

THOMAS BLEKMAN

CORPORATE

Effectuation

What managers should learn
from entrepreneurs!

*A Disturbingly
Good Book!
Beuk*

CHAPTER 2

The five principles of Effectuation

TO THE

Saras Sarasvathy discovered that the expert entrepreneurs she interviewed did not fit the popular image of a brilliant, visionary daredevil with an surfeit of good fortune; but nor did they square with the image of the cool calculator, who, proceeding in a causal manner, has mapped and analyzed the markets and the potentials so thoroughly that he or she is assured of an inevitable and glorious success.⁵ Quite the opposite: the entrepreneurs with whom she spoke hated to conduct any market research, were clearly intent on reducing risks and costs as far as possible, entered into clever alliances, and certainly didn't put all their eggs in one basket. In proceeding in this way, they were all employing the same five principles,⁶ which together constituted what she termed "effectuation":

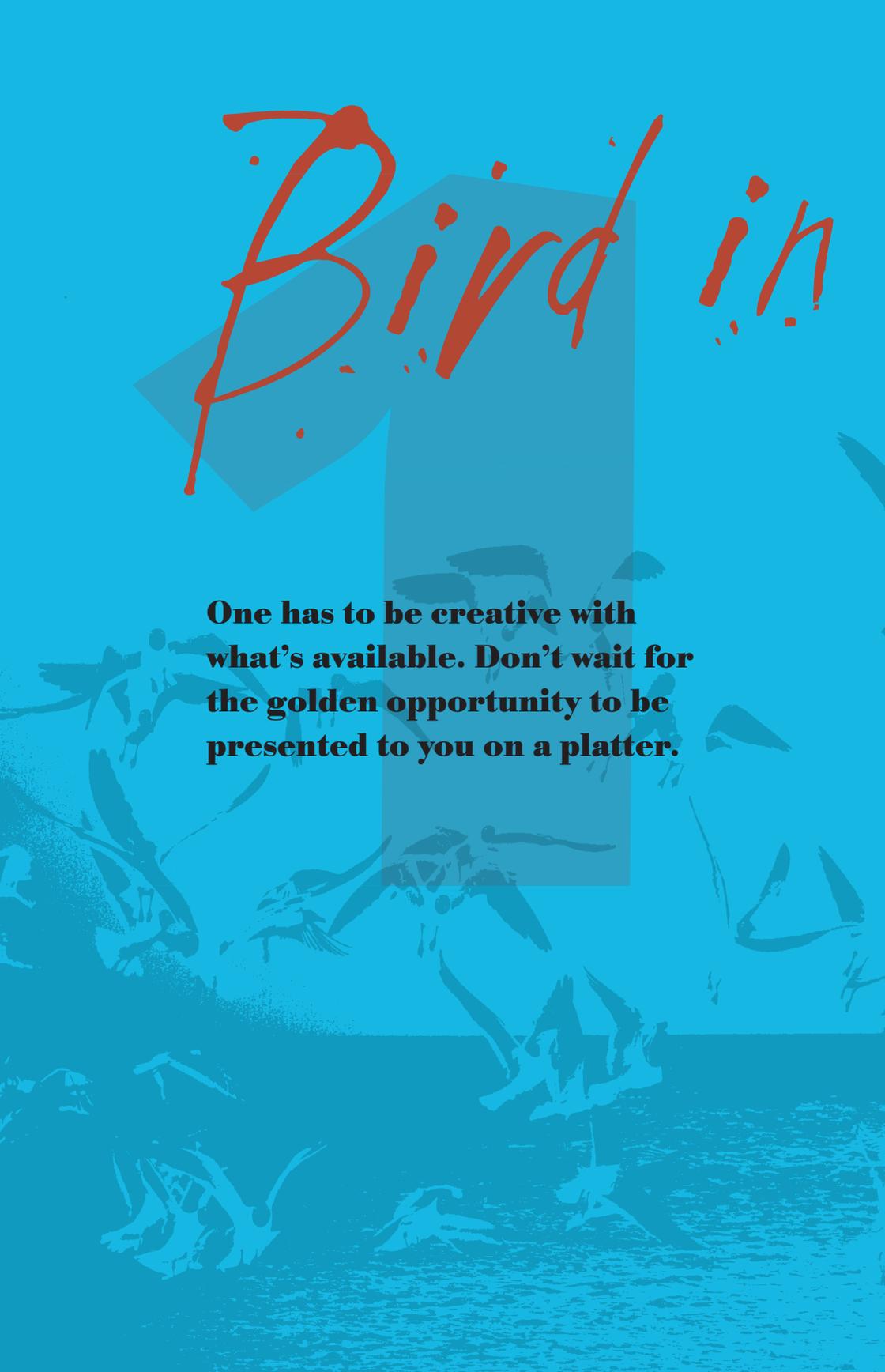
- **The *bird in hand* principle**
Drawing up an inventory of the available means and possibilities by answering the three W-questions: who am I, what can I do, whom do I know?
- **The *affordable loss* principle**
Answering the question: what I am willing to risk in order to pursue this idea?
- **The *lemonade* principle**
Leveraging chance events in uncertain surroundings into new opportunities: "If you come across lemons, make lemonade!"
- **The *crazy quilt* principle**
Devising strategic alliances and partnerships with stakeholders who all, each in his own way, join to knit the final, unforeseeable quilt.
- **The *pilot in the plane* principle**
Focusing on what you yourself can control: when you yourself are creating the future, as happens with effectuation, you will not have to predict it, as in the causal approach.



Bird in



One has to be creative with what's available. Don't wait for the golden opportunity to be presented to you on a platter.





