

# THE EFFECTUAL APPROACH OF INTRAPRENEURSHIP

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### **Abstract**

Sarasvathy and her followers noted that entrepreneurs often employ “effectual” reasoning. Our conceptual exploration emphasizes that corporate entrepreneurship corresponds to a process in which an organisation gives free rein to effectuation. Up until Sarasvathy’s groundbreaking 2001 article, effectual reasoning was ignored in models of corporate entrepreneurship. An extensive exploration of literature reveals that an excessive focus on the outcomes of intrapreneurship results in the dominance of causal explanatory models. This tendency overlooks the effectual dimension as a key factor of success in the implementation process of intrapreneurial initiatives.

This paper offers an integrative model that will help researchers to better articulate causal and effectual dimensions of intrapreneurship.

### **Introduction**

Most studies on corporate entrepreneurship focus on outcomes and, therefore, the objectives of actors in the employee-driven innovation process. This approach

pre-supposes that corporate entrepreneurship constitutes a conscious or unconscious *a priori* choice for the firm. However, recent field studies (Basso, 2004; Bouchard, 2009) suggest that intrapreneurs and organisations involved in employee-driven innovation approaches work with a range of general ideas and objectives that they seek to test and explore. In primarily addressing corporate entrepreneurship from the point of view of outcomes rather than processes, or, to be more precise, of effective modes of implementation, theorists and practitioners display a certain bias. This bias encourages a causal approach to explaining corporate entrepreneurship and thus fails to pose the question of how action is oriented and how objectives are approached. In other words, the debate initiated by Sarasvathy (2001) opposing causal and effectual reasoning has not yet been addressed in studies on corporate entrepreneurship. Sarasvathy herself highlighted the predominance of the causal model and the absence of a theory of goal finding or of the plurality of goals in the entrepreneurial process. In order to observe how goals are defined in the context of the intrapreneurial innovation dynamic, Sarasvathy's approach was designed to encourage researchers to take an interest in the effectual dimension of corporate entrepreneurship. Our own study is conceptual.

We present a wide-ranging review of the literature which reveals that corporate entrepreneurship models are currently dominated by a causal approach. A large number of authors have produced models describing corporate entrepreneurship. Some of these models include individual, group, organisational and/or environmental factors. Others grant a central role to organisation and strategy. But causal and effectual approaches were not explicitly addressed in any of the studies – published between 1983 and 2009 – that we reviewed. Since the theory has played a founding role in entrepreneurship studies, we will sketch its major outlines and their utility in appraising the role of effectual reasoning in entrepreneurship. We will then present a review of the literature on corporate entrepreneurship models, examining their approaches in terms of causation and effectuation, before analysing how their respective methodologies influence choices about whether to use a causal or effectual approach.

## **1. A summary of the theory of effectuation**

The causal approach is linear and presupposes that behind every action lurks an intention and, consequently, a pre-determined goal. In the entrepreneurial context, the emergence of a new firm will often appear (to both practitioners and theorists) as the manifestation of a central and inevitable objective. However, a number of studies demonstrate that entrepreneurs pursue several different goals simultaneously (Baum *et al.*, 2001; Markman and Baron, 2003; Redien-Collot, 2006). In contrast, the effectual approach does not view enterprise creation as a priority or unique objective. Effectuation is a process involving the identification of available resources and the analysis of the outcomes which they could generate and of using those potential outcomes to define one or more goals. Effectuation involves thinking pragmatically about the most promising goals to pursue. Sarasvathy (2001) identifies seven aspects which distinguish effectuation from causation: a greater focus on action and outcomes; a preoccupation with the most appropriate contexts in which to act; the relative importance of the decision-making process; the centrality of developing skills; the relationship to the unknowable; and, more generally, the logical framework underpinning the hermeneutical approaches characterising the two processes. Effectuation is defined as an orientation towards action centred on means (rather than ends) informed by an intention to explore potential outcomes. It focuses on the capacities of individuals to leverage contingencies, find new markets and develop unexpected partnerships. In terms of decision-making, effectuation concentrates on gauging acceptable risks and losses rather than focusing on potential returns on investment. More generally, effectuation encourages individuals to focus on controllable rather than predictable aspects of the future. Effectuation also integrates the random nature of human action into partnerships and organisations.

