the acquisition of fundamental information (Brinckmann et al., 2010; Gruber, 2007). Even when emerging companies opt to invest in a business plan, they often do not use them, as Karlsson and Honig (2009) found in a study of a sample of new firms, where they discovered a progressive departure of the business from what was originally defined in the business plan, since the main concern of concern of companies to write the business plan was to gain legitimacy.

## **6. Benefits and Costs of the Business Plan**

The business plan may have a positive effect on the development of companies, but some costs arise from its formulation. After many studies from several authors there is still no consensus about whether or not the business plan is important to firm survival. While some studies have shown a positive impact of the business plan in firm performance (e.g. Brinckmann et al., 2010; Burke et al., 2010; Delmar & Shane, 2004), others have shown no impact (e.g. Honig & Karlsson, 2004; Lange, Molloy, Pearlmutter, Singh, & Bygrave, 2007; Tornikoski & Newbert, 2007). Some authors oppose to business planning because it is time consuming and deviates the focus from activities that have a more direct contribution to the beginning of the new business (Karlsson & Honig, 2009; Shane & Delmar, 2004). According to Karlsson and Honig (2009), the fact that there are successful companies that did not develop business plans at the beginning of their activity can be given as evidence against business planning, yet, the business plan is still seen as an important support for business development.

However, while the business plan is considered positive to firm performance because it is a



support for the new business, Chwolka and Raith (2012) argue that in fact business planning is beneficial to companies because it will contribute to a better analysis of business ideas, so the chances that bad business ideas stay out of the market will increase, and this will lead to only good ideas ever reaching the market. This way, the chances of business survival will be greater. Nevertheless, what seems to be essential to benefit from the formulation of a business plan is that the benefits of planning the business exceed the resulting costs.

The benefits of the business plan will result from the predictions that can be made through the formulation of the plan and from the business planning itself that will help the company to choose the most beneficial approach for its business (Castrogiovanni, 1996; Chwolka & Raith, 2012). An example of a fundamental forecast is the expected cash flows. Their prediction and analysis allow the entrepreneur to understand whether it will in fact be beneficial to enter the market (Chwolka & Raith, 2012). The business plan also contributes to the acquisition of resources through financing (Burke et al., 2010) and to the economic use of the company's resources (Brinckmann et al., 2010). It may also improve the company's financial performance, however, this obviously depends on the fulfillment of the plan. Sometimes, as mentioned before, entrepreneurs draw up plans without having the intention of consulting and following them, so it is necessary to control the compliance of the business with what is stipulated in the plan, for the plan to have a positive effect in the financial performance (Karlsson & Honig, 2009).

Essentially, the benefits of the business plan derive from the information it provides, since its elaboration eases the collection and management of key business startup information (Gruber, 2007; Shane & Delmar, 2004). This collection of information allows to define the business concept and to better understand the market in which the company will operate, and helps in the development of marketing activities, which results in the definition of the necessary steps for the commercialization of the new product or service, and, therefore, allows the business launch (Brinckmann et al., 2010; Gruber, 2007; Shane & Delmar, 2004). This information will be important not only for the entrepreneur but to everyone involved in the business development as well. Through the business plan the entrepreneur will transmit the information to the company and to stakeholders, allowing them to understand the entrepreneur's vision for the business (Delmar & Shane, 2003).

In terms of costs, a relevant cost arising from the business plan is the opportunity cost that results from the time spent in its preparation (Chwolka & Raith, 2012; Shane & Delmar, 2004). The time devoted to the business plan could be used in other activities with a more direct effect on the origin of the business, such as marketing activities, rather than being spent on an activity that does not directly result in the formation of the business (Shane & Delmar, 2004). This time spent will be reflected in a delay in the development of the business, which according to Chwolka and Raith (2012) has two consequences - a possible loss of the present value of future revenues (related to interest expenses) and a possible reduction of the revenues, since market conditions might change and new competition may arise. However, while it is true that the company may be investing time that could be useful in other activities, business planning entails a planning of activities that will result in the saving of time when the business starts its development, since the entrepreneur will only focus on the necessary activities to achieve the business goals. Also, the information collected to plan the business will allow a faster decision making in the business development (Delmar & Shane, 2003). This shows that some benefits and costs of the business plan are opposed to each other (these are presented in Table 3), further dividing the debate between supporters and opponents of the business plan.