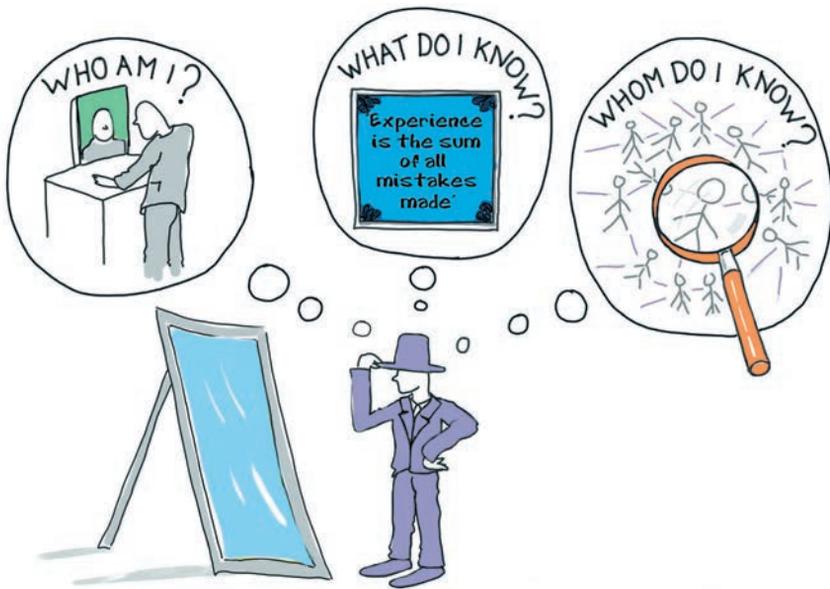
Hand Bird in hand principle

Causation takes a certain effect for granted and concentrates on the selection of the best means to cause this effect; it proceeds, in other words, from the required ingredients, known beforehand, to the unity of the final product. Effectuation takes the accidentally available group of means as a given and looks for the best choices among the various effects that could be accomplished with them, thus proceeding from a unity to a multitude.

Causal logic (inferring from cause to effect) is always goal-centered: the goal must be well-defined if one is to act in a useful manner and to proceed as cleverly and profitably as one can on the route from A to B. Once the goal is set, it will determine all that is even subject to observation or is of any relevance to observe. This is useful as a *focus* in a secure and trustworthy world, but in a dynamic, unpredictable one it can develop into a life-threatening instance of *tunnel vision*. One can always be blindsided by a train from the right or the left. Or by a coconut ...

Effectuation sets out with only one certainty: one's own initial position. It asks what the means and possibilities at hand are.

- Who am I? (characteristics, preferences)
- What can I do? (education, training, expertise, skills, experience)
- Whom do I know? (social and professional networks)



Once this inventory is taken, one can see what may be realized with these possibilities, and who is able to join in. The targets will be dynamic and may change each time whenever new and different means become available. This approach is not goal-oriented, going in a straight line from A to B with the necessary ingredients having been defined beforehand, but flexible with moving targets, comprising a series of *imagined ends* that depend on which doors open up or remain closed in the corridor (see the box on page 45). One great advantage of this strategy is that one doesn't have to wait any longer for the perfect opportunity; one can get started right away, entirely in accordance with the proverb: "A bird in the hand is worth two in the bush."

This is applicable not only to start-ups, but also to a quoted multinational suddenly confronted with a surprising move by the competition, a sudden shortage of raw materials, unpredictable changes in consumer behavior, or alterations in the laws or customs. Does Apple's iPad represent an opportunity or a threat to "traditional" publishers? Would it not be better to shift the emphasis from production to marketing, as Starbucks and Tommy Hilfiger did?

Innovation is only possible when an employee has available the means needed to be a *smart (co-)creator* and dares to be one – not when everyone painstakingly follows the existing procedures and operation manuals after signing the non-disclosure agreement, thus permitting the management to stay *in control*. As an alternative to such a closed model of innovation, professor Henry Chesbrough of the University of California has proposed his concept of "open innovation."⁷ Here, on the input side there is far more than only the internal R&D, and there is also more output than merely the company's own products for home markets, by dint of licensing arrangements, technological spin-offs, and the like. As an example, Chesbrough cites the ICT enterprise Intel, which conducts a lot of R&D but also works together with universities and start-ups; it creates platforms where others can work and stimulates cross-fertilizations in order to generate "an ecosystem surrounding its own technology."⁸ In a similar manner, IBM joins forces with developers of open-source software, such as Linux and Java, thus raising this newly developed technology through its own worldwide services to a higher level. And the ideas of its own R&D department which IBM does not put to any internal use, are handed over to its external partners, who also benefit from having access to the facilities of their big brother. These types of open innovation are nothing other than instances of effectuation's *crazy quilt* principle, all of which can have the same fruitful and unpredictably inspiring effect. For this reason, it is wise not to sit around the table with too many like-minded people, but to bring together those with widely divergent views. The management guru Tom Peters states, in his book *Search for Excellence*: "Hang around with the eccentrics and thou wilt be eccentric, with the laggards and you will be a laggard yourself; it is as simple as that." Thus, one ought to make certain that in the "incubator center" the interested parties will actually meet, not passing by one another but actually bumping into each other, so to speak: to this end, organize presentations, lend prominence to numerous projects. That's the only way undertakings such as the high-tech campus in Eindhoven and Schiphol Airport's TheGrounds can live up to expectations. It is no coincidence that at the Dutch bank ABN AMRO, the name of their incubator center is Dialogues House.

We set out to travel and we bring ...

After the inventory is taken, the real question emerges: "What can I bring about with all this?" From his initial starting-point, the *effectuator* imagines a couple of possible opening moves, all with a very uncertain out-



come. We saw that Saras Sarasvathy introduced the contrast between the chef who does his shopping in an orderly manner, gets everything ready, and prepares it, all according to the recipe, and on the other hand the *chef-effectuator* who looks around for what is present and available, and thinks of what could be done with it.⁹ Priorities are set by what the *effectuator* is willing to risk. And stakeholders too: by virtue of their own starting-point the number of possible openings will be set. To what extent are the stakeholders open to one another's needs, and do these needs add value to the imagined end? Where they do so sufficiently, the new goal will be modified according to the stakeholders' *bird in hand*; and then they reduce the uncertainty surrounding the achievable and flexible *imagined ends*, permitting internal decision-makers to obtain a better view of them, thus increasing the likelihood of receiving the go-ahead.¹⁰ Since everyone sets out with his own means in view, some linkage to the core activities of the enterprise is almost certain in advance.

