Using Effectuation To Inspire Transformation

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Corona Virus

CyberSecurity

PSD2

DIGITAL DISRUPTION

GDPR

Artificial Intellgience
- Machine Learning
- Deep Learning

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FEAR

WWJD?

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Or more relevant for us WWEED?

What Would an "Expert" Entrepreneur Do?

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EFFECTUATION

What is Effectuation?

Effectuation is a thinking framework and approach to problem solving that focuses on doing the doable to get sellable products and services established.

Effectuation is a term developed by Dr. Saras Sarasvathy based on research with 27 expert entrepreneurs, entrepreneurs who successfully took a company public. This research worked to distill entrepreneurial methods used by these expert entrepreneurs. Her conclusions led to the development of this term Effectuation.

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Dr. Saras Sarasvathy
Darden School of Business
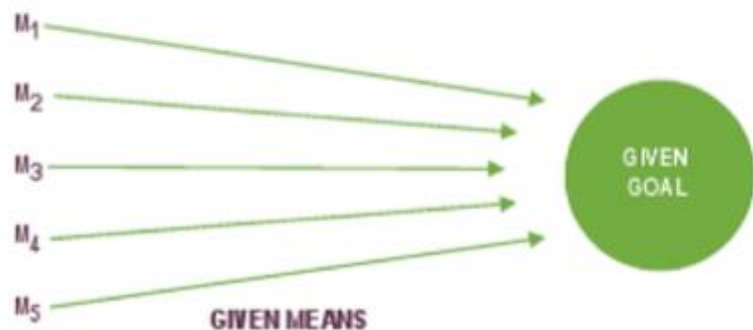at University of Virginia

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CAUSAL vs. EFFECTUAL REASONING

Managerial Thinking (Causal)

Distinguishing Characteristic
Selecting between given means to achieve a pre-determined goal

M_1
M_2
M_3
M_4
M_5

GIVEN GOAL

GIVEN MEANS

Entrepreneurial Thinking (Effectual)

Distinguishing Characteristic
Imagining a possible new end using a given set of means

IMAGINED ENDS

GIVEN MEANS

M_1 M_2 M_3 M_4 M_5

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The Five Principles of Effectuation

Bird-in-hand {START WITH YOUR MEANS}

When expert entrepreneurs set out to build a new venture, they start with their means: who I am, what I know, and whom I know. Then, the entrepreneurs imagine possibilities that originate from their means.

contrasts with...
Pre-set goals or opportunities

Causal reasoning works inversely by assembling means after a goal is set.

Affordable Loss {FOCUS ON THE DOWNSIDE RISK}

Expert entrepreneurs limit risk by understanding what they can afford to lose at each step, instead of seeking large all-or-nothing opportunities. They choose goals and actions where there is upside even if the downside ends up happening.

contrasts with...
Expected return

Causal reasoning first targets a return, then works to minimize associated risk.

Lemonade {LEVERAGE CONTINGENCIES}

Expert entrepreneurs invite the surprise factor. Instead of making "what-if" scenarios to deal with worst-case scenarios, experts interpret "bad" news and surprises as potential clues to create new markets.

contrasts with...
Avoiding surprises

Causal reasoning works to minimize the probability of unexpected outcomes.

Patchwork Quilt {FORM PARTNERSHIPS}

Expert entrepreneurs build partnerships with self-selecting stakeholders. By obtaining pre-commitments from these key partners early on in the venture, experts reduce uncertainty and co-create the new market with its interested participants.

contrasts with...
Competitive analysis

Causal reasoning presumes that competitors are rivals to contend with.

Pilot-in-the-plane {CONTROL V. PREDICT}

By focusing on activities within their control, expert entrepreneurs know their actions will result in the desired outcomes. An effectual worldview is rooted in the belief that the future is neither found nor predicted, but rather made.

contrasts with...
Inevitable trends

Causal reasoning accepts that established market forces will cause the future unfold.

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Who we are, What we know, Who we know
Bird in the Hand

Who we are?

What turns us on?

What will we not do because it goes against our values?

What we know?

Who we know?

Work with what you have to create something new.

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What are the activities you can control?
Pilot-in-the-plane

What are you doing right now?

What can you do right now?

Who can help you right now?

Who wants to help you right now?

Do what you can well, so that you can do new things in the future.

