

ENTREPRENEURIAL NETWORKING UNDER UNCERTAINTY: AN EFFECTUAL LENS

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INTRODUCTION

Although research has started to acknowledge the strategies by which entrepreneurs form and maintain network ties, most efforts to date present an incomplete picture of entrepreneurs as heroic network architects who search, plan, and pursue contact with targeted ties (e.g., Hallen and Eisenhardt, 2012; Ozcan and Eisenhardt, 2009; Vissa, 2012; Zott and Huy, 2007). Herein, we review this nascent literature, argue that it has so far overlooked alternatives in favor of an overly planned and instrumental perspective, and consider the implications of incorporating the notion of uncertainty (Alvarez and Barney, 2005; Knight, 1921; McMullen and Shepherd, 2006) into investigations of how entrepreneurs engage in networking. We therefore take a novel perspective on entrepreneurial networking and adopt an effectual lens (Sarasvathy, 2001) to theorize about how entrepreneurs act when desired ties cannot be identified in advance, networking outcomes cannot be predicted, and ongoing social interactions fuel the emergence of new objectives. Overall, we add important insights to the literature as we flesh out an effectual networking process and discuss how it may stimulate a broader research agenda focused on the inquiry of networking agency under uncertainty.

ENTREPRENEURIAL NETWORKING: IN SEARCH OF DISCOVERY

Table 1 provides a detailed overview and definitions of the various networking actions and strategies as conceptualized in extant literature.

Table 1 about here

Collectively, much of the work taking this agnostic view on networking is positioned vis-à-vis prior deterministic accounts and therefore builds on a set of underlying assumptions that characterize entrepreneurs as powerful actors capable of intentional search, calculative planning, and purposeful networking action. This is also inline with what Alvarez and Barney (2007) refer to as a “discovery view” of entrepreneurship – a general model of action that is mainly causal, moving linearly from search and planning to execution (Alvarez and Barney, 2007; Baker, Miner and Eesley, 2003; Sarasvathy, 2001). Yet, only under a narrow subset of assumptions, which

include the availability of information about future outcomes and goals, may entrepreneurs act in a way consistent with a discovery view (Alvarez and Barney, 2007; Baker et al., 2003; Miller, 2007). Consequently, extant conceptualizations of networking actions as outlined above lend themselves to an analysis of these key assumptions (summarized in Table 2).

 Table 2 about here

Overall, the review of the literature shows that notions of entrepreneurial agency in networking have so far emphasized a mainly linear process in which entrepreneurial volition, based primarily on rational self-interest, leads to goal setting and planning activities (e.g., targeting a “desirable” partner) that, in turn, lead to purposeful action to achieve previously predicted outcomes (e.g., “efficient” tie formation).

EFFECTUATION: THE UNCERTAINTY OF ENTREPRENEURIAL CREATION

In contrast to the discovery view that assumes a risky context in which some aspects of the future are known or at least can be uncovered (e.g., by trial and error), entrepreneurial agency can also be viewed as action under uncertainty (Alvarez and Barney, 2007; Knight, 1921; McMullen and Shepherd, 2006). Building on Frank Knight’s (1921) classic definition Alvarez and Barney (2007: 14) state that uncertainty about a course of action is discerned “if, at the time a decision is being made, decision makers cannot collect the information needed to anticipate either the possible outcomes associated with a decision nor the probability of those outcomes”. Assuming that the context in which entrepreneurs operate is uncertain also transforms any assumption about the nature of entrepreneurial motivation and objectives, rendering goals as endogenous and tightly linked to ongoing actions (Alvarez and Barney, 2007; Miller, 2007). Accordingly, this problem space was also the starting point in the development of effectuation (Sarasvathy, 2001) – a logic of action, which is consistent with the creation view, and thus dictates non-predictive control through endogenously created goals that are enacted in exploring ways to produce new products or services (Sarasvathy, 2001, 2008).

HOW ENTREPRENEURS ENGAGE IN NETWORKING UNDER UNCERTAINTY?

Returning to the question that motivated this investigation – how entrepreneurs engage in networking under uncertainty? – our efforts are now aimed at instigating a new conceptualization of entrepreneurial networking. Correspondingly, Figure 1 illustrates our dynamic process model of effectual networking.