This mode of operation is in flat contradiction with the causal approach, which would by contrast decide first of all what one wants to achieve and only then consider who it is who might be most useful in that respect (see the box "Covey's 'finder'" on page 46). These targets may even be set or defined externally, for example, the maximization of the value of the shareholders' investment, or improvements in efficiency carried out according to the calculations of a pricy consultant. Moreover, since the means required to meet such targets will obviously not be limited to those presently available, the initiative can lead to a partial change in ownership (by issuing bonds or a loan, or obtaining other external financing). Stakeholders become shareholders, and their concerns are narrowed down similarly.

The *effectuator* and his stakeholders work the other way around. They will sooner modify their goals than look for means that are at the command of outsiders. How much may not be achieved with a simple cup of coffee and a sausage roll, instead of by running an entire budgeting procedure? How much of the budget remained idle at the end of the year, or was spent without purpose? For years, I worked with a manager who made an optimal use of this option. Nobody understood how he managed to succeed time and again; whether it was a department trip, company cars that doubled as winter sports vehicles, or ICT capacity for projects, everything he undertook was always perfectly legal and approved!

As an experiment, I split up my students in three groups and asked them to take thirty-five minutes to think up all possible things they, setting out from the means available to them, could create. They all knew the ropes, being employed with major Dutch enterprises and having attended night-school; and in each of the groups ideas were devised that certainly would have passed muster and could have been executed the very next day, with a potential turnover of millions, without a great number of means having been required. And they were enthusiastic and convinced it would work. But the next day, everyone had returned to *business as usual* and no one was about to invent the new Senseo coffee machine. It had been fun, that was all; it's so

easy to catch a glimpse of the multitude of brilliant ideas either left on the drawing board or deposited in the trash. Here, what's called for is the kind of eco-system that Chesbrough is talking about, along with the accompanying management to support and facilitate such a system – and not an operation that works entirely causally, with forecasting, prioritizing, budget management, and an individual development plan. Well, there's always next year.

The Corridor principle

This principle describes the emergence of fresh unintended opportunities that often arise whenever expert entrepreneurs initiate a new enterprise or launch new products or services. It is as if one is standing at the beginning of a corridor and cannot hope to know what doors give onto it nor what's behind them, as long as one doesn't start walking down it. Here it is precisely the experienced entrepreneur, using effectuation, who can apply his knowledge and insights in the new situation, thus discovering opportunities and possibilities that remain out of reach for a manager whose approach is causal and who accordingly is limited by his own tunnel vision. Moving on from one enterprise to the next, effectuators build complete corridors brick by brick with a host of doors hiding unintended and unexpected opportunities and possibilities.¹¹



TAKEAWAY

One can start right away!

The *bird in hand* principle tells us four things:

- 1 Don't wait until the perfect menu falls in one's lap. As soon as one knows who's coming for dinner and has an inventory of ingredients, one can start cooking.
- 2 Don't chase factitious "fantastic" possibilities if they require more than one has at one's disposal, people one doesn't know, or talents one doesn't possess to a sufficient extent.
- 3 Of course, the notion of "means" is broader than that of mere money (sometimes, the means don't cost a dime, or are even outright refuse!).
- 4 Also, "means" are not limited to one's own but also include those of one's partners who have committed themselves. In every new combination new ideas may emerge which can confer an advantage over one's competitors.

Covey's "finder"

In his bestseller *The Seven Habits of Highly Effective People*, Stephen Covey introduces a *hidden resource finder* to help people to get started as effectively as possible with their own hidden means and abilities. This *finder* helps to identify the means of which one was not aware that one had them at one's disposal; it is these means that will help in overcoming the obstacles and reaching the desired goals. Covey proposes that this set of goals be graphed as the first and innermost of a series of concentric circles on a piece of paper, next, moving outwards, the others, representing who one is, what one can do, who can help, and those who prefer to participate and possibly to contribute by thinking it through, respectively. It is a nice visual aid, but the only thing is that here the goal is taken as the starting point, and almost all the questions will lead one to seek out the means, which would end up tying one down. Until one has these means present at one's disposal, they will pose yet another obstacle and block one's potential progress. Now, for its part in effectuation one (an individual or a corporation) is taken to be the starting point, and in doing so it is a far more effective approach.

Who am I?

- In what situations do I feel most at ease?
- What do I have to offer in a team?
- What gives me energy?
- What makes me unique?
- What is my favorite mode of co-operation?
- What am I most proud of?
- What would I do if I no longer had to work for money?
- Whom am I jealous of, and for what reasons?
- Which department do I work in?
- What is the mission, vision, and strategy of my department?

What can I do?

- What experiences have molded me over the past few years?
- What knowledge do I have that others find valuable?
- In what subjects do I have superior knowledge?
- What can I do better than many others?
- What courses, education, and training should be identified in my résumé?
- What hobbies do or did I have?
- What am I known for with friends and family?
- *What activities do we engage in as a department?*
- What would we like most to achieve?
- How may we maintain optimal relations with our customers?
- How can we sell our product?