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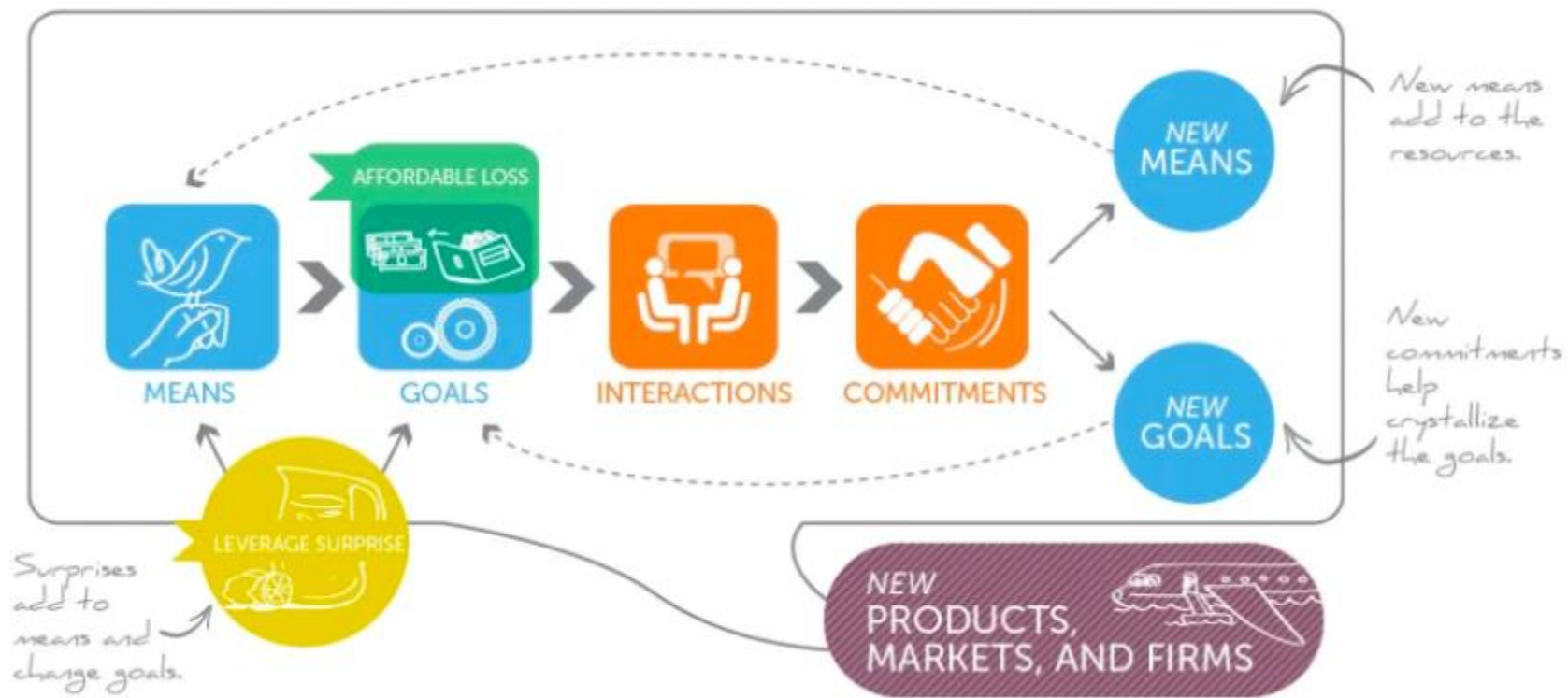
Work with People
Patchwork Quilt

