

Effectuation: Elements of Entrepreneurial Expertise

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Introduction

Is the entrepreneur thinking process similar to the manager one? Does an “entrepreneurial thinking process” exist?

These are the main questions that the author tries to answer through her book. The research of Dr. Sarasvathy is divided in four chapters that start with a focus on empirical journey of the “entrepreneurial expertise” at first then on the theoretical journey of effectuation. For the third chapter, the book discusses the competitive advantage and entrepreneurial opportunities and the final part covers recommendations and suggestions dedicated to future researchers in the several fields such as behavioral and evolutionary economics, cognitive science and management in addition of course to the entrepreneurial field.

This resume tries to make a concise review of the Dr. Sarasvathy's book, focusing on two specific points:

- The main ideas of the book , and
- The strengths and weaknesses of the research's findings through the empirical and theoretical journey

The Book Review

To respond the question: “what makes an entrepreneur entrepreneurial?”, the author based her answer on her research results: an entrepreneur is as normal as anyone else, the only special characteristic that he has is his own approach adopted while problem solving.

In fact, by interviewing 27 entrepreneurs from different countries using protocol analysis methods and other independent studies, the author could theorise the following concepts:

- Causal vs. effectual thinking
- The effectuation process
- Principles of effectuation

The theme of entrepreneurship and entrepreneurial education are recent notions in business, and one of the strengths of this book is that the author could present the subject with a fresh and new approach using detailed explanations and examples.

Causal vs. Effectual thinking

The first finding of the research is the definition of the expert entrepreneur. This kind of entrepreneur have a specific behavior : they dislike market research and avoid predictive information, they work with things that are under their own control, they prefer change goals rather than chasing means they do not have and also, they are open to surprises and are able to shape and make opportunities than find them.

The author distinguishes also between the managerial thinking process and the effectuation process. She found that managers have the large possibility to choose various options from the variety of means and resources to attain their objective, while the entrepreneur have less or any resources to achieve his goals what make him adopt “the effectuation approach”. This process consists in generating satisfying solutions: instead of looking for the “ideal” ones, the expert entrepreneur builds opportunities.

The effectuation process

Saras Sarasvathy could produce a model of this effectuation process. As for an expert entrepreneur, following this process let him reduce his risks of venture by applying five principles:

- Creating new means and goals
- Getting customers and income early
- Setting affordable loss
- Spreading risk to others
- And finding truly new and useful market opportunities by leveraging constraints and new information

This process basically starts with an important self-awareness of the entrepreneur of what the author called the “who I am, what I know, and whom I know”. This means: his identity, his knowledge base and his social network.

Using these elements, the expert entrepreneur tries to gain primary customers and dedicated partners, who in their turn will create new means and new goals as resources and viewpoints. Thus, instead of having specified goals and finding ways to reach these objectives, the expert entrepreneur uses the new means and new goals to create in an unexpected way his venture.

Principles of effectuation

During the process of effectuation, the entrepreneur uses five principles:

- The bird in hand principle

It suggests that the entrepreneur starts with what he already has. It also involves negotiating with stakeholders who are willing to make actual commitments to the project.

- The affordable loss principle

It consists in predicting what the entrepreneur is willing to lose instead of wasting time in calculation about expected returns of the project.

- The crazy quilt principle

This point implies building a network of self-selected stakeholders and the creation of something new with existing means rather than discovering new ways to achieve given goals.

- The lemonade principle

This element indicates leveraging unexpected happens for benefits rather than trying to avoid them, overcome them, or adapt to them.

- The pilot in the plane principle

This final element urges reliance on, and working with, people as the prime driver of opportunities and not limiting entrepreneurial efforts to exploiting factors external to the individual.

Conclusion

Being applauded and recommended by scholars and experts in entrepreneurship, the book of “Effectuation” provides undeniably, a perspective observation of what an expert entrepreneur actually does, and contains plenty of supportive examples and deep knowledge about the nature and dynamics of the entrepreneurship process and entrepreneurship education.

It is obviously certain that this research is a major educational resource for any individual interested in how to create a new venture and understand the way expert entrepreneur critically thinks and solves problems.