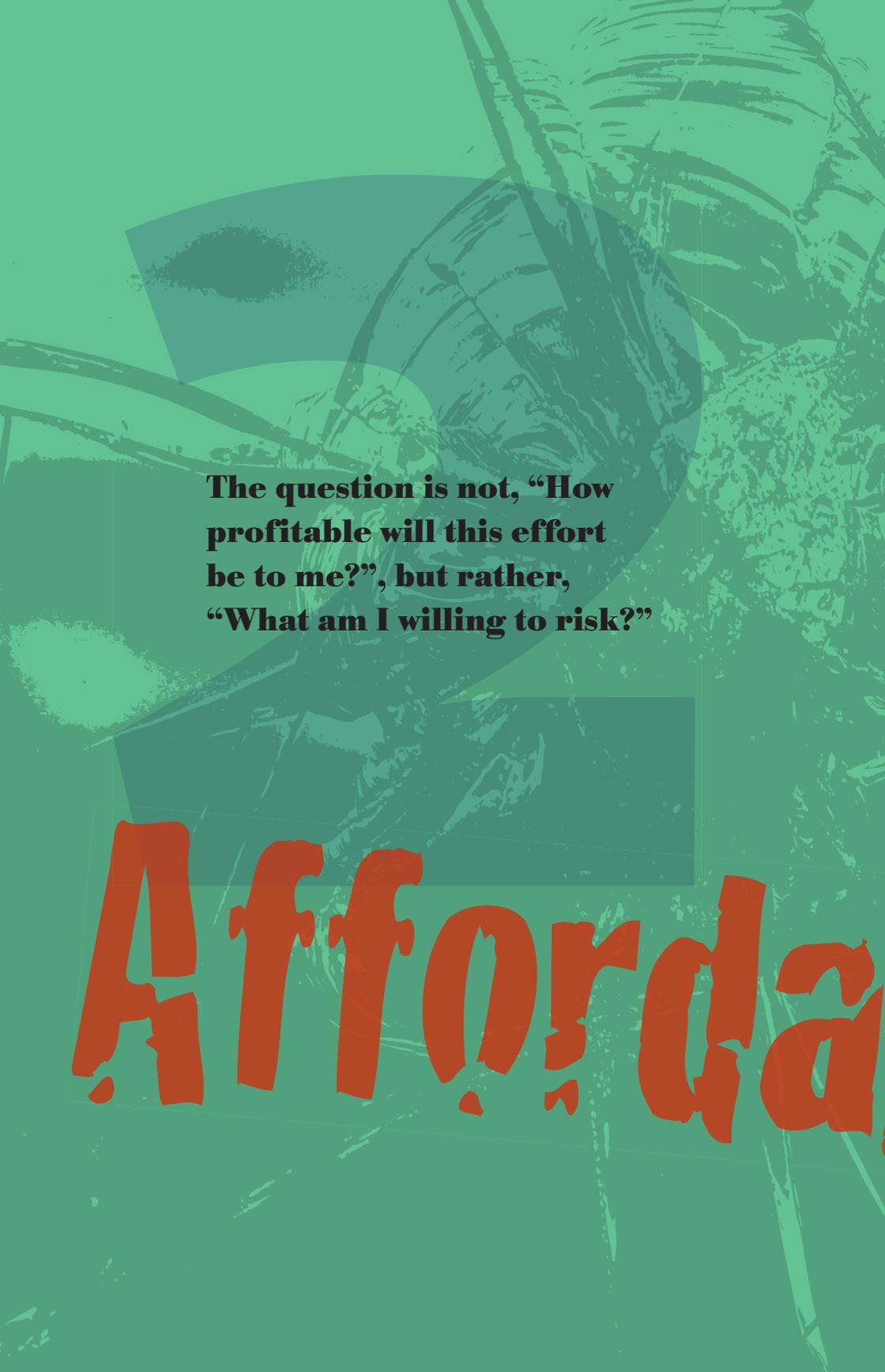
Who do I know?

- Which enterprises did I work together with during the past several years?
- Which are the companies where I know people?
- Which customers are enthusiastic about me?
- With whom in my network would I like to create something together?
- Who may call me at night?
- Whom haven't I spoken with for a long time?
- Whom did I speak with in the last week?
- *What clients and client segments do we serve?*
- *How do we reach our clients?*
- How do we deliver our services and products to our clients?
- Whom are we dependent upon to deliver good services and products?

What would I like to co-create?

- What would I like to realize most of all?
- What have I always wanted to do?
- What is my biggest annoyance?
- *What are my clients increasingly asking me for?*
- *Which opportunities could I seize?*
- *What are the major trends in the market?*

Please answer all these questions (those in italic gray are intended specifically for corporations). Share the answers with those present and listen carefully to their replies. This is called *means assessment* — an appraisal of the means. And what means do we all have in common? Try to feel what gets one's energy flowing and makes one feel an intrinsic motivation to co-create something with the other participants. Everyone should take note of this, convey it to the others, and see what happens next.



The question is not, “How profitable will this effort be to me?”, but rather, “What am I willing to risk?”

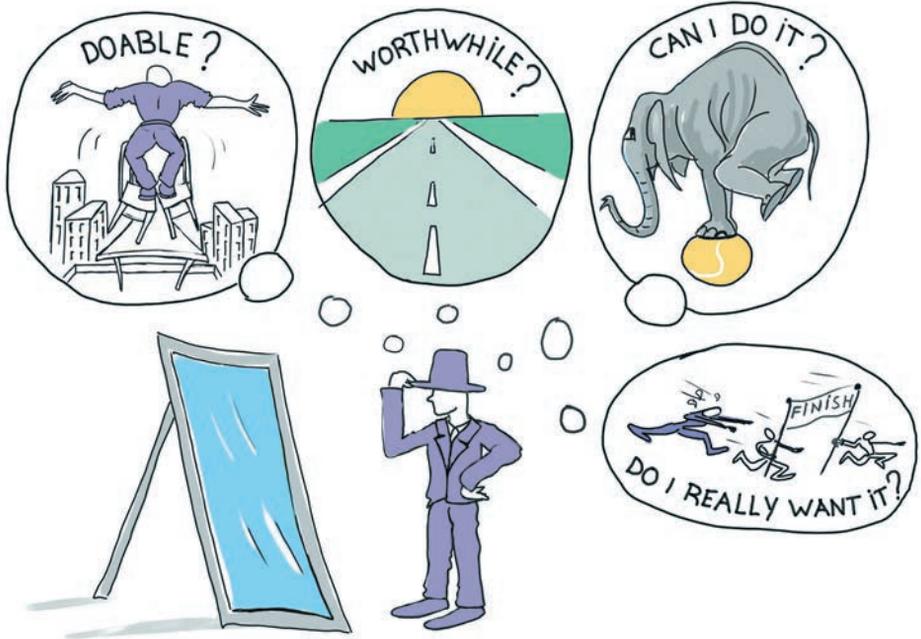
Affordability

Affordable loss principle

After buying a set of children's clothes Claudia Willemsen initiated what has since developed into the largest Dutch children's clothing-shop on the internet: "Kleertjes.com was one of those things I've loved to see materialize. When I started selling baby and children's clothes on my computer from a room in the attic in 2003, my life was rapidly overwhelmed by anxiety, emotions, and also a lot of success. It happens to you, it's true, but you also very much want it to happen." Over the course of seven years, Kleertjes.com turned into an enterprise with an annual turnover of fifteen million euro and more than 125 employees. In November 2010, it received the FD Eastern Netherlands Gazellen Award 2010.