## **2. Predominance of the causal approach in models of corporate entrepreneurship**

Most corporate entrepreneurship models are characterised by a causal approach. A small number of articles are neutral on the question, while relatively few authors have examined both effectual and causal approaches in their models.

The models suggested by Covin and Slevin (1991) and Lumpkin and Dess (1996) address the antecedents and/or consequences of entrepreneurial approaches within organisations, analysing processes, practices and decision-making activities which generate new businesses. Entrepreneurial orientation is described as an organisational state or quality which encompasses risk-taking, innovation and proactivity (Covin and Slevin, 1991), as well as competitive aggression and autonomy (Lumpkin and Dess, 1996). The authors explicitly define the philosophical component of corporate entrepreneurship strategy as a strategic vision which provides value justifications and stimuli supporting a pro-entrepreneurial organisational architecture in terms of both processes and entrepreneurial behaviours. Lastly, the authors point out that organisations sometimes pursue corporate entrepreneurship policies as a separate and identifiable strategy designed to improve corporate performance. Corporate entrepreneurship is thus cast as an *a priori* choice taken at management level and is, consequently, analysed from a causal perspective. Zahra (1993), Russel (1999) suggest a modified version of Covin and Slevin's model (1991). Zahra (1993) focuses on entrepreneurial behaviour. Bouchard (2009) proposes a more wide-ranging model of corporate entrepreneurship, contrasting intrapreneurship (the development of new projects by intrapreneurs working within an existing organisation) with exopreneurship (the generation of innovations by exoentrepreneurs). Russel (1999) suggests a cognitive map of the corporate entrepreneurship system describing links between organisational variables. These models are also informed by a causal approach.

Barrett, Balloun and Weinstein's (2000) contingent model describes a sequential progression from the establishment of a mission strategy to the development of entrepreneurial behaviours, business practices and competitive tactics culminating in commercial performance. The model is causal. Schindehutte, Morris and Kuratko (2000) developed a conceptual model illustrating the dynamic nature of factors triggering intrapreneurship (corporate entrepreneurship). The nature, relevance and impact of trigger factors are conditioned by the dynamic interaction between the characteristics of managers and employees, the characteristics of the firm, and developments in the external environment. While retaining a focus on performance, intrapreneurial strategy is influenced by various types of trigger factors. The

analysis is informed by a causal approach. Ferreira's integrated model (2001) is based on strategic management. According to the author, intrapreneurial strategy is influenced by three factors: essentially, the firm's lifecycle and the characteristics of the entrepreneur (resources, capacities, values, beliefs, characteristics, network), and, less significantly, the environment (dynamic, hostile, heterogeneous). Strategy is oriented towards risk-taking, innovation, proactiveness and autonomy. The model is essentially based on the principle of causation. Antoncic and Hisrich's intrapreneurial model (2001) emphasises environmental and organisational factors. Characterised by demands for new products and by competitive rivalry, the external environment is considered to be dynamic, offering opportunities and a margin for development. Organisations are defined by their communication strategy, their approach to formal audits, the organisational support they offer and by values associated with competitiveness and personal dynamism. The model is informed by a causal point of view. Lastly, Holt, Rutherford and Clohessy (2007) suggest an intrapreneurial model based on individual characteristics, context and process. The authors maintain that intrapreneurship is influenced exclusively by contextual and process-related variables, and that the characteristics of individual employees have no part to play in the process. Once again, the article is written from a causal perspective.

