An alternative to business plan based advice for start-ups?

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Abstract: *Business plans are advocated by many business support professionals and others, such as educators in higher education institutions, because they suit their purposes. A typical view is that a business plan is 'one of the most important steps in setting up any new business' (Burns, 2011); but their hegemony is now being questioned. Sarasvathy (2008) suggests that effectuation is the method often favoured by expert entrepreneurs and this paper seeks to combine it with an exploration view of entrepreneurship to produce an alternative tool for start-up ventures. The paper compares the pros and cons of each approach and suggests that an exploration approach is often more natural, logical and effective than the business plan based alternative.*

Keywords: *start-up advice; business plans; effectuation; exploration*

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It has been suggested that the business plan may have been invented by bankers and/or accountants (Gibb, 2005) but was then taken up enthusiastically by business schools because it unites in one exercise the main threads of business school teaching. Whatever its origins, it is now advocated by many enterprise advisers, academics, agencies and teachers, and by many business and enterprise text books. For instance:

> 'One of the most important steps in setting up any new business is to develop a business plan.' (Entrepreneurship text book: Burns, 2011)

> 'If you intend to start a business you need to write a business plan.' (UK bank: HSBC, 2011)

> 'It is essential to have a realistic, working business plan when you're starting up a business.' (Business Support Agency: Business Link, 2010)

> 'Developing a business plan is perhaps one of the most important stages of starting your own business.' (Economic Development Agency: Invest Northern Ireland, 2010)

> 'Every business...needs a business plan.' (Business plan guide: Harvard Business School Press, 2007)

Even when start-up guidance does not directly advocate a business plan it seems that much of it is nevertheless based on business plan thinking. For instance, education syllabi and training manuals tend to focus on market analysis and sales forecasts, production needs, organization and staffing, and finance. An example is a recent start-up guide which has chapters on: 'starting a business, forming a business, marketing and sales, managing your money, where to work, the legal bit, selling yourself, mentors and role models, going for growth and – writing a business plan' (Prince's Trust, 2011). The business plan has thus gained hegemony, not just as the thing to do when starting a business but as the basis for any start-up agenda. It appears to fit many people's requirements and, for instance, it is advocated and/or taught by:

- bankers – because it records the justification for lending money;
- business schools – because it links all the key areas of business school teaching;
- business trainers – because it provides a seemingly logical framework and agreed syllabus; and
- business agencies – because it provides the basis for support assessment and offers.

Despite such apparently universal endorsement, there are reservations about business plans, not least amongst those who actually start businesses. A survey conducted in 2009 of former students of Babson College in Massachusetts, USA who had graduated between 1985 and 2006 and who had since then founded one or more full-time new ventures found that in only about half of the cases was there a written business plan before the business began operating. The survey also concluded that, overall, the subsequent performance of all the new ventures was *not* related to having such a business plan (Lange *et al*, 2009). Informal surveying suggests that many others who have started businesses, including even some enterprise academics who have taught business start-up, did not produce business plans. Many of them, who had not discussed their own approaches with others, appeared to have thought that they were just a rare exception to the rule.

Other voices are now being raised against the ubiquity of the business plan, including the following.

> 'My focus...is on a number of ''elephants in the room''...such as the worship of the rational business plan in curricula.' (An entrepreneurship professor emeritus and author: Meyer, 2011)

> 'An intense debate emerged recently...on the value of business planning for established small and especially new firms'. (An academic paper on the value of business planning: Brinckmann *et al*, 2010.)

> 'We have all heard the growing chorus of faculty debating the proper role, if any, for teaching business plans. A valid criticism coming out of this debate is that the way business plans have been traditionally taught results in well-written ''works of fiction''. Students are told to come up with an idea, do extensive research, and write a comprehensive business plan.' (An entrepreneurship academic: Cornwall, 2010)

> 'I am more than ever convinced that entrepreneurship cannot be planned to any major extent in advance, and that planning even goes against the entrepreneurial idea. Entrepreneurship is rather about courage and willpower, being venturesome when experimenting and networking, and about exploiting necessary mistakes as moments of learning.' (An entrepreneurship professor, author and consultant: Bjerke, 2007.)