bliss

Much as the first did, the second principle of effectuation also turns the world upside down. The principle of *affordable loss*, acceptable risk, turns a blind eye to the classical and logical – causal – modes of estimating, calculating, and predicting the potential yield in every possible way, reckoning that, since most dreams do not come true, it would be a waste of time to devote too much attention to make-believe certainties. Accordingly, effectuation assumes that the future is unknown. Whether he is behind a start-up, an employee with a multinational, or someone involved in a smaller enterprise, the *effectuator* always takes himself to be the starting-point, and he asks only one thing: what is he willing to risk in order to take the next step, as his gut feelings encourage him to do. The question is not, “How profitable will this effort be to me?,” but rather, “What am I willing to risk?” In order to inquire further into this feasibility (or, as it is termed, *doability*), Read has distinguished four questions:¹² can the undertaking be executed, will it be attractive (in the market), am I able to accomplish it, and do I (as an individual) want to?¹³



Saras Sarasvathy calls attention to the fact that the entrepreneur is not the possessed daredevil that some inquiries with their lists of (alleged) differences between entrepreneurs and managers would have us believe him to be.¹⁴ On the contrary, he avoids irresponsible risks and is very cost-conscious, even where it is not his own money that’s at stake. If equipped with his type of awareness, I’m sure quite a lot of larger organizations could still learn some profitable lessons.

Pierre Omydiar developed eBay in his spare time. Since he had few means at his disposal, he devised an “automatic system” that was as simple as possible, fulfilling its own needs by learning from the feedback and the complaints of the community of its users... so that he could go to work in the morning or enjoy a nice weekend of bicycling now and then with his girlfriend Pam.

In The Netherlands things are no different. In 2003, after buying a set of children’s clothes Claudia Willemsen initiated what has since developed into the largest children’s clothing-shop on the internet: “Kleertjes.com was one of those things I’ve loved to see materialize. When I started selling baby and children’s clothes on my computer from a room in the attic in 2003, my life was rapidly overwhelmed by anxiety, emotions, and also a lot of success. It happens to you, it’s true, but you also very much want it to happen.” Over the course of seven years, Kleertjes.com turned into an enterprise with an annual turnover of fifteen million euro and more than one hundred and twenty-five employees. In November 2010, it received the FD Eastern Netherlands Gazellen Award 2010.¹⁵

Whoever makes no mistakes, makes nothing: this is very true. But it does not imply that one has to lay one’s head on the block right away; how to determine precisely when it’s time to fold, will differ by *effectuator* and stage of life. Someone like Richard Branson may be willing to place more on the table for a particular opportunity than a less wealthy *effectuator* would. Of course the bet will be dependent on the potential, but it most certainly will also be limited by the *effectuator*’s point of departure. On the other hand, one will persevere right up to the point one had agreed upon with oneself to consider acceptable (*doable*): so one won’t pull the plug too early, but neither will one wait too long.

This is substantially different than the uncertain yet expected and dreamt-of success for which one is ready to ruin oneself completely, as one is willing, like a gambling addict in the casino, to put all one’s eggs in a single basket – all one’s chips on the red.

Another advantage of a strategy based on the *affordable loss* principle is that it enables you to begin straight away and accelerate quickly. Taking only acceptable risks and authorizing only responsible expenditures, one can move forward and permit oneself small mistakes that may teach one a great deal, about what doesn’t work, for instance, or with the help of which one may book some minor successes which one in turn could seize upon and leverage in order to expand on them step by step. Since no entrepreneur wants to make more mistakes than are necessary, he will always seek out alliances in order to lessen the scope of uncertainty as quickly as he can (we will discuss this aspect in more detail in the section on the *crazy quilt* principle). In corporations a comparable role may be played by pilot projects, gadgets, and other trial balloons. As Faschingbauer says: “To act is the entrance ticket to an arena where you can meet with the unexpected. And the price of this ticket is your affordable loss.”¹⁶

We live in an unpredictable world and are overwhelmed by a unceasing avalanche of contradictory information. This is called isotropy. Everything we see, hear, feel, smell, and taste seems to be of equal importance in every respect, but this might in fact not be the case as regards its precise relevance to us. And this is not the exception, but rather the rule. When we set out with an eye to the affordable loss to ourselves, we won't have to let all these contradictory impulses disorient us; instead, we'll be doing something we think worthwhile at no greater expense than we consider practicable and are willing to risk. And the same applies to the alliances we enter, since our partners decide for themselves in the same manner how much they are willing to put at stake, and where their exit threshold is located.

TAKEAWAY:

Responsible risk

The *affordable loss* principle lowers the threshold one has to reach in order to put something new to the test: "This is what I am willing to put at stake; let's see what we can achieve with it." Operating in this manner, a constructive attitude that will not be deterred by prospective difficulties serves as the starting-point; whoever wants to persevere and persist, will be in need of the right degree of stamina. Should coconuts happen to be falling, perhaps one can do something nice with them; but if not, the damage may be surveyed and will moreover represent an affordable loss, no greater than what we were willing to risk. This way we can make a running start, achieve quicker results and can accelerate faster. Imagine how many more start-ups with a positive focus on creation we might have were we to operate in this way more often, instead of adopting the negative focus on cost control that warps all creativity! Who can doubt that there would be far more enthusiasm this way, and that a greater number of beautiful things would come into being?