Two models appear to eschew both causal and effectual approaches. Guth and Ginsberg's model (1990) describes the potential determinants and effects of entrepreneurship by analysing corporate projects and strategic renewal. The model is informed by a general perspective in that it does not distinguish between the causes and effects of the two entrepreneurial phenomena which constitute the field of intrapreneurship. Rather than a strategy, intrapreneurship (corporate entrepreneurship) is seen as a multitude of exogenous processes that intrapreneurs may successfully articulate in order to produce innovation and create value. Along with structure, processes, values and beliefs, strategy is identified as a catalyst, at the organisational level, of intrapreneurship. However, the notions of effectuation and causation are not directly addressed. Manimala, Jose and Thomas (2005) suggest a hypothetical model of organisational design for high impact innovations that focuses to a large degree on innovation processes within the firm. The model



is interactive and encompasses strategic and managerial facets of projects initiated by organisations and individuals. It underlines the importance of the knowledge, training, reward structure and motivation required if innovative projects are to be pursued successfully. The model concentrates on organisational structure (training, time, available resources and management). In terms of causation and effectuation, no precise approach is either explicitly or implicitly evoked.

A number of studies attempt to combine causal and effectual perspectives in their models of intrapreneurship. Both Burgelman (1983) and Floyd and Lane (2000) suggest models focusing on the management of new internal corporate projects and strategic renewal. These models focus on processes and functions and the way in which they are affected by managerial behaviours. According to Burgelman (1983), research approaches used to select new projects defined by management, which allocates resources and then retroactively rejects or rationalises those projects which are effectively generated by employees, whence an approach concentrating on outcomes (even if those outcomes are not precisely defined). Burgelman stresses that the emergence of individual initiatives is determined by the way in which the structural context is defined. According to Floyd and Lane, who evoke conflicts between managers over strategic roles, effectuation corresponds to the phase of definition of strategic renewal, whereas causation corresponds to the deployment phase of the results of strategic renewal, which translates, operationally, into a series of action plans. In the authors' view, intrapreneurship requires an exploratory phase at the beginning of the process. More recently, the model elaborated by Dess, Ireland, Zahra, Floyd, Janney et Lane (2003), based on a study by Covin and Miles (1999), examined four types of intrapreneurial activity: regeneration, organisational renewal, strategic renewal and the redefinition of fields of activity. The model underlines how acquired and experimental learning processes play an intermediary role in the relationship between the four types of intrapreneurial activity and the emergence of specific forms of knowledge (technical, integrative and exploitable). It also suggests that a number of different indicators should be used to assess the performance of the company. The approach combines aspects of both causation and effectuation.

### 3. The benefits of interactionist approach

It should be noted that most corporate entrepreneurship models which adopt a causal approach are characterised by a methodological dichotomy; authors choose to foreground either the organisational or the behavioural aspects of the process. For example, Antoncic and Hisrich (2001) address the issue of organisational levers without applying an interactionist approach, preferring instead to observe the impact of those levers on employee behaviours and the organisational modifications engendered thereby. The model is thus informed by a causal approach.

Inversely, some interactionist models describing corporate entrepreneurship flirt with an analysis of the role of causal and effectual reasoning. This is true of the models suggested by Kuratko, Ireland and Hornsby (2001); Kuratko, Hornsby and Goldsby (2004); and Kuratko, Ireland, Covin and Hornsby (2005), all of which are variations on Hornsby *et al.* (1993). Kuratko *et al.*'s model (2001) uses a case study as a platform for an analysis of the organisational levers deployed in the implementation of corporate entrepreneurship strategies. The model highlights the importance of rewards. Kuratko *et al.*'s model (2004) describes individual and organisational assessments of the outcomes produced by entrepreneurial approaches as determinants of future entrepreneurial behaviours at the individual level. Kuratko's model (2005) focuses on the antecedents and outcomes of the entrepreneurial behaviours of middle managers and suggests an appropriate system of assessment and acknowledgment. Hornsby *et al.*'s interactionist model (1993) addresses the question of effectuation even more directly. The model is based on behavioural determinants which encourage individuals to act intrapreneurially in certain organisational contexts. It takes into account intrapreneurial processes from an interactionist viewpoint and applies an effectual approach in the sense that the choice of how to implement ideas is carried out *a posteriori* and depends on the ability of intrapreneurs to leverage contingencies.