A problem with criticisms of the business plan, especially for enterprise educators and advisers, is what to put in its place and on what to base advice and guidance if not on the business plan framework. Without a suitable alternative, business plan thinking, despite its problems, seems destined to remain as the default approach. However, an alternative has now started to emerge. Signs of it might be seen in, for instance, the writing of Stevenson and Gumpert in 1985 in which they suggest that entrepreneurs commit resources through a multi-stage process with minimal exposure of each stage, instead of a single stage complete commitment associated with formal planning systems. This is consistent with the observations by Sarasvathy of how expert entrepreneurs actually operate, observations which were developed into the 'effectuation' approach (Sarasvathy, 2001, Sarasvathy, 2008 and Reid *et al*, 2011). This present paper is based on that alternative thinking.

Objectives and methods

The objectives of this article are to contrast an exploration approach to business start-up, based on effectuation principles, with a business plan based approach and thus to identify and compare the advantages (pros) and disadvantages (cons) of each approach. This analysis should inform the validity of the business plan approach and, if relevant, suggest its repositioning in start-up thinking.

To achieve this, the article first outlines the two approaches and then compares them against wide-ranging criteria. This comparison assists in explaining the nature of each approach and the differences between them, and indicates their main benefits and weaknesses. Conclusions are then drawn about the suggested relevance of each approach to the start-up process and their relevance, therefore, for entrepreneurship teaching/training.

Comparing exploration and business plan approaches

An exploration approach: accepting uncertainty

The first approach, proposed as an alternative to the business plan, is referred to as an 'exploration'

Table 1. Ten principles of an exploration approach*

1. An enterprise is a goal-realization device. So what is your goal – what are you hoping to achieve? Is a new enterprise/venture likely to help you to achieve it? If not, why are you thinking of one?
2. Start from where you are and go in the direction you want to go. Where you are includes who you are, what you know and who you know and why you are doing it. Build on all of them to give you a start.
3. Consider the downside risk and don't at any stage commit to an uncertain venture more than you can afford to lose.
4. Checks and plans. Do carry out some quick reality checks to see if your idea could work, and do give some thought to how you might do it, at least initially.
5. The only reliable test is a real one. If you are producing something to sell the only reliable way to see if it will sell is to produce it, if necessary on a trial basis, and see if it does sell.
6. Get some momentum. If you get started the momentum you gain will help to take you over difficulties. If you haven't started, difficulties will only add further delay to your start.
7. Accept that the situation is uncertain, and act accordingly. For instance proceed cautiously and flexibly and be prepared to alter course if necessary. In particular look out for opportunities and be ready to use then.
8. Build, and use, social capital. Social capital comes from social contacts. Like financial capital it has to be acquired to be used. There are different varieties of it, each of which has a different use.
9. Acquire the relevant skills, or find a partner with them. For a business the skills needed might include book-keeping and money management, selling and producing.
10. Don't produce a formal business plan unless, and until, to do so would appear to be helpful and/or others require you to provide one.

*Adapted in part from Reid *et al* (2011).

approach, because it considers that early-stage entrepreneurship has more in common with exploration than with running a big business. It accepts that the future is uncertain and unpredictable and therefore suggests proceeding to explore it accordingly. Thus, based in part on the principles of 'effectuation' (Sarasvathy, 2008 and Reid *et al*, 2011), ten principles are suggested as the guidance which is the basis of this approach. These are presented in Table 1.

This approach is similar to the attitude adopted by explorers seeking a way through unknown territory. They cannot plan their route in advance because there are too many unknowns. So, when they start they look for a promising path to take them in the direction they want to go, but they are open to apparently better opportunities when they discover them and they know that they may not discover them until they get started. Nevertheless, because there is no certain way through, they know that they should not commit more than they can afford to lose to a route which has not yet been proven. Therefore they try to decide which is the most attractive path to take initially from where they are, but remain open to alternatives and stay flexible so that with relative ease they can go round any obstacles they encounter, or switch paths, or even goals, if that seems more attractive and/or appropriate.

A business plan based approach

In contrast the traditional business plan based approach involves not only making and then following a business plan but also being informed and directed by the framework of the traditional business plan components. Thus it is typified by the sequence outlined in Table 2.

