

## “L'EFFECTUATION, UNE APPROCHE PRAGMATIQUE ET PRAGMATISTE DE L'ENTREPRENEURIAT”

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## “L’effectuation, une approche pragmatique et pragmatiste de l’entrepreneuriat”

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Le mythe de l’entrepreneur rationnel et divinateur, figure héroïque et solitaire, porteur de la grande idée qu’il planifie puis exécute avec succès, a vécu même s’il tend à persister, d’une part, en filigrane d’approches pédagogiques désemparées et, d’autre part, comme idéologie du développement économique à tout prix. Les mythes survivent parfois par confort, faute de recours. La théorie de l’effectuation, proposée par Saras S. Sarasvathy depuis une dizaine d’années, constitue un de ces recours. Elle prend pour prémisse un avenir non prédictible et envisage l’entrepreneuriat comme exercice de transformation des moyens dans l’élaboration des fins. Il s’agit donc de rechercher les « effets » possibles de moyens donnés. Les objectifs de l’entrepreneur émergent au fur et à mesure de l’avancée du projet entrepreneurial en fonction de l’aspiration et des connaissances du fondateur, des rencontres et réseaux mobilisés et de diverses contingences. Dans l’entretien qui suit, Saras Sarasvathy revient sur l’élaboration de cette théorie et ses lignes de force. Elle en trace les filiations avec le pragmatisme et la pensée d’Herbert Simon. Elle s’interroge avec nous sur l’applicabilité de l’effectuation à tout type d’entrepreneur mais aussi sur des extensions parfois inappropriées de cette théorie. Enfin, à l’examen de ses critiques, Saras Sarasvathy suggère quelques pistes d’amélioration d’un « entrepreneuriat effectual ».

*Saras, how did you come to build the theory of effectuation?*

Effectuation was induced through a study of expert entrepreneurs. I defined “expert entrepreneur” as someone who had 15 years or more of founding multiple ventures including successes and failures and taken at least one company public. All 27 experts who participated in the study were asked to think aloud continuously as they solved the exact same set of 10 typical problems that happen in startups. By having all of them perform the exact same experimental task, and also having them think aloud continuously, I was able to look beyond what they thought they had learned from their experience to what they had actually learned. And what they had learned was to make decisions without using predictive information.

*In a few words, would you suggest us a snapshot of the effectuation model?*

Effectuation is a model of non-predictive decision making. Most decision models focus on predictive information because the better you predict the future, the more control you can have over it. Effectual entrepreneurs invert this logic and prefer to work with things within their control so they don’t need to invest in prediction. Effectuation, therefore, leads to more novel (unexpected) outcomes at a lower level of investment (no cost of prediction) spread over a larger number of self-selected stakeholders.

*Thus, the effectuation approach definitively signs the burial of business plan?*

Yes and no. Yes, if you think of a business plan as a *plan*. But effectuation can still use *planning* as part of the process. Every time a stakeholder commits something requiring execution and an effectual entrepreneur agrees to accept that commitment, he or she has to deliver on that commitment. And delivering on a commitment can and will most probably involve planning the

timeline, assignation of tasks to employees or contractors and all the elements of good causal management. Furthermore, whether we like it or not, the business world today is still organized in a predominately causal way. Business plans and business plan contests are important sources of free money, resources and access to potential stakeholders and as such, can and should be used by startup entrepreneurs as inputs into the bird-in-hand principle and ironically, to increase affordable loss levels, thereby making easier for more people to become effectual entrepreneurs.

*How would you define the theoretical influence of Herbert Simon, your PhD. supervisor on your own theory?*

Most people are familiar with Simon's early works – on bounded rationality, heuristics in human problem solving and decision making etc. I was influenced by his later work – sciences of the artificial, altruism etc., probably because I worked with him later in his life when his mind was occupied with these ideas. Both of these are deeply connected with effectuation. Effectuation provides a set of logically consistent heuristics of *designing* ventures and markets. And we can generalize this into the insight that entrepreneurship itself can be studied as a science of the artificial. One implication of this is to offer a more explicit and proactive role for human agency in creating new markets than the more traditional views of the market as a natural or social force of some sort. Also, effectuation questions the primacy of opportunism as a behavioral assumption for structuring contracts and building governance mechanisms in organizations. Which is very much in line with Simon's arguments about taking intelligent altruism more seriously.