More generally, it should be recalled that, from the outset, the interactionist approach was intended to circumvent the temporal linearity of the social identity that all subjects tend to construct in order both to integrate themselves into and distance themselves from their social environment. The temporal linearity of individual

social identity is characterised by a will to exist socially and, as such, is reminiscent of the way in which a tenacious desire to pursue a pre-established goal enables the subject to reinforce his or her existential beliefs (Schütz, 1967). Interactionist studies emphasise the fact that it is in their relationship with institutions and organisations that individuals and groups of individuals most frequently expose their social identity to risk. In effect, the linearity of the approaches adopted by individuals and organisations frequently combine to encourage the emergence on the part of both parties of critiques of the causal standpoint and the application of effectual or counter-effectual approaches (Goffman, 1967). In analysing the interactions between organisational and behavioural phenomena (individual, inter-individual, groups) which characterise corporate entrepreneurship, we intend to compare the tensions and levers that either promote or devalorize causal and effectual aspects. The objective of the study is to highlight the levers which favour effectuation.

#### **4. An interactionist model providing a framework for the study of effectuation in corporate entrepreneurship**

Mindful of the fact that interactionist models are better suited than other approaches to the task of comparing and contrasting causal and effectual approaches, we decided to base our study on the integrative model developed by Ireland, Covin and Kuratko (2009) in which intrapreneurship can be pursued as a strategy in itself. This intrapreneurial strategy is characterised by three factors: an entrepreneurial strategic vision, a pro-entrepreneurial architectural vision, and entrepreneurial behaviours and processes. The authors address strategy as both a perceptual approach and a model. As a perceptual approach, it represents a shared ideology encouraging the pursuit of competitive advantage principally by means of innovation and entrepreneurial behaviours. As a model, intrapreneurial strategy denotes a permanent dependence on entrepreneurial behaviours. Organisational architecture is the conduit used to guarantee the congruence between the perceptual approach (vision) and the model (constant behaviours). Furthermore, developmental factors integral to intrapreneurial strategy (the individual entrepreneurial cognitions of members of the organisation and external environmental conditions favouring entrepreneurial activity) and its outcomes (organisational outcomes deriving from entrepreneurial actions, including the development of competitive capacities and strategic



repositioning) are integrated into the model. Lastly, Ireland, Covin and Kuratko (2009) suggest that the individual entrepreneurial cognitions of members of the firm combine with external environmental conditions to provide the pre-conditions for the elaboration of an intrapreneurial strategy. Depending on the outcomes it generates, such a strategy will be either pursued, modified or rejected. By describing corporate entrepreneurship from the point of view of its processes (and by leaving a certain leeway for employees to use their intuition to detect business opportunities which will later be shared, integrated and institutionalised by a certain number of organisational levers) the authors foreground an effectual approach.

Ireland, Kuratko and Morris's model (2006) focuses on the development of intrapreneurial strategy. The authors identify four levers: HR management, culture, structure and monitoring. This form of organisation contributes to corporate entrepreneurial performance, represented by a higher degree of innovation, strategic renewal and proactive behaviours.

