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EFFECTUATION AND THE LOGIC OF ACTION: A PRAXEOLOGICAL ASSESSMENT OF EFFECTUATION THEORY (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

EFFECTUATION AND THE LOGIC OF ACTION: A PRAXEOLOGICAL ASSESSMENT OF EFFECTUATION THEORY

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Principal Topic

The popular theory of effectuation (Sarasvathy, 2001) is a prototypical example of deriving novel insights from practical observations. Its logic emerged from interpreting and extrapolating interview data collected using a think-aloud protocol from twenty-seven “expert” entrepreneurs based. Effectuation has five core principles, which Sarasvathy (2009) relate to means-driven action, consideration of what one is willing to lose, negotiating with stakeholders willing to make commitments towards a project, recognizing and leveraging contingencies, and acknowledging agency as the driver of new opportunities, respectively. The common thread across these tenets is non-predictive control to substantially reduce, if not eliminate, the use of predictive strategies in dealing with uncertainties.

Method

Following Arend, Sarooghi, and Burkemper (2015), who critically evaluate effectuation with the goal of restraining its momentum, we take a crucial next step towards explicating the theoretical statements underlying effectuation using praxeology.

Praxeology, the logic of action (Hoppe, 1995), is the deductive study of human action as purposeful behavior toward subjectively valued aims and allows us to draw conclusions about human behavior that are both objective and universal. It establishes the microfoundations for laws of behavior and thereby produces a system for penetrating the meaning and intent of individual actions to the acting individual, and consequently reveals the nature of action, interaction, and aggregate social phenomena. By establishing laws of action, praxeology bridges the divide between the subjective microcosm of the acting individual and the objective outcomes susceptible to scientific measurement and study. It therefore provides a powerful tool to study the behavior of both entrepreneurs and firms, and to assess the validity of theoretical tenets as well as the meaning of empirical findings.

Results and Implications

We systematically probe into the theoretical status of effectuation, clarifying its foundational principles, assessing the breadth of its diffusion in the organizational literature, and analyzing empirical validations of effectual logic. We build on praxeology, presenting organizational and entrepreneurship researchers with a new way to think about the conceptual validity of their theories. Doing so allows us to challenge the core tenets of effectuation, questioning their novelty as well as their usefulness for entrepreneurship research and practice. We conclude with a discussion of productive avenues for future effectuation research, with an eye towards guiding theory building on effectuation into the most fertile directions.

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