Get the customer or partner to tell you what they would do with this product/service.
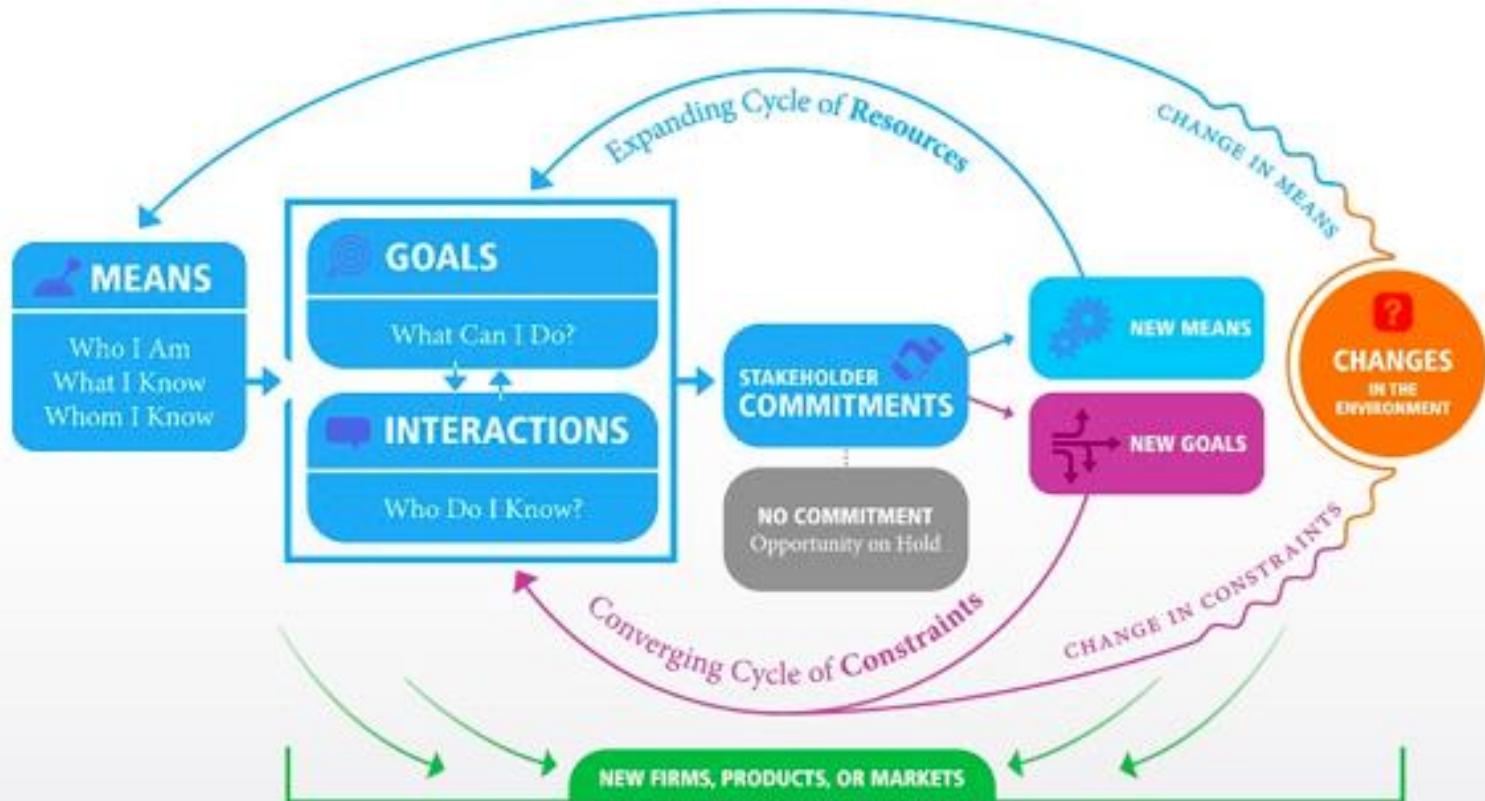
Build a Network of Stakeholders.

Make sure each stakeholder only gives what they can afford to lose.

- Affordable Loss to the Network as well
- Network has skin in the game

How can your network help you build your business?

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NEW MEANS

New means add to the resources.

AFFORDABLE LOSS

MEANS

GOALS

INTERACTIONS

COMMITMENTS

NEW GOALS

New commitments help crystallize the goals.

LEVERAGE SURPRISE

Surprises add to means and change goals.

NEW PRODUCTS, MARKETS, AND FIRMS

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THE EFFECTUATION PROCESS

Expanding Cycle of **Resources**

CHANGE IN MEANS

MEANS
Who I Am
What I Know
Whom I Know

GOALS
What Can I Do?

INTERACTIONS
Who Do I Know?

STAKEHOLDER COMMITMENTS

NO COMMITMENT
Opportunity on Hold

NEW MEANS

NEW GOALS

CHANGES
IN THE ENVIRONMENT

Converging Cycle of **Constraints**

CHANGE IN CONSTRAINTS

NEW FIRMS, PRODUCTS, OR MARKETS

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Using Effectuation in the Board Room to Drive Transformation

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It's an iterative process:
MEANS, GOALS, INTERACTIONS, COMMITMENTS

Start with a simple process to align board members towards the situation right now and the resources available to drive transformation.

1. Introduce Effectuation
2. Assess Means, Network, Resources
3. Make Decisions
4. Take Action

Graphics Provided By Effectuation.org

Further Reading

https://www.effectuation.org/sites/default/files/documents/effectuation-3-pager.pdf

https://www.inc.com/magazine/20110201/how-great-entrepreneurs-think.html

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Thank you for your attention!

Noble Victory Rock is a firm focused on small business and startup development; training; and curriculum and program development. We work through partnerships to support the entrepreneurship ecosystem.

Click here to learn more about the latest collaboration with KomDigital based at the Danish Technical University.

Email or Call Ada L. Stein if you would like to engage Noble Victory Rock in a Board Transformation Exercise or further explore Business Development partnership opportunities.