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DOES EFFECTUAL ORIENTATION PAY OFF FOR LARGE FIRMS UNDER UNCERTAINTY? FUELING THE CURRENT DISCUSSION IN ENTREPRENEURSHIP RESEARCH WITH EMPIRICAL EVIDENCE (INTERACTIVE PAPER)

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∞ INTERACTIVE PAPER ∞

DOES EFFECTUAL ORIENTATION PAY OFF FOR LARGE FIRMS UNDER UNCERTAINTY? FUELING THE CURRENT DISCUSSION IN ENTREPRENEURSHIP RESEARCH WITH EMPIRICAL EVIDENCE

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Principal Topic

Effectuation was introduced as a decision-making logic used by expert entrepreneurs in uncertain contexts (Sarasvathy, 2001). Having found a positive impact on company performance (e.g., Read et al., 2009) and acknowledging that organizations can behave in an entrepreneurial manner (Jennings & Lumpkin, 1989) and are also faced with unpredictable situations (Brettel et al., 2012), the research community started to discuss whether the subject of the first decade – the individual entrepreneur in a young firm – should be broadened to the corporate level (Perry et al., 2012; Berends et al., 2014). This call for an evolvement towards an “effectual orientation” (EffO) parallels the creation of entrepreneurial orientation (EO) by Covin and Slevin (1991).

However, the few previous firm-level studies have only focused on small and medium enterprises (i.a., Coviello & Joseph, 2012) and neglected theory-constituting benefits like performance improvements as well as moderating uncertainty factors, e.g., competitive landscape, for the most part (Arend et al., 2015). Moreover, they fell short of controlling for coexisting strategic orientations (Reymen et al., 2015).

In reply, this paper tries to advance effectuation research by being among the first to a) elaborate on the question how effectuation settles as strategic orientation in established corporations; b) prove a potential positive performance impact under uncertain environmental conditions; and c) shed light on how entrepreneurial and effectual orientation interrelate to each other.

Method

Following Short et al. (2010), an EffO dictionary for the five subdimensions means, partnership, affordable loss, contingency and control based on the corporate-level scale by Werhahn et al. (2015) has been developed and applied to letters to shareholders (years 2000-2014) of the Standard & Poor’s 500 index via computer-aided text analysis (CATA).

Results and Implications

Initial study results provide evidence that a) it is viable to determine the EffO-level for large companies; b) EffO is positively associated with financial success under uncertainty; and c) controlling for EO allows for calculating a “net effect” of effectuation.

This investigation thus directly addresses the calls to sustainably promoting an effectual orientation. Furthermore, by enabling the use of CATA with an EffO dictionary, it lays ground for future large-scale secondary research.

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