EFFECTUATION & MATURE MARKETS - CONTRADICTION, COMPANIONSHIP OR CONTINGENCY? (SUMMARY)

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Principal Topic
In a meta-analysis of startup performance, Read, Song and Smit (2009) empirically support, that effectuation is particularly useful in uncertain (Knight 1921) new ventures. However, the possibility that effectuation may also offer a heuristic of interest to managers in mature environments has not been developed theoretically or tested empirically. Indeed, there is empirical support for the connection between planning and success in a mature environment. But what effects are associated with the use of an effectual approach? This study seeks to inform the boundaries of effectuation and the transition from effectual to causal logic as a function of environment.

We examine the occurrence of effectual decision making in mature industries and assess outcomes related to an effectual approach. In this context we establish, that certain aspects of effectuation are applicable in mature industries, and test hypotheses regarding the perception of environmental uncertainty/maturity together with outcomes of managerial effectual behavior.

Method
In order to examine the effects of applying effectuation in mature situations, we conducted an empirical survey with SMEs operating in predominately mature industries in Germany. Measures derived from the current literature (Brettel et al, 2011; Jobber/Ashill, 2010) allow the examination of both the prevalence of effectual strategies, and by matching our survey results with questions concerning variety, adaptation, investment strategy, resource origin and employer autonomy in the organization, we assess outcomes related to an effectual approach in mature industries.

Results and Implications
Our analyses indicate that some heuristics of effectuation are applied by managers in mature environment. We develop propositions that, specifically in mature markets where prediction is seen as a dominant foundation, companies traditionally make decisions based on heuristics such as goal orientation and focus on expected returns. Nevertheless, this does not prevent them from building strategy on resources that are available, involving stakeholders to minimize risk or implementing unexpected changes in their project strategy. Examining the uncertainty perceived by the survey respondents, we find that differentiating between different types rather than levels of uncertainty provides a plausible explanation for effectual behavior (Jobber, Ashill 2010). We thereby underline the notion that applying effectuation in mature industries can be a beneficial approach.

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