Schiphol airport's TheGROUNDS

An interview with Jonas van Stekelenburg

Why were TheGROUNDS launched and when?

Jonas: "In 2007, Amsterdam Airport Schiphol had already devised its own Climate Plan whose ecological objectives were intended to foster improvement in the quality of the environment: reducing the carbon dioxide emissions of its vehicles and limiting other similar emissions generally, achieving better power management, generating sustainable energy, and purifying its own water. To take bigger steps, however, a real change was needed: not only doing the right thing, but doing it differently! That was the beginning. For Schiphol, sustainability is a precondition, but it also affords us opportunities to create value. The thought of bringing about such genuine change in the organization along those lines was the basis for founding TheGROUNDS in 2009.



I have to admit that we started very modestly (one single employee!), but, in concert with the entire organization, right from the start TheGROUNDS developed a very ambitious vision of how we could make Schiphol sustainable immediately. Our main idea was to exploit Schiphol's force of attraction and its existence as a playing field to develop a sustainable neighboring area where the changes we wished might be properly implemented and thrive and entrepreneurial opportunities would be seized as far as possible. Inspiring examples to us were Silicon Valley and Building 20 at the Massachusetts Institute of Technology.

Meanwhile, TheGROUNDS was launched as an innovation platform. Apart from Schiphol, the Technical University Delft, Wageningen University, TNO (the Applied Natural-Scientific Research organization in The Netherlands), and Imtech participate in it, as well as some other companies to a greater or lesser degree. Together they've started up three joint ventures and ten projects to create sustainable value, which perhaps in their turn will lead to new enterprises. For the participating scientific institutes, the value is in acquiring and valorizing expertise, for the companies it is durable value creation: new, sustainable enterprises or improved, sustainable processes."

Why set it apart; what is expected of it?

"TheGROUNDS is an independent organization established next to Schiphol in order that those involved may work together on the basis of equality to enter into alliances and joint ventures with other parties, while at the same time implementing sustainable policies at an accelerated pace; for this reason, TheGROUNDS

reports directly to the Executive Board. TheGROUNDS is strongly convinced of the power of co-operation and cross-fertilization and therefore keeps a sharp eye on its own organizations and challenges as well.

The imagined ends, I like to call them, of TheGROUNDS focus on sustainability, innovation, and profit. In the meanwhile it has become clear that a notion such as "sustainability" is a difficult one, and that views of how to generate profit can diverge, but these notions are being brought up all the time: and that's not a big surprise, either. Being a private business, it has to fulfill the same requirements as do all other departments of the enterprise: activities should generate more than they cost."

What projects are under way?

"We have started a *seed capital fund*, the Mainport Innovation Fund, a joint venture of Royal Dutch Airlines KLM, Technical University Delft, Rabobank, and the department of Economic Affairs, Agriculture, and Innovation. The fund is endowed with eight million euro and in exchange for shares it makes money available for the development of innovative and/or sustainable product prototypes. Here, KLM and Schiphol most expressly wish to be a *launching customer*, and this makes it extra attractive for start-ups to have the fund invest in them. The project is perfectly on schedule with two major investments being finalized.

The second business case is an incubator: an open work-space for start-ups as well as settled enterprises to install their activities in sustainability. This project is small and came about in a gradual manner: a very lovely, free space in an A location, located next to the headquarters of Microsoft in Schiphol Central. The vacant space is very basic and furnished flexibly with stuff that was readily available in order to create a true start-up atmosphere. The project was begun within two months. MIT's Building 20, the best breeding ground in the world according to many, served as an example. It is a bit messy, I have to admit, but it is really proactive!

I myself work there and consider it to be a very inspiring environment and highly attractive. In turnover, in innovation, and in the results of the co-operation alike,



this project is nicely on schedule: by the end of 2011, TheGROUNDS will hopefully have a colorful group of some thirty-six players focused on sustainability assembled as its clientele; their common factor is that they're all working on sustainability and maintain close ties with Schiphol and/or the fund.

As a third project, together with partners we are designing a sustainable power plant, installing solar cells in our first phase. And there are still other projects, dealing with the utilization of algae for cleaning, or with green transportation, which may also grow into enterprises in their own right."

How do these projects meet the unpredictability of the market?