*This model doesn't flout but reverse the "end-means" dialogic in the entrepreneurial process. Thus you don't push the argument far as to suggest the full emergence of opportunities in a kind of immanence perspective.*

Yes. This is not a model of immanent creation. It is a model of *transformation*. You begin with the world as is, merely the small part of it that is accessible to *you* in particular, and perform a series of effectual transformations on it that ends be creating imagined, unimagined and even unimaginable new worlds. In effectual logic, it is understood that ends exist in hierarchies and that ends and means are dialogically intertwined. The ends achieved today become the means for tomorrow. As new ends are achieved and new means becomes available, new ends become possible as well. Some of those ends may be clearly articulated (I want to build an iphone app that allows people to track their flights) and even enumerable (I want to make \$40 Million by the time I am forty), but most will be ambiguous and change over time and through contingencies. What people do with means available to them and the ends they imagine, seek to achieve and knowingly or unknowingly reshape, result in a variety of opportunities, some of which are obvious and easily recognizable, others require some effort at finding and articulating, yet others get created serendipitously or intentionally.

*Do you agree that the epistemology underlying this theory oscillate between process philosophy and pragmatism?*

I am not sure there is a need for "oscillation." Pragmatism embraces process as intrinsic to its spirit. "Becoming" is at the core of pragmatism – not merely "being." The epistemology of effectuation is intrinsically dynamic and interactive and definitely rooted in Pragmatist philosophy and process. All I was trying to say here is that process philosophy and Pragmatism are already intertwined and not two separate things – so there is no need to "oscillate" between them. They both coexist – together and at the same time – in effectuation. Process philosophy is the idea that change and dynamism are core to reality. And not simply the kind of blind random change that evolutionists talk about, but substantial, mindful, embodied and contextually situated change

of the kind that has real consequences to people and their environments. Which is exactly the kind of phenomena that Pragmatists talk about and care about. Effectuation provides viable and valuable mechanisms underlying such substantial processes of change.

*Effectuation seems to be very relevant for some kind of very specific entrepreneurs. What about the vast majority of entrepreneurs of the everyday life?*

Not at all. In fact, effectuation shows that what is achieved by the “expert” entrepreneur is achievable by the ordinary entrepreneur. It shows how almost all enduring companies originate in rather mundane ideas spun from the everyday realities of normal people. The only difference is that some people choose to act entrepreneurially – namely, they choose starting a venture or building an organization as their method of action, while others might have chosen to run for an election or write revolutionary texts or pray for change – namely, act politically, artistically or religiously. Once someone has chosen to act entrepreneurially, we can teach them to use effectual logic. For me, the most exciting part of effectuation is the fact that it is learnable and teachable, NOT that is something only a few with special talent can engage in.

*Is it really true if you think about necessity entrepreneurs who create in order to face job insecurity and who constitute the hidden face of entrepreneurship in practice and in academic works?*

I think it is not a question of necessity entrepreneurs versus opportunity entrepreneurs. I think it is a question of ordinary versus extraordinary. When I talk about “ordinary” I mean even the most extraordinary ventures that can clearly be defined ex-post under the category of “opportunity entrepreneurship” are in almost all cases started by “ordinary” entrepreneurs using learnable and teachable heuristics and processes. So “ordinary” does not equal “necessity” in our literature; and “opportunity” is usually an ex-post description of successful ventures and sometimes ex-ante description of motivation, but almost always an outcome of a learnable and teachable process.

*Steve Job was an example of “extraordinary” entrepreneur with effectual abilities or is it much more complex in your opinion?*

Steve Jobs was an example of an “extraordinary” designer-innovator-visionary. That made it difficult for him to be an effectual entrepreneur in the sense of allowing other people to truly co-create the vision. You can see that struggle in his failed attempt to build NeXT, Inc. But because of his sheer talent at designing and execution, more people would be willing to self-select into committing themselves to his vision and following it through in spite of his spectacular failures. So Steve Jobs was indeed extraordinary – but not extraordinary at effectuation.

*How this model could allow to better support and mentor entrepreneurs?*

All around the world, people say, “I would love to be an entrepreneur, but...” and then they give four reasons: (1) I don't have an idea; (2) I don't have money; (3) I don't know what to do; and (4) I am afraid to fail. Effectuation shows them that they don't need extraordinary blockbuster ideas; nor do they need a lot of money. They can simply take up “doable” ideas based on who they are, what they know and whom they know and they need to invest no more than what they can afford to lose. Additionally, effectuation tells them in some detail what they can actually do to start their ventures and also shows them how to incorporate failures as inputs into eventual success – by keeping them small, letting them happen early and by not failing alone. In the textbook “Effectual Entrepreneurship” we have tried to elaborate on this and spell it out in some detail -- not only through pedagogy, but through case studies and exercises.