This approach thus recognizes that the future may be uncertain but seeks to reduce that uncertainty by prior investigation and planning. In particular, for business ventures, it assumes that prior market research can help to indicate what can, or cannot, be sold, in what

Table 2. Ten steps of a business plan based approach.

1. Identify a business idea (because it seems promising, trendy, appropriate for you, etc)
2. Investigate its market – will it sell, in what volumes, under what conditions, and for what price? Also what is the competition and on what factors do they compete? What therefore are your sales projections?
3. Determine what you will need in the way of premises, equipment, stock, organization, staff, marketing campaign, etc – and their cost.
4. Plan the sequencing of actions and spends.
5. Prepare financial projections – what level of profit should the venture make, and what investment is required?
6. Write it all up in a business plan (in a form that is ready to present to potential supporters and/or investors).
7. Analyse the plan (including sensitivity analysis) and its conclusions and decide whether or not to go ahead.
8. Raise the investment which the plan suggests is justified and needed.
9. Start.
10. Follow the plan.

volumes and at what price. By costing what is involved in making the sales and comparing that with the income that might be generated, the profitability of the venture can be assessed against different sales projections. Thus the odds of success can be estimated, and uncertainty changed into risk, so that a risk–benefit assessment can be made as the basis for a decision on whether to proceed. Appropriate dispositions can then be made and the venture, if started, can be controlled or manipulated to follow the route indicated in the plan.

Comparing the approaches

There are some commonalities between the two approaches. For instance, whichever approach is followed, decisions need to be made about what is to be offered and how to sell it; and on how to produce the offering and price it; and a comparison needs to be made between projected costs and projected income to see if it likely to be worth proceeding. Legal formalities will also need to be completed. Equally, there are many aspects in which the approaches differ and these are summarized in Table 3.

An implication of Table 3 is that formal business plans may be of practical benefit for larger scale ventures, but not so for many small ventures because of their different starting points and resources. It may therefore be logical for many small ventures to use an exploration approach. To illustrate the options, Table 4 further describes the key advantages and disadvantages of each approach.

These tables indicate that, whilst each may have its advantages and disadvantages, the approach chosen could be largely determined by the stage of the venture. For many people starting a relatively small business, an exploration approach would be more natural, logical, and effective than the business plan based alternative (and an exploration/effectuation approach would also be appropriate for many non-business ventures – see Sarasvathy and Venkataraman, 2011). A business plan may be more helpful for larger, more complex, and possibly later-stage ventures, for which more detailed planning is appropriate or when a business plan is being sought by potential external funders.

Are there other approaches?

There are other approaches such as those presented in Table 5. However, it is important to note that those illustrated only cover a limited market and/or part of the start-up process and also have a piecemeal approach. No other approaches which appear to have a universal application of the sort that is claimed of the exploration and business plan approaches are currently known to the authors.[1]

Is an exploration approach helpful?

The exploration approach suggested above has only recently been formulated and, at the time of writing, has not been delivered as a full course, not least because those delivering start-up courses are generally funded in the expectation of adhering to established methods. A longitudinal evaluation of the effectiveness of the exploration approach is therefore not currently available. Nevertheless, a number of anecdotes from the authors' experiences might serve to illustrate its relevance.

The relevance of an exploration approach

A young man was once introduced to one of the authors as someone whose first venture had not been successful but who had spotted another opportunity and might try again if he could be encouraged to see that a first failure did not mean he was written-off as an entrepreneur. But, instead of trying to persuade him that a failure was not the end, how much better would it have been to help the young man to see his efforts as an exploration in which some setbacks are to be expected, instead of leaving him to think that, because he had produced a business plan which hadn't worked, the business was a failure?

The relevance of not putting too much at risk – and not trusting a business plan

One of the authors once interviewed a young woman who, with a partner, had started a fashion clothing business. They appeared to have done well in the beginning and won a prestigious 'business start' competition. They tried to follow the business plan, which had been largely produced for them by someone else, but failed to control their cash flow and the business collapsed. As a result the parents of one partner lost their house which they had mortgaged to provide the venture with the investment the plan required.

