

3. Theoretical perspectives of Business plan

1. Causation vs effectuation:

- ❖ **Causation theory** (Goal-driven, Predictive Planning) contrasts planning that starts with **a goal** and seeks means ; It sets specific goals, designs a roadmap to achieve them, and allocates resources efficiently.

Why it works

- Works well in **stable environments** with low uncertainty.
- Helps coordinate teams and track progress against predefined milestones.

Example: Apple's iPhone launch was meticulously planned, with clear product features, timelines, and marketing strategies.

Why it can fail

- In uncertain or rapidly changing markets, rigid plans can become irrelevant.
- Over-reliance on predictions may ignore emerging opportunities or threats.

Example: Kodak's failure to adapt to digital photography — despite having a strategic plan, the external market changed rapidly, and the plan could not accommodate it.

- ❖ **Effectuation theory** (Resource-driven, Adaptive Approach) starts with **means** and iterates goals ; Entrepreneurs start with **available resources**, networks, and skills, and iteratively adjust goals based on emerging opportunities.

Why it works

- Particularly effective in **uncertain or dynamic markets**.
- Encourages creativity and adaptability; the plan evolves rather than being fixed.

Example: Airbnb founders didn't plan a global home-sharing empire initially; they started small using their own apartment and adapted the idea as demand grew.

Why it can fail

- May lead to **lack of focus** if pivoting happens too often.
- Without some structure, resource-based opportunism can result in missed strategic goals or inefficient use of resources.

2. Lean Startup Perspective (Build-Measure-Learn Loop, MVP)

focuses on iterative experimentation rather than fully detailed upfront plans ; business plans work as **hypotheses** to be tested with real customers using Minimum Viable Products (MVPs).

Why it works

- Reduces waste of time and resources on unproven ideas.
- Encourages **rapid feedback and learning**, allowing the plan to evolve based on actual market data.

Example: Dropbox tested the product idea with a simple demo video before building the full software, validating customer interest first.

Why it can fail

- If feedback is ignored or poorly interpreted, iterations can drift without achieving a viable business model.
- Lean approaches may underestimate the need for financial planning and resource allocation, leading to operational inefficiencies.

3. Planning-Performance Evidence Perspective (Tracking, Measurement,

Evaluation) : It focuses on the relationship between planning and actual performance. Business plans are only as good as their implementation and the evidence used to measure success. Uses KPIs, milestones, and performance tracking to adjust the plan.

Why it works

- Helps ensure that plans are **realistic, measurable, and adaptable**.
- Provides feedback loops for improving strategy.

Example: IBM’s planning systems linked strategic objectives with operational performance, helping align actions and results.

Why it can fail

- Overemphasis on rigid KPIs can lead to **tunnel vision**, ignoring qualitative opportunities or emerging trends.
- Poor execution or lack of proper monitoring can render even a detailed plan ineffective.

Example: Some startups fail despite clear KPIs because they misinterpret the evidence or fail to act on insights.

Task : Read each scenarios, answer the questions (focus on how you would plan and act based on each perspective.

Scenario 1: You are starting a bakery. You know your products, target customers, and the profit you want.

1. How would you plan your bakery using **causation**?.....
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2. How would you check if your plan is working?.....
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Scenario 2: You want to start a business but don’t know exactly what to sell. You have some resources and friends you can work with.

1. How would you start your business using **effectuation**?.....

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2. How would you use your resources or connections to grow your business?.....

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Scenario 3: You want to launch a mobile app for local grocery delivery but don't know which features customers will like. You want to start fast and learn quickly.

1. How would you start your app using the **Lean Startup approach**?.....

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2. How would you improve it based on customer feedback?.....

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Scenario 4 : You want investors to support your eco-friendly fashion brand. They need evidence that your plan will work.

1. What evidence would you show investors?.....

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2. How would this evidence help you make decisions?.....

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