### Organizational model of the CEID

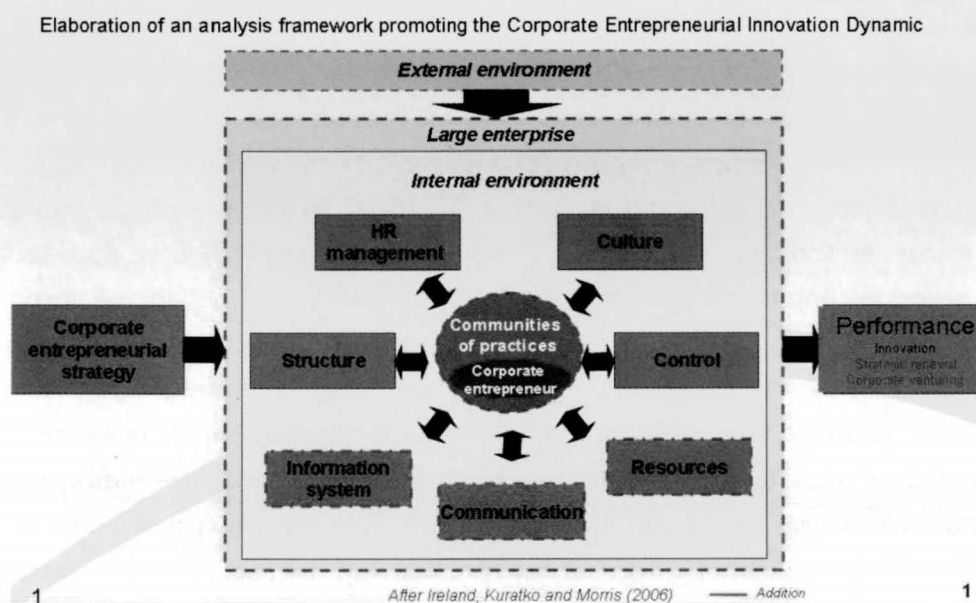


Figure 1: Contingent model of the intrapreneurial innovation dynamic  
Based on Ireland, Kuratko and Morris's model (2006) and Viala (2009)

We identified three further levers (Viala, 2009), outlined in the above Figure, which we added to the model suggested by Ireland, Kuratko and Morris (2006). The new model takes two units of analysis into account: the intrapreneur (in relation to other members of the organisation – social capital – and notably within the framework of practice-based communities) and the extended organisation (the organisation and its interactions with clients, suppliers and other stakeholders). At the organisational level, we have included three further levers: the IT system, communication and resources (Viala, 2009). It should be noted that the external environment (intensity of the competition, technological developments, the degree of fragmentation of the market, legislative and regulatory changes and the political environment) influence the degree of intrapreneurial innovation within the firm. However, we have not taken these factors into account in our study.

### **Conclusion**

In the present conceptual study on intrapreneurship, we selected from amongst the array of theoretical models dealing with corporate entrepreneurship an interactionist approach which makes it possible to compare and contrast causal and effectual processes (Schütz, 1967; Goffmann, 1967). In exploring this vast literature, we identified Ireland *et al.*'s model (2006) as a structure that can help future researchers to clearly articulate the causal and effectual dimensions of intrapreneurship. Moreover, we have enriched this model with three components, that is, resources, communication, and information system. In their empirical studies, we think that researchers' results will relate the type of employee's resource approach to the successful implementation of business ideas within and outside of corporate boundaries. We may already hypothesize that either effectual resource approach or hybrid causal-effectual resource approach will bring rewarding intrapreneurial outcomes. At the same time, we know that, even for individualistic entrepreneurs, successful effectual approaches are based on regular sharing of information, advice and stimulating confrontation (Baum *et al.*, 2001). Therefore, in order to understand the effectual dimension of corporate entrepreneurship, we recommend researchers to focus on the articulation of corporate and inter-individual communication and their effective impacts on intrapreneurs initiatives. Finally, several studies have demonstrated that an effective and creative management of ideas supported by an

efficient information system results in the emergence of employees' new business ideas and their motivation to concretize them (Teglborg et al., 2012).

In order to keep up with this broad research agenda, we encourage future researchers to analyse effective modes of business ideas/innovative ideas implementation rather than mere entrepreneurial outcomes, that is the number and performance of new business ventures resulting from a policy that promotes intrapreneurship. As both the intrapreneurial and effectual are long-term processes based on specific behaviours, longitudinal and comparative case studies seem to be very appropriate. In terms of methodology, scholars have to complete long-term observation with extensive interviews of intrapreneurs, their hierarchy and their co-workers.

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