The relevance of getting started and gaining momentum

One of the authors was invited to help a local group which was attempting to deliver a series of initiatives to improve the town in which they lived. This was some time after the group had started and it was apparent that by then they were at the stage when they needed some structure and coordination if their various initiatives were to be effective. However, they were probably right to have started without a plan, in the way that they did, both because they had made progress and were gaining local support which was encouraging them to persevere and because, until they had started and found opportunities, they did not know which initiatives they

Table 3. Comparison of exploration and business plan based approaches.

Aspect	Exploration approach	Business plan approach
Philosophy	It is not prescriptive. It entails being flexible and developing through exploration and experience an understanding of the territory and of the progression options.	It is prescriptive. It sets a pre-determined path by first researching and developing a business plan which will determine the route to be followed.
Attitude	Reality is uncertain – so proceed with open eyes ready to do what appears to be appropriate as the situation evolves.	The future can be forecast. So first develop a plan and then follow it – trying to do what the plan suggests should be done.
Mind set encouraged	Encourages exploration, flexibility and responsiveness – a discovery attitude.	Encourages following a pre-determined path – an operational attitude.
Environment assumed	Accepts that the environment is in reality uncertain and fluid.	Assumes an environment which is relatively static and predictable.
Starting point	Start from where you are.	Start from where the plan says you should start.
When to start	Start early, because that way you will feel that you are doing something, you will gain confidence and momentum, you will find out what works and you will see more opportunities.	Only start when you have researched your idea, explored the market, decided what you are going to do, assessed the viability of your proposal and produced a business plan showing how it will be delivered.
On finding obstacles	If you have built and maintained momentum it will help you across and/or around obstacles. You may also by then have seen other opportunities.	Follow the plan. If it doesn't work, stop and re-assess.
Preparation and planning	Prepare to be flexible.	Plan the venture in detail and then follow the plan.
Route followed	Follow a route as and when you find one going in the direction in which you want to go, and until you find a better one.	Follow the route specified in the plan.
Guidance used	Find an appropriate mentor/expertise.	The plan tends to be your ultimate guidance.
Scale of venture	It is often good for small ventures.	Business plans tend to be helpful for bigger ventures.
When to plan	Produce a written plan only when you need one, for instance because potential investors want to see one.	Produce a full written plan at the start because that is when (you are told that) you need one.
Approach	Assumes a dynamic situation for which the relevant approach is to have a goal/direction and to be able to steer towards it in a changing environment.	Assumes that the situation can be analysed as if it was static and for which the relevant approach is one of reflective dissection and diagnosis.
Consistency with the other approach	This approach does not deny that a business plan may be helpful, but does not insist that it is always essential at the start, especially as sometimes it cannot be prepared until later.	Business plan based approaches usually only cover the components of the traditional business plan and ignore the other key aspects of start-up which are covered by Approach A.
Resource and cost considerations	Invest the minimum amount of resource needed and don't put at risk on a venture more than you can afford to lose. But also consider what you will lose if you don't proceed.	Business plans can be relatively expensive to produce – both in time and money. They also encourage the investment of the amount of resource the plan suggests is required and is justified by the expected return.

Table 4. The pros and cons of exploration and business plan based approaches.

	Exploration approach	Business plan approach
Advantages	It is natural – because it is practical and fits in well with evolved instincts. It works – it is what expert entrepreneurs do. It is a better preparation for unforeseen obstacles and the reality of an uncertain future. There is logic to it. It is flexible. It is cheap(er).	It provides a straightforward, clear and apparently logical way forwards. It helps the instigator to assess what to do and to communicate the main points of the venture to others. It is widely used and supported by many authorities. Supporters and/or funders will ask for it in any case.
Disadvantages	It seems rather uncertain and there's no clear path set out. It does not conform to established practice because other people may expect, or want, a business plan at the start. It does not insist on the discipline of thinking through actions beforehand and so does not help people to spot potential obstacles.	It isn't (necessarily) the best way. It is based on market research and a sales forecast which, at this stage in a business, isn't likely to be reliable – because you can't know how the market will react and what the opportunities are before you actually get started and involved. Following a pre-determined plan can encourage you to be inflexible and less open and responsive to new developments. The effort of producing a business plan leads to an inclination to stick to the chosen method, both because that has been the focus of attention and because so much work has been invested in its determination.

would be pursuing and therefore could not determine what plans and models were appropriate.

