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IS WHAT IS GOOD FOR THE GOOSE ALSO GOOD FOR THE GANDER? EXAMINING THE DIFFERENTIAL OUTCOMES OF EFFECTUATION (SUMMARY)

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EXAMINING THE DIFFERENTIAL OUTCOMES OF EFFECTUATION

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Principal Topic

Research on effectuation as an approach to decision making under uncertainty has increased steadily in recent years (e.g. McKelvie et al., 2013; Read et al., 2009; Wiltbank et al., 2009). Although the effectual approach is appealing as it offers hands-on principles to handle situations characterized by uncertainty, researchers still have limited knowledge as to when and how effectuation may constitute a superior option for decision making. This paper adds to the literature on effectuation by examining two specific issues. First, I examine the choice of using effectuation or causation under differing levels of uncertainty. Second, I examine the usefulness of effectuation by studying its impact on important outcomes, such as innovation and financial performance.

Method

The study employs a double-scenario instrument building on Wiltbank et al. (2009) where respondents are presented with two decision scenarios with varying levels of uncertainty. Effectuation is measured as a single multi-item construct (non-predictive control) contrasted with causation (predictive control). These are measured separately, allowing the decision maker to mix them as desired. The scenarios are tested on 119 executives in the Swedish magazine publishing industry. Validated measures are used to capture radical and incremental innovation (McKelvie, Wiklund & Short, 2007) alongside publicly available financial performance measures.

Results and Implications

The results specifically address the use of effectuation and the outcomes of effectuation under varying conditions of uncertainty. Firstly, effectuation is preferred in the uncertain context of innovation work. This reinforces a central component of effectuation research regarding the importance of uncertainty to effectuation. Secondly, when examining outcomes I find that effectuation only has an impact in situations characterized by high levels of uncertainty. In contrast, causation is positively related to financial performance in predictable circumstances, but negatively related in uncertain circumstances. Together, these findings provide strong empirical support for conditional superior nature of effectuation – and specifically only leading to benefits under conditions of uncertainty. This helps to build upon extant findings about the impact of effectuation on innovation in established firms (Brettel et al., 2011) and financial performance (McKelvie et al., 2013), as well as to a general theory of effectuation.

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