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THE PARADOX OF EFFECTUAL SEARCH (SUMMARY)

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≈ SUMMARY ≈

THE PARADOX OF EFFECTUAL SEARCH

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Principal Topic

We incorporate a paradox perspective (e.g. Smith & Lewis, 2011) to investigate whether entrepreneurs combine elements of constrained, systematic search (e.g., Fiet, 2007) and effectuation (e.g., Sarasvathy, 2001). Previous research has suggested an inherent effectual paradox whereby expert entrepreneurs combine causal and effectual elements in order to create economic artifacts, yet scholars have largely ignored the causal side of the equation. Perhaps some causal actions lend themselves to more successful effectual outcomes than others. Because successful effectual outcomes include lower temporal and/or financial cost failures, ideal causal actions would assist an effectual entrepreneur in both entry and exit. This study notes that causal elements of constrained systematic search are particularly well-suited to further enable effectual entrepreneurs to both create new economic artifacts and to fail more quickly and/or at lower cost when appropriate. We develop testable hypotheses regarding the compatibility of effectuation and systematic search, and the outcomes of an effectual search process.

Method

We create an index of effectuation and of systematic search to investigate the correlation between the two among a longitudinal sample of Swedish entrepreneurs. We test whether effectually created firms experience higher long-term survival rates and whether specific knowledge is related to the temporal costs of prefirm and early firm failure.

Results and Implications

The results support the hypothesis that the use of effectual logic is positively related to the use of systematic search. Furthermore, we show that firms surviving ten years are more likely to have begun through effectuation. Finally, specific knowledge, a key element of systematic search, is found to be negatively related to the temporal costs of early firm failure. These results suggest that elements of the seemingly disparate theories of effectuation and constrained, systematic search can be used by actual entrepreneurs to achieve successful outcomes. Because both effectuation and systematic search are teachable and able to be improved upon, these findings have promising implications for practitioners and educators. We extend effectual, search, and paradox theories.

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