Business Plan	
Benefits	Costs
<ul style="list-style-type: none"> <li>- Planning of activities will result in the saving of time when the business starts its development.</li> <li>- Planning allows faster decision making when the business takes off (Delmar &amp; Shane, 2003).</li> </ul>	<ul style="list-style-type: none"> <li>- Time devoted to the business plan could be used in other activities with a more direct effect on the origin of the business (leads to opportunity cost) (Shane &amp; Delmar, 2004).</li> </ul>
<ul style="list-style-type: none"> <li>- Business planning can improve the adaptability of the business (Castrogiovanni, 1996).</li> </ul>	<ul style="list-style-type: none"> <li>- The business plan may make it difficult for companies to adapt to new conditions (Honig, 2004).</li> </ul>
<ul style="list-style-type: none"> <li>- Business planning contributes to the economic use of the company's resources (Brinckmann et al., 2010).</li> <li>- The business plan contributes to the acquisition of resources through financing (Burke et al., 2010).</li> </ul>	<ul style="list-style-type: none"> <li>- The writing of the business requires the spending of company's resources (Karlsson &amp; Honig, 2009).</li> </ul>

Table 3 – Opposed benefits and costs of the business plan

Other costs include expenses with consultants who support the preparation of the plan, the effort required by the planning activities, and the spending of company's resources (such as financial resources) that could be applied to other activities that would actually start the business, such as searching for customers and suppliers (Chwolka & Raith, 2012; Karlsson & Honig, 2009). The plan may also make it difficult for companies to adapt to new conditions if they are in dynamic markets where product changes are frequent (Honig, 2004). However, according to Castrogiovanni (1996), business planning can actually improve the adaptability of the business, since the learning gained from it can help the entrepreneur to understand how to adapt to certain situations before they occur. This way, it will be easier to improvise certain activities to react to these situations (Burke et al., 2010). This is another contradiction, in terms of the benefits and costs of the business plan, present in the literature.

Given that the business plan has costs and benefits, the entrepreneur must decide if the business plan will be useful, according to the information available. If the entrepreneur and the company have extensive experience in business development and extensive knowledge about the new business and market, the business plan will probably not be that relevant. However, if the entrepreneur does not have the necessary knowledge and experience then the business plan will be an important support to the new business (Burke et al., 2010). Essentially, the entrepreneur will have to evaluate all the costs and benefits resulting from the business plan, opting only to invest in a plan when the value of the information it provides is higher than the costs that result from its formulation (Chwolka & Raith, 2012).

## 7. Conclusion

The purpose of this paper was to explore entrepreneurship at the firm level – corporate entrepreneurship, and to determine how an entrepreneur within a firm should proceed in the exploitation of an opportunity. The stages of the entrepreneurial process might be different among authors but it was possible to find some similarities, essentially the need to first analyze the business and to eventually assemble the necessary resources. Some authors mention the stage of writing the business plan as well but there is no unanimity about whether this is really a fundamental tool in the business development. Some studies have demonstrated that the business plan has a positive effect on companies' performance, helping them to thrive in the market and succeed (Brinckmann et al., 2010), while others oppose by claiming that the time spent in its formulation should be spent in activities that would result in a direct influence in the start of the

business (Karlsson & Honig, 2009).

The fact that some benefits and costs of business planning oppose each other or even contradict each other can further contribute to this divide. For instance, writing a business plan can lead to resource spending (Karlsson & Honig, 2009), but at the same time help the company gain financing, increasing its resources (Burke et al., 2010). Thus, business planning may be like an investment – it is necessary to spend resources to gain more resources, therefore, the choice of the company to plan will depend on its evaluation of whether the financing obtained will surpass the resources spent. This applies to all benefits and costs of business planning, to a firm engage in business planning the benefits of planning must surpass the costs (Chwolka & Raith, 2012), which means that the value of the business plan must be determined by the entrepreneur before the business development to ascertain whether it will benefit the company or not.

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