 Figure 1 about here

Networking for Ideas

Effectual networking is neither arising in a vacuum, nor does it has to be motivated by a given exogenous goal. Instead of holding “too closely to preconceived goals as a way to determine which stakeholders to pursue or which resource-owners to chase” (Wiltbank et al.,

2009: 117) entrepreneurs use their relatively idiosyncratic means and their initial assessments of them to spark the first cycle of effectual networking (Sarasvathy, 2001; Wiltbank et al., 2006). Indeed, the crucial question of whom to contact in the face of uncertainty (Nebus, 2006) receives a straightforward answer - entrepreneurs begin their interactions with the people they already know (Baker et al., 2003; Sarasvathy, 2001). Hence, in this stage, the process is geared towards the transformation of existing ties into a network conducive to the generation and refinement of emerging ideas – i.e., aiming to provide a tentative answer to the question “what can we do together?” Nevertheless, in tandem with effectual networking actions aimed at activating potential stakeholders like family and friends, as well as reflecting on and co-creating initial venturing goals, entrepreneurs are also required to reach out and establish new contacts with strangers or, more broadly, any and all people that they might meet in the routines of their lives (Wiltbank et al., 2006). Accordingly, the next key feature of effectual networking is evident in efforts to cast a wide net and start interacting with potential stakeholders in an ongoing process of negotiating and renegotiating the design of an emergent venture (Sarasvathy & Dew, 2005).

Attracting Pre-Commitments from Self-Selected Stakeholders

Effectual networking is also particularly concerned with activities to attract pre-commitments from willing stakeholders. In contrast to predictive approaches in which a future gain (i.e., the upside) for each of the parties in an exchange may be estimated beforehand, uncertainty positions pre-commitment as a powerful way for actors to prioritize control over their downside loss (Dew et al., 2009). Consider how Richard Branson started Virgin Atlantic after receiving a pre-commitment from Boeing, who leased Branson a used airplane for a year with the option of returning it if the airline did not take off (in a financial sense) (Venkataraman et al., 2012). Because each stakeholder makes commitments that are aligned with their own level of affordable loss the process is characterized by self-selection rather than partner selection by a focal entrepreneur (Sarasvathy and Dew, 2005). Consequently, in effectual networking, whether with existing ties or new ones, the notion of “intelligent altruism” (Sarasvathy and Dew, 2008; Simon, 1993) takes center stage as it shapes how entrepreneurs invite others to connect and self-select into the process. Intelligent altruism generally refers to behavior that is neither extremely selfless nor completely opportunistic, but recognizes that individuals may have evolved to sense when to emphasize which (Simon, 1993). Interestingly, under uncertainty, altruism and opportunism are often intertwined, as entrepreneurs understand that helping others may also help themselves. Van de Ven et al. (2007: 359) explain this as the “dual drive for self- and collective interests” by which entrepreneurs seek ways to satisfy others’ self-interests, while presenting others with the possibility to do the same for them. Indeed, mounting evidence show that under uncertainty individuals may even be evolutionarily hard-wired to behave altruistically (Delton et al., 2011; Simon, 1993). This is not to say that all potential ties receive an automatic entry ticket to the venture but rather that the entrepreneur, through practicing intelligent altruism, opens the door for them to self-select and make their commitments (Sarasvathy, 2008). As Dew and Sarasvathy (2007: 279) put it: “stakeholders that pass the commitment “test” are given a voice in the (re)design of the innovation; those that do not commit are not”. In sum, taking actions towards other people, be they existing contacts or newly met strangers, in a way that would help them to self-select and pre-commit is therefore indispensable to an effectual networking approach (Sarasvathy and Dew, 2005).

Generating Contingency, Harvesting Serendipity

By rendering goals ambiguous and outcomes unpredictable, uncertainty, in and of itself, is a source of unexpected contingencies – a stream of unexpected events that are "sufficient, yet unnecessary, trigger to entrepreneurial action" (Harmeling and Sarasvathy, 2013: 715). Yet, on top of any "blind variations" built into the process (Alvarez and Barney, 2007), by networking effectually entrepreneurs may intentionally inject randomness and induce "valuable accidents" (Austin, Devin and Sullivan, 2012; Sarasvathy and Dew, 2005). Indeed, in his exposition of serendipity in entrepreneurship Dew (2009: 748) already suggested that "entrepreneurs may be able to engage in social networking behaviors that make it more likely that contingencies (hence serendipities) happen to them, i.e., they may deliberately engage in behaviors that semi-endogenize contingency". What we propose here is that these networking behaviors, alluded to by Dew (2009), are in fact the very same behaviors we outlined in the previous sections as characteristic of an effectual networking approach. In other words, entrepreneurs can increase both the amount of, and the potential value captured from unforeseen events by (1) reflecting on their available means using social interactions with existing network ties; (2) progressively and proactively expanding their tie formation activities to include any and all stakeholders; (3) practicing intelligent altruism in the formation of partnerships; and (4) allowing for the co-creation of venture ideas through pre-commitments made by self-selected stakeholders. Thus, next to deliberate efforts to generate contingencies, effectual networking is distinguished from other approaches inasmuch as it represents an open ended and flexible process apt at leveraging unexpected surprises (Sarasvathy, 2008).