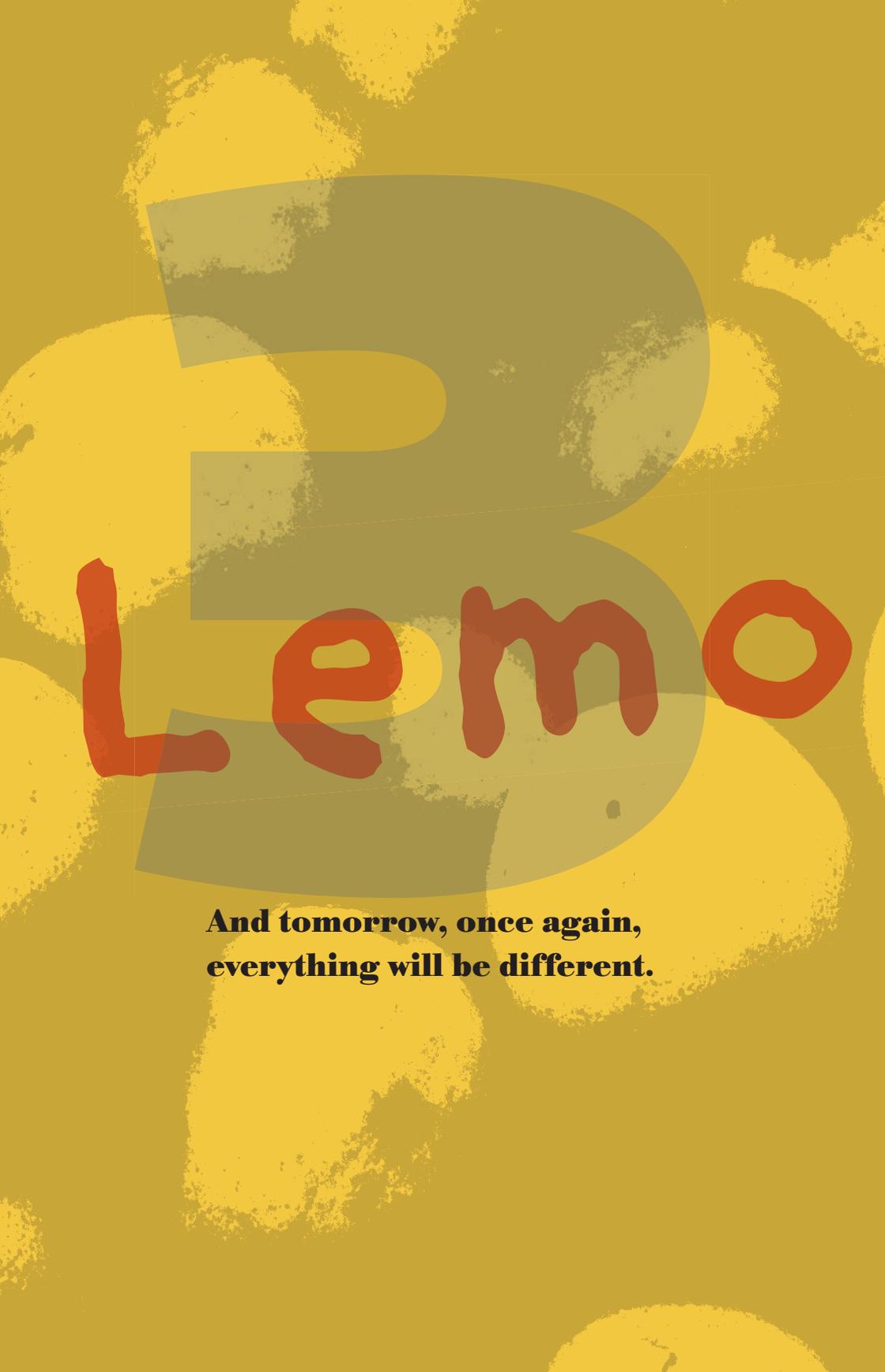
"First and foremost, it is important that we have a clear vision that everyone is familiar with. Second, you have to understand very well what's going on at Schiphol and in other enterprises. Good innovations and an increase in sustainability border on what we are doing already to an important extent. It is important to have solid partnerships where you can be completely frank and open with each other, are allowed to make a mistake now and then, and also have to surmount some stubborn obstacles once in a while. It can't be predicted where sustainability will lead, so it is of even greater importance that you remain flexible as regards possible changes. And, to conclude, it is important to decide beforehand what loss you are willing to risk; we are talking about testing and trial and error, seeing how things develop, stopping in time when that's called for, or adjusting the course or scaling up wherever possible."

What keeps you awake at night?

"Nothing: I most certainly have the best job in the country. My focus is on developing vision, building partnerships, bringing different people from different surroundings into contact with one another, lending confidence to people working on things that hadn't been heard of before, and, last but not least, and a prerequisite for all success: vigor!"

What can effectuation mean to TheGROUNDS?

"We didn't set up TheGROUNDS by deliberately drawing on the intellectual resources of effectuation. But it is very obvious that we've a lot in common. We do our business based on 'vision' (*imagined end*), not by a clearly outlined business plan, although sometimes you have to present an Excel spreadsheet with a glorious bottom line. What I also do recognize is restraint and pragmatism: you set out with what is available (*bird in hand, lemonade*) and try to build a business out of that. What's very familiar to me is that you decide beforehand what loss you consider acceptable (*affordable loss*) should things not turn out successfully; and what's vital, to conclude, is that you have to attract very good people, whom you permit every freedom to direct their common enterprise in the right directions (*pilot in the plane*)."



Lemo

**And tomorrow, once again,
everything will be different.**

Lemonade principle

nade

He who wishes to carry out his aims in the realm of the unpredictable, like an *effectuator*, knows well that one can never avoid unexpected events, and both accident and coincidence are directly around the corner. No one who sticks his neck out will be spared the unthinkable, any more than the one who buries his head in the sand. For this principle of effectuation, what's decisive isn't that this happens, but rather the way in which one handles such events and makes them work to one's own advantage.

The third principle Sarasvathy inferred from the stories of the entrepreneurs she interviewed, was that they did not stick rigidly to a premeditated plan (there was at most only an inkling of this), but that they leveraged coincidental events in uncertain surroundings into new opportunities. Their motto in doing so: “If you come across lemons, make lemonade!” Carpe diem! But don’t forget the coconuts ...

“We cannot leave anything to chance.” How often do we hear this said in all possible fields of human activity, with a solemn undertone of expertise and responsibility – for instance economics, medical science, or politics. The plans are completely set in stone, unshakeable.

But he who wishes to carry out his aims in the realm of the unpredictable, like an *effectuator*, knows well that one can never avoid unexpected events, and both accident and coincidence are directly around the corner. No one who sticks his neck out will be spared the unthinkable, any more than the one who buries his head in the sand. For the third principle of effectuation, what’s decisive isn’t that this happens, but rather the way in which one handles such events and makes them work to one’s own advantage. The skippers on unknown seas discover fantastic prospects out of the blue, new passage-ways, free of all danger. Remember, Columbus was on his way to India when he discovered America.

Causal, purposeful planning considers everything unexpected and unforeseen to be a risk or hazard, posing an obstacle on the shortest, most efficient way to the target. Surprises are disturbances that must be avoided at any price, circumvented, neutralized. Tunnel vision like this does not allow for an open eye to possibilities undreamt-of; here there will be no dances with chances, let alone any flirting! The logical, causal world is kept under tight control with attention being paid to *damage control* and risk management. Most of the terminology used in this context has indeed an unmistakably negative tone: collateral or uncontrollable risk, worst-case or disaster scenario.