The relevance of understanding the different forms of social capital

Social capital comes from social contacts and it is similar to financial capital in that it is possible to use only as much as has been acquired. It is also analogous to vitamins in food, in that there are different varieties of it, each of which has a different use. It is possible to appreciate these different forms and how to acquire them. For instance, a business mentor told one of the authors of a young man who, having been unemployed for a period, was trying to establish himself as a contract gardener but was being severely distracted by nuisance calls to his business telephone number late at night. Knowing his circumstances, the mentor thought they might be from his former mates, most of whom were still unemployed and who might resent his deviation from that norm. If that interpretation was correct the calls were, in effect, negative social capital – which was causing the young man to be discouraged. The mentor suggested that he, the gardener, should try to change his friends and associate instead with people who might be more encouraging. The important general message for venturers is that having positive friends can be a helpful form of social capital.

The relevance of having a recognized alternative approach

The authors have found that in talking to people who have started their own business, quite a few admit that, in their case, they had not produced a business plan because it did not seem to be relevant. These fledgling entrepreneurs included academics who taught business plans but had started businesses in areas such as marketing, training and consulting without producing plans themselves. They had not admitted this before

Table 5. Other approaches.

Approach and source	Description and relevance
A Better Mousetrap (Bissell and Parker, 1993)	Sub-titled 'a guide for inventors', it covers: 'Is the idea original?', 'Is there a demand for it?', 'Will it work?', 'Will there be anything worth selling?', 'Intellectual property, 'Financial expectations' and 'Commercial strategy'. It is thus relevant to inventors to help them to see if their invention is worth developing further but it does not cover the business start-up process.
Wendy Kennedy www.wendykennedy.com	Described as 'the inventor's commercialization toolkit' aimed at 'scientists, researchers, engineers and technology entrepreneurs' to help to 'turn your good idea into a great opportunity', it covers: 'So what?', 'Who cares?' and 'Why you?'. It starts with the assumption that the idea is worth developing and covers the key issues in commercializing it, assuming some form of business start-up.

because they seemed to feel that they were being lazy or were simply rare exceptions to the accepted rule.

Discussion and implications

In Sarasvathy's terminology (Sarasvathy, 2001), exploration in the way advocated is an 'effectuation' approach, and a business plan approach a 'causation' approach. Sarasvathy uses a cooking analogy to explain the differences, suggesting that in cooking it would be causation if you started by selecting a particular recipe, then assembled the ingredients it specifies in the indicated amounts and then, following what the recipe says, put it all together to produce (you hope) a dish the same as the one the recipe describes. With an effectuation approach you would instead start with what you have to hand, such as the ingredients in the 'fridge and/or the cupboard, and then use your imagination, informed by an understanding of the logic of the cooking process, to select and put them together to create a meal in the manner of your choosing.

Of course in cooking it is possible to mix causation and effectuation by taking an existing recipe and adapting it to your circumstances, although some would argue that such a flexible approach is the essence of effectuation because the result would be to produce your dish and not that of the recipe. Similarly it is possible, while following an exploration approach, to produce a business plan if and when one is required for a prospective funder or other potential stakeholder, but such a plan should not dictate the development process of the venture.

Nevertheless, the two approaches are different and are thus potentially appropriate for different stages and circumstances. One of the key differences between the approaches is the attitude taken to the future. The exploration approach is based on a belief that the future is uncertain and unpredictable; and this has a number of consequences.

- If the future is unpredictable then trying to forecast it, for instance by market research, is likely to be a waste of effort. Sarasvathy (2008) found that the 'expert entrepreneurs' (people who had taken at least one company public) distrusted market research and this belief is consistent with the message of observers such as Graves (2010) that 'the findings obtained from most market research are completely unreliable'.
- On the other hand, if the future is unpredictable, that means it is not yet determined– which in turn indicates that the entrepreneur could have an opportunity to shape it.
- Because the future is uncertain this should be allowed for in how an entrepreneur operates. They should be on the lookout for other opportunities and/or be prepared for obstacles, and ready to react accordingly.