DISCUSSION

We have put forward a rudimentary conceptualization of an effectual networking process that provides only a starter set of possible issues to be addressed by studying entrepreneurial networking under uncertainty. Our primary contribution to theory stems from investigating a new angle of the under-explored origins of entrepreneurial networks (Stuart and Sorenson, 2007), and from theorizing about the highly relevant role of uncertainty in shaping networking actions and strategies (Alvarez and Barney, 2007; McMullen and Shepherd, 2006; Miller, 2007). This is inline with recent conceptualizations of networking as constrained agency (Gulati and Srivastava, 2014) and consistent with calls positioning the influence of cognition on networking behavior as an unusually promising avenue for inquiry (Hallen and Eisenhardt, 2012; Vissa, 2012). Further, our work adds to research on the behavioral outcomes of effectuation as it relates to networking at the interpersonal level – an issue that already triggered some lively debates (Karri and Goel, 2008; Sarasvathy and Dew, 2008). Finally, we lay a foundation that scholars may use to advance a research agenda aimed at enriching our understanding of how entrepreneurs develop their social networks under uncertainty.

ENDNOTES

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REFERENCES AVAILABLE FROM THE AUTHOR(S)

TABLE 1

Definitions of Networking Actions and Strategies

Networking action	Definition	Source
<i>Casual dating</i>	An entrepreneur's informal, deliberate, recurring meetings with some potential ties prior to the effort to form a tie with these persons	(Hallen and
<i>Timing around proof points</i>	Signaling of a confirmation of a third party on a critical accomplishment of a milestone of the starting firm	Eisenhardt,
<i>Scrutinizing interest</i>	Taking actions to discern potential partners' actual interest in a tie	2012)
<i>Crafting alternatives</i>	Developing multiple routes to end the tie formation process.	
<i>Symbolic action (SA) conveying the credibility</i>	Symbolically displaying personal capability and personal commitment to the future	
<i>SA conveying the quality of organizing</i>	Displaying and drawing attention of potential investors and employees to the professional nature of their successes and processes.	(Zott and
<i>SA conveying organizational achievement</i>	Symbolically emphasizing preliminary and interim achievements that their firm had realized	Huy, 2007)
<i>SA conveying stakeholder relationship quality</i>	Drawing symbolically on the prestige of their associates to acquire more resources and giving symbolic personal attention to potential stakeholders	
<i>Active foresight</i>	Defining portfolios that have a unique interdependence that is advantageous to the focal firm and its partners and shape the industry	(Ozcan and
<i>Opportunistic maneuvering</i>	Expanding a firm's portfolio to more distant parts of the network	Eisenhardt,
<i>Defensive positioning</i>	Defend against emerging industry uncertainties as they occur, by the addition of multiple ties around these critical industry uncertainties	2009)
<i>Reaching out to new alters</i>	The extent to which an entrepreneur actively tries to meet new potential partners to promote his or her venture	
<i>Establishing interpersonal knowledge of alters</i>	The extent to which an entrepreneur finds out more about the new people (s)he meets	(Vissa, 2012)
<i>Time-based interaction pacing</i>	The extent to which an entrepreneur paces interactions with relationships based on temporal markers	
<i>Relational embedding</i>	The extent to which an entrepreneur seeks to combine social and business connections with existing network ties	
<i>Network preserving</i>	The extent to which an entrepreneur tries to preserve every relation in his or her existing network	

TABLE 2
Studies of Entrepreneurial Networking and Their Underlying Assumptions

Issue/Article	<i>Vissa (2012)</i>	<i>Hallen and Eisenhardt (2012)</i>	<i>Zott and Huy (2007)</i>	<i>Ozcan and Eisenhardt (2009)</i>
<i>Nature of Motivation to Engage in Networking</i>	Rational self-interest with predominantly instrumental motives	Rational self-interest with predominantly instrumental motives	Rational self-interest with predominantly instrumental motives	Rational self-interest with predominantly instrumental motives
<i>Nature of Decision Making Context</i>	Ignored the issue	Risky (assumes ex-ante knowledge about the goal and outcome of networking)	Risky (assumes ex-ante knowledge about the goal and outcome of networking)	Risky (assumes ex-ante knowledge about the goal and outcome of networking)

FIGURE 1
A Dynamic Process Model of Effectual Networking

