PERFORMANCE EFFECTS OF EFFECTUATION AND CAUSATION - THE MODERATING ROLE OF INNOVATIVENESS IN YOUNG VENTURES (SUMMARY)

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Recommended Citation
Appelhoff, Daniel (2012) "PERFORMANCE EFFECTS OF EFFECTUATION AND CAUSATION - THE MODERATING ROLE OF INNOVATIVENESS IN YOUNG VENTURES (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 32: Iss. 5, Article 4. Available at: http://digitalknowledge.babson.edu/fer/vol32/iss5/4

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Most empirical research on effectuation is based on experiments or field studies (Chandler et al., 2009). Especially, the critical question “under what circumstances which types of processes provide particular advantages and disadvantages” remains empirically unanswered (Sarasvathy, 2001: 249). But it is exactly the relationship between effectuation, causation and performance that is of particular interest for both researchers and practitioners. Therefore, this study tackles the question: Do effectuation and causation predict performance in new ventures and do factors such as innovativeness moderate this relationship? The opinions regarding this question are diverse. Sarasvathy (2001) suggests that effectuation and causation do not predict performance directly, whereas Read et al. (2009) find three effectual principles positively and directly linked to performance in their meta-analytic review.

Method

This study is based on a survey sent out to founders of German startups in 2011. All respondents (N=188) took part in the initial founding process and received external equity from venture capitalists or business angels. We applied the scale of Brettel et al. (2012) for effectuation and used established constructs to measure market effectiveness (Vorhies & Morgan, 2005) and innovativeness (Gatignon et al., 2002). The analyses are based on hierarchical OLS regression models.

Results and Implications

The results of the study indicate that principles of effectuation and causation do not have direct effects on market effectiveness, whereas the inclusion of innovativeness as a moderator leads to strong and significant results. However, for effectuation I only find a positive moderating effect of innovativeness for the link between means-orientation and market effectiveness. The same is true for the causation dimension of goals-orientation, meaning that even in highly innovative companies a dedication to specific goals is important. For the causation principles of expected returns and overcome the unexpected I reveal a negative moderating effect of innovativeness. Thus, I show that sticking to causal principles under high levels of innovativeness may probably not be the best way to act as an entrepreneur in an innovative venture. Therefore, the results of this study serve as useful advice for practitioners as they point out circumstances in which established management and decision principles are only second best solutions.

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