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VALIDATING EFFECTUAL BEHAVIOR AS CORPORATE ORIENTATION: WHAT FIRMS CAN LEARN FROM START-UPS (SCALE DEVELOPMENT AND FIRST APPLICATIONS) (SUMMARY)

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≈ SUMMARY ≈

**VALIDATING EFFECTUAL BEHAVIOR AS CORPORATE
ORIENTATION: WHAT FIRMS CAN LEARN FROM START-UPS
(SCALE DEVELOPMENT AND FIRST APPLICATIONS)**

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Principal Topic

Over the recent years, the concept of effectuation has received considerable attention in literature. Building on the seminal work of Sarasvathy (2001), effectuation was introduced as a decision process of expert entrepreneurs. This process includes specific entrepreneurial heuristics, which expert entrepreneurs have applied in the uncertain contexts of creating new products, new companies or new markets. However, it has been increasingly acknowledged that the domain of entrepreneurship and hence effectuation is no longer restricted to the independent new venture creation process (see Wortman, 1987; Low & MacMillan, 1988) and that organizations – per se – can behave in entrepreneurial manners (Jennings & Lumpkin, 1989). Therefore, we advance the concept of effectuation from the individual level to a firm level representing an overarching corporate orientation. On this level, effectuation can be understood as business philosophy, which is reflected in the activities and behaviors of a firm. Based on this theoretical delineation, we conduct a scale development process in order to explore which dimensions of effectual orientation may have a positive impact on performance (in specific circumstances).

Method

This study employs a multi-method approach, consisting of a thorough scale development process and an online survey sent out to small and medium-sized companies in Germany. The scale development process that we conduct is based on a large literature analysis, several rounds of pre-tests and followed by two quantitative analyses (DeVellis, 2003). The first quantitative analysis – an exploratory factor analysis – is employed in order to finalize the scale and the second – a confirmatory analysis – to cross validate the findings. Data collection was conducted in February and March of 2012 providing respectively n=167 and n=287 of usable responses.

Results and Implications

Our study advances the concept of effectuation to a firm level representing a corporate orientation. Thus, we derive five sub-dimensions of an effectual orientation of the firm: the exploitation of means available, the focus on co-creating the future together with partners, the consideration of affordable loss as central decision-criterion, the focus on exploitation of contingencies and the general perception that the environment is controllable. This study further raises the concept of effectuation to a driver of performance.

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