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CORPORATE EFFECTUATION (SUMMARY)

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CORPORATE EFFECTUATION

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Principal Topic

Entrepreneurship - a milieu of uncertainty-related research - offers a heuristic known as effectuation, used by expert entrepreneurs to take action. Especially in the effectual problem space which is characterized by knightian uncertainty, goal ambiguity and isotropy effectuation helps to control where prediction is not possible (Sarasvathy, 2008). Such situations are well known among corporate entrepreneurs who know how to employ causal strategies profitably but often lack strategies for complexity. This raises the question of how corporate entrepreneurs handle complexity strategically. This paper sheds light on corporate entrepreneurs’ answers to complexity by classifying two dimensions: traditional planning-based project management heuristics known as ‘causation’ and heuristics for managerial behavior under complexity as described by ‘effectuation’ (Sarasvathy, 2001; Wiltbank et al., 2006). By developing links with the “Patterns of Complexity” (Geraldi and Albrech, 2007; Müller et al., 2012) we aim to fill this research gap.

Method

In order to examine the effects of complexity on strategy choice and project success, we conducted an international study of 400 corporate entrepreneurs in 38 countries. We measured strategy behavior with the slightly adapted forced-choice scale presented by Brettel et al. (2011). Project complexity was measured by a validated scale developed by Müller et al. (2012) that captures complexity as a multidimensional construct. Project success was measured by a validated scale from Müller and Turner (2006). We analyzed survey data descriptively and tested our hypotheses using multiple regression analyses. Secondary data was used to enrich and strengthen the empirical analyses.

Results and Implications

Our analyses indicate that corporate entrepreneurs apply effectual project management strategy as well as causal project management strategy in corporate project management. We thereby underline the notion that strategy choice in our context is moderated by the complexity corporate entrepreneurs perceive. With high levels of complexity they tend to build strategy on resources that are available, involve stakeholders to minimize risk and acknowledge the unexpected. The impact strategy matching has on project success proves them right. We therefore implicate that raising complexity in corporate project management encourages corporate entrepreneurs to apply effectual project management strategy.

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