Another key distinction between the two approaches lies in the way they treat uncertainty and risk. If the difference between uncertainty and risk is that uncertainty means that the odds are not known whereas risk implies that they are, then a business plan approach tries to reduce uncertainty by assessing risk through research and prediction. The heart of a business plan is generally the sales forecast based on some form of market research. It is on this forecast that the projected production capacity and staffing requirements and consequent financial projections, profitability estimates and sensitivity analysis can then be based. The consequences of doing this include the following.

- The business plan sets psychological blinkers. The plan's projections shape the anticipated dimensions of the business and its expected potential. The plan also suggests how the future is expected to turn out and encourages those using the plan to follow the selected path rather than to look for other possibilities.
- If the market research is not reliable, the plan is 'based on sand'. On such a doubtful foundation the plan thus sets limits on the venture, with no compensating advantages.

The left side of the brain, it is said, tends to have a narrow, short-term, rational focus, whereas the right side caters more for intuition and a broader understanding. The left side seeks clarity and tends to ignore things which do not fit a simplified version of reality: the right side sees things in context and allows for change and evolution (McGilchrist, 2011). The business plan would therefore seem to fit better with left-side thinking, and exploration and effectuation with the right side. A right-brained thinker may, however, find that a business plan is a helpful method for communication with a left-brained thinker. Not only do the present authors advocate that which tool is used depends on the stage of the venture but also that the choice may be affected by inherent individual characteristics.

Some of those who favour the business plan have likened it to preparing a route map (see, for instance, Burns, 2011 and Harvard Business School Press, 2007) which implies that you can know enough about the future to know where the paths will be and which path to take. In contrast, the advocates of an exploration approach think that because the future is uncertain it is uncharted territory and, until you start to explore it, you will not know where the paths are and whether they will be suitable for the journey. A further implication of taking an exploration approach is that explorers know that not every avenue explored will be successful and that discovering which avenues are dead-ends is a necessary part of any exploration process. However, because a business plan approach may insist on planning for each avenue to be tried, each attempt becomes a separate venture and so, if one doesn't work, it becomes a failure. The business plan therefore leads to more people thinking that, somehow, they have failed. Also, because it can encourage inflexibility, the use of a business plan in inappropriate situations may put barriers in people's minds, making them less prepared to look for, deal with or take advantage of the unexpected and thus also more likely to fail.

An exploration approach is therefore more likely to appeal to venturers – people seeking to start a new venture – and to help them. Equally, the business plan approach may be more likely to appeal to their advisers and supporters, because they often have different objectives. Venturers, especially if they follow the principle of not committing more than they can afford to lose, generally stand to gain more if their venture succeeds than they might lose if it fails. This is especially true once they have started because a large portion of any investment is likely by then to be effectively written-off and not recoverable; that is, a 'sunk cost'. That is not the case for many people providing venture advice, funding or support; and especially for those doing so on a professional basis. Unless they have a stake in any profits generated by the business, such supporters have more to lose if a venture fails than they will gain if it succeeds well. This is because once their input is made – for instance their advice is given or their loan terms are agreed – success of the venture, while welcome, will bring no extra return. Failure, on the other hand, is likely to bring a loss of their stake, such as a loan or a grant, or even of their reputation, and possibly blame being attached for being involved in or associated with a failure. Their prime concern will thus be to avoid failure rather than to achieve success.

Advisers and supporters are therefore likely to be cautious and, in the extreme, they might prefer it if ventures did not start rather than accept any reasonable possibility of failure if they did. Business plans suit them because they involve checks and assessments and are based on the apparent reassurance of market research. For those starting a venture, however, maximizing the chance of success is more important than minimizing the chance of failure. As Sarasvathy puts it, 'effectuators do not seek to avoid failure; they seek to make success happen' (Sarasvathy, 2008) – and that could best be done by getting started, building momentum, and seeking active feedback, as the exploration approach advocates. However, most assistance schemes are designed by professional supporters, not by venturers, and so they will reflect professional caution rather than an overriding desire for success. Instead of suggesting a bold, 'go-for-it' approach, professional (or even official volunteer) business advisers may err on the side of caution when assisting small businesses and, generally, proffer risk-averse advice (Mole, 1990) because they do not want to be blamed if something goes wrong. Venturers should therefore beware of being swayed by advice which is over-cautious, particularly if it involves market research – which often proves to be unreliable in practice: after all, all ventures have a degree of risk and success is never guaranteed.