*How the effectuation can influence the teaching of entrepreneurship? This "method" seems implicitly reserved for in-service or in-house training? What about improving the entrepreneurial intention of young students? Effectuation might constitute a possible response to Henry Mintzberg's critics about the irrelevance of MBA full time programs?*

Yes. Everything we are doing through the Society for Effectual Action is aimed at helping people do research, build pedagogical materials and transform practice. With the involvement of hundreds of entrepreneurship educators around the world and the backing of several universities and organizations, we should definitely be able to influence the teaching of entrepreneurship – not only in higher education, but maybe even at earlier levels and across disciplines other than business schools. In fact, I think effectuation is to the entrepreneurial method what experimentation is to the scientific method. I see a historical analogy between where we are with building the teaching infrastructure for entrepreneurship and with Francis Bacon's *Novum Organum* which became the core of the development of the infrastructure for science and technology education. I believe, we can build similar infrastructure for entrepreneurship where we teach it not only to potential entrepreneurs but to everyone early in their education with different degrees of depth and specialization for those who choose to take it up as a vocation and also different kinds of specialization for those who choose to provide services to entrepreneurs (lawyers, accountants, designers etc.). I think effectuation would form a key part of the intellectual core of that infrastructure – just as the "experiment" forms the core of the scientific method.

*Are you concerned that the model of effectuation would come – as an integrated and attractive paradigm - to be a somewhat general theory applied to all areas of management? And that it may be applied sometimes a little inappropriate?*

This is a really good question. I cannot predict how it will be used – its fate will depend on what people actually do with it. I also believe that other types of efforts such as building mathematical models or simulations or games and trying to bring together the arts and humanities and business and even developing predictive approaches in different functional areas are all beneficial. I would hate to think that effectuation would become a one-size-fits-all type of theory or something that is so diluted as to become a buzzword or a fad. But I think that the amount of rigorous work that has thus far gone into developing its content and the ongoing efforts at research and teaching are signs that it will not simply devolve into a fad. Will some people use it superficially without going into details? Sure. That always happens, even with truly great ideas like evolution or relativity – so surely it will probably happen with effectuation. But there is enough substance worked out and enough efforts ongoing that I am optimistic it will continue to be developed as a theory and worldview requiring thought, depth, subtlety and nuance.

*Would you think for instance that the effectuation model may be consistent with the development of corporate entrepreneurship in firms? This might allow to better understand the emergent side of strategy making?*

Sure. In fact, people have started doing that. There is a paper recently published in the *Journal of Business Venturing* that studies the use effectuation by R&D managers and shows that effectuation is positively related to success in highly innovative contexts. There is also a book in Dutch written by Thomas Blekman titled "Corporate Effectuation" that suggests ways to use it within larger corporations.

*In conclusion, Saras, what are the criticisms of the effectuation theory that you think deserve attention and that would improve the framework?*

One of the major problems that have somewhat frustrated me consists in people taking just one or two thin threads of the logic and suggesting it is nothing more than... for example,

bricolage (which at best could be compared with the bird-in-hand principle, but no more), or real options (which at best could be compared with affordable loss and no more) etc. But I also realize that that is the way human being learn any new concept – by comparing and contrasting with concepts they already know. So that's OK.

*I interrupt you, Sorry. What about the relationship between effectuation and serendipity which is another manner to divert the dialogic "ends and means"? Your colleague and co-author Nicholas Dew wrote an excellent paper about serendipity in Organization Studies.*

Sure – I love that paper too. But as Herb Simon and others have argued, serendipity does not mean simple random luck. It takes knowledge and experience and expertise to notice the random event and use it or leverage it in valuable ways. Take the famous case of the invention of Penicillin by Alexander Fleming – it takes a scientist of Fleming's calibre to notice the mold growing in the petri dish he had left open by mistake and know what it meant, and then take it to the next level of actually inventing and developing the drug. As Louis Pasteur said "Chance favors the prepared mind." When used in this way, the term "serendipity" is not a diversion, it is part of the effectual process – and is embodied in the Lemonade principle.

(...)

A second criticism is that effectuation is not easy to measure as a single construct and definitely very difficult to measure at the firm level. I think both those criticisms are valid. Since effectuation consists of a bundle of heuristics that have been acquired by expert entrepreneurs over a lifetime of starting and running a variety of ventures, chances are, when we look at novice entrepreneurs or entrepreneurs on an average, they have not yet learned to use all the heuristics in a logically consistent manner. However, I don't see why we should not measure it at the level of each individual principle, instead of as a single logic of decision making. I believe even with experts, they will be mixing and matching different principles in different proportions at different times. Here is where collecting descriptive data should be supplemented with developing logical normative models including simulations and mathematical models. I am happy to see some of those beginning to be developed as well.

Another criticism I have encountered is that the theory is being reified without empirical verification. I think as the published studies are beginning to accumulate, this criticism is beginning to fade. The reification argument I find funny, because we fully embraced causal reasoning, embodied in the business plan without ever bothering to do any empirical study whatsoever. And now we have to fight this phantom that has taken over our pedagogy – not only because of the empirical work on effectuation, but the empirical work on business plans that show that plans per se don't do much and that most enduring businesses do not come out traditional market research or other business planning mandates.

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