In summary, an exploration approach suits and encourages a true 'go-for-it' attitude, whereas a business plan facilitates caution and is therefore advocated by those who tend to advise adopting a more cautious attitude and approach. If it is accepted that 'going-for-it' is more likely to achieve positive results then for those whose aim is success an exploration approach will often be better. However, for those for whom avoiding failure is seen as being more important than maximizing the chance of success, insistence on first preparing a business plan is likely to be preferable. The two approaches are not completely mutually exclusive, however, and in practice, because both approaches have some advantages, they should be selected, as appropriate, for different situations or stages.

> 'I do not teach effectuation as the only way to do entrepreneurship. Instead the course is built around the notion of two toolboxes – causal and effectual – and how to use them effectively in the creation of new ventures...it is important to re-emphasize here that the point of exploring contrasting perspectives...is not to prove one superior to the other, but to learn to understand and use both.' (Sarasvathy, 2008)

The implication of this is that it is particularly important to develop entrepreneurial instinct to facilitate choosing the most appropriate approach, because this has significant influence on developing the entrepreneurial person aside from the venture. As such, rather than advocating one particular approach, when delivering entrepreneurship education and training, both should be explained together with their pros and cons and the trade-offs to be made whenever one approach is selected over another.

However the two approaches are not straight alternatives. They each cover topics that the other does not. In causal thinking (the business plan approach) the fixed point is the goal, which is specified, and the focus therefore is on establishing the best means by which to achieve it. In effectual thinking (which is behind the exploration approach) the fixed point is where to start, which is based on what the venturer is and has (in terms of skills, contacts, experience, and so on) – and the affordable loss. The focus then is on exploring what can be done from that starting point to achieve the benefits the venturer desires. However, these benefits are not fixed in advance and what is desired may change as the venture proceeds and new possibilities/opportunities are revealed. This is a process of exploration: almost by definition, it is what explorers do. Some may have looked for a route to a particular destination – Columbus was searching for a route to Japan – while others have sought a specific natural resource, such as deposits of gold. All, however, stood to benefit if they were open to other possibilities which their explorations might reveal. Thus, in causal terms, Columbus might be said to have failed, because he did not get to Japan, but in effectual terms he succeeded because he revealed to his backers in Spain, and to others in Europe, the potential benefits of the Americas, including its stocks of gold.

Conclusions

This paper thus suggests that there is an alternative to the traditional business plan based approach, and the best approach depends on the circumstances. The paper also suggests that the different approaches suit different attitudes to goals. Nevertheless, it is argued here that for many start-ups an effectuation-based exploration approach may often be the better way.

The implications of this include the following.

(1) Start-up teaching would not have to force the business plan approach onto people and in circumstances for which it is not appropriate.
(2) Similarly, enterprise advice would not have to, and should not, simply follow a business plan based menu. Even if a full business plan is not advocated, relying on business plan thinking encourages a reliance on activities such as market research, which may be misleading, and pre-determined plans, which may be misguided, and does not cover important aspects such as how to proceed in uncertainty, the importance of looking for other opportunities and the benefit of gaining momentum.
(3) Those who do not start their new venture with a business plan should not feel that they are exceptions to the rule. Many people feel that they cannot produce a realistic business plan until they have been in business for a year or two, because before that they don't know enough, for instance about their market and its receptiveness to their offering. The exploration approach acknowledges this.

One way of viewing the different possible applications of the two approaches could be to liken the exploration approach to a general-purpose tool which is applicable to many aspects of life, including business. In contrast a business plan is more a special-purpose tool which is applicable to some, but not all, business situations. Is it better, therefore, to use the general-purpose tool first and only to apply the special-purpose tool in situations where its use is relevant? Does this imply that because many people are only taught how to use the specialist tool they tend (and are encouraged) to use it in all situations, including those for which it is not helpful and for which the general-purpose tool would be much more appropriate?

As a final conclusion, this paper indicates that business supporters, including bankers, business schools, business trainers and business agencies, need to consider the impact that a preferred approach can have upon the development of the entrepreneurial person as well as the entrepreneurial venture. Providing advice which is more appropriate should lead to more business success.

Notes

The authors invite and will welcome readers' comments on this and other parts of the paper.

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