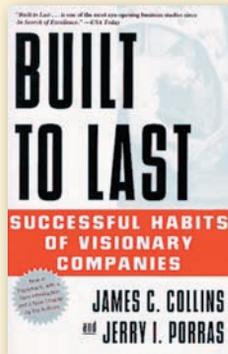
In unpredictable, unheard-of circumstances, *effectuators* are completely in their proper element. With every new surprise, they cast another uninhibited and mobile glance over all the new potentials and the previously unknown opportunities. Lack-



ing any premeditated plan (commercial targets!) they have their hands free to take on eventualities and new information, and to leverage them to their own advantage. The deck has been shuffled by coincidence, so there's a fresh pack of cards with each new game. It isn't those who have prepared the best who will benefit the most, but the one who's able to tackle whatever he meets on his way in the most conscientious, proactive manner. In any crisis it is never the situation that's in danger, but only one's available means and expectations for the future.

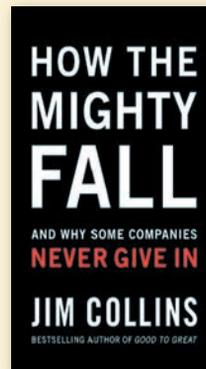
In 1994, James C. Collins published his bestselling book *Built to Last: Successful Habits of Visionary Companies*. Fifteen year later, in March 2009, six of the eighteen "visionary companies" he had discussed in it were listed on the New York Stock Exchange with a decrease in value of no less than 90% (in the cases of Citigroup, Ford, and Motorola) or over 80% (in those of Sony, GE, and American Express). That very same year, Jim Collins published his new title: *How the Mighty Fall: And Why Some Companies Never Give In*. Exactly – everything depends on how they play the game. We may indeed predict that there will be a new financial crisis, another bubble, another country in distress. But we cannot predict when the new crisis will arrive, nor how big it will be, when the bubble will burst, what country or countries will be in distress, and to what extent.

**Published
in 1994**



**March 2009. Decrease in value of 6 of
the 18 'built to last' organizations:**

Citigroup	-95%
Ford	-94%
Motorola	-93%
Sony	-86%
General Electric	-83%
American Express	-79%



**Published
in 2009**

Of course, an unforeseen development can surface in the most diverse guises. A trend can take an unexpected turn (dress codes of street gangs being adapted into haute couture), and a product development can fail for the most insignificant or the weightiest reason. For example, Microsoft recalled its Kin mobile within three months of its spectacular launch in July 2010 in the European market, because a change of policy in pricing data bundles for internet by the telephone companies made its use, in a single blow, impossibly expensive for its first target group, youngsters with a *social media phone*. Or take the commercial flights of the Concorde, which was discontinued in 2003 after having functioned for twenty-seven years: the air disaster near Paris had cut down the number of passengers so dramatically that the flight (three hours from London to New York) could not be offered any longer at a profit. Thus, a newer technology may replace an older one (from video to DVD; vinyl discs and audio cassettes to CD); a vital stakeholder leaves or joins, engendering new possibilities or restrictions as a client, supplier, or partner (IBM and Microsoft); some technology is made superfluous (typesetting, telex, fax); something nobody wanted is devised (see the box “Serendipity”) or a surprising new use for an existing product is found (see the box “Exaptation”). And tomorrow, once again, everything will be different. Or perhaps not.

Chaos, complexity, splitters, and new undercurrents

Since the nineteen-eighties, chaos in the sciences has been increasingly appreciated. Order had always been considered to be a good thing and the basis of all progress; but then awareness began to spread that chaos and order are not antithetical but two sides of the same coin, with chaos serving as a great source of creativity and new forms of self-organization.¹⁷

These days, it's the trend not to subdivide wholes into smaller bits when studying *interaction*, but, quite the contrary, to keep them as intact as one can. Chaos thinking is the powerful term that does justice to the dynamics and potential of the new approach – the new pair of glasses with which complex, repetitive patterns and transformations may be seen, described, and understood. Both chaos and order are present some of the time, and at other moments they emerge from each other: the more chaos, the more order.

The second central notion is complexity. Comparable simple interactions between parts, without any apparent co-ordination, may by self-organization lead to an unexpected, completely new pattern. (There's more on this in section 2.6.)

A famous catalyst was the meteorologist E.N. Lorenz's discovery, about 1965, that the tiniest differences in starting conditions can have disproportionately large effects in unstable systems such as the weather, which were dubbed the famous “butterfly effect”: the fluttering wing of a butterfly in the Brazilian jungle can

unleash a cloudburst above New York weeks later. Chaos thinking is not some whim on the part of social science, but a "complex, dynamic, non-linear" wing-beat by the exact sciences that reached the organizational sciences only at the end of the seventies. Much as effectuation seems to be reaching a similar crucial turning point right now.

Chaos thinking introduces a new paradigm with new, very special glasses that determine what we observe and how we interpret it; moreover, it employs a second set of concepts that are especially relevant to non-linear, discontinuous growth. All this is applicable here in a metaphorical sense to *chaordic* organizations, which are at one and the same time chaotic and orderly. A *chaordic* system has five characteristics:

1 Conscience

Ideas, not their material manifestation, are at the basis of reality (counter-empiricism). It isn't the outward appearance but the inner potential that is at the core of a chaordic system. In effectuation these are the *imagined ends*.

2 Connection

Nothing can exist apart from the greater whole (counter-reductionism). Chaordic systems are part of larger wholes in an all-inclusive *holarchy* that proceeds right into infinity. The world cannot be understood in a useful manner by employing hierarchies or dichotomies (the *crazy quilt* principle in section 2.4).

3 Indefiniteness

The world is so complex that any relation between cause and result is insufficient or unclear (counter-determinism). Any observed causality is at best partial by definition. Predictions may only be made in the very short run; the future cannot be known with any certainty. A distinction is drawn between the uncertainty of the subway and that of the coconut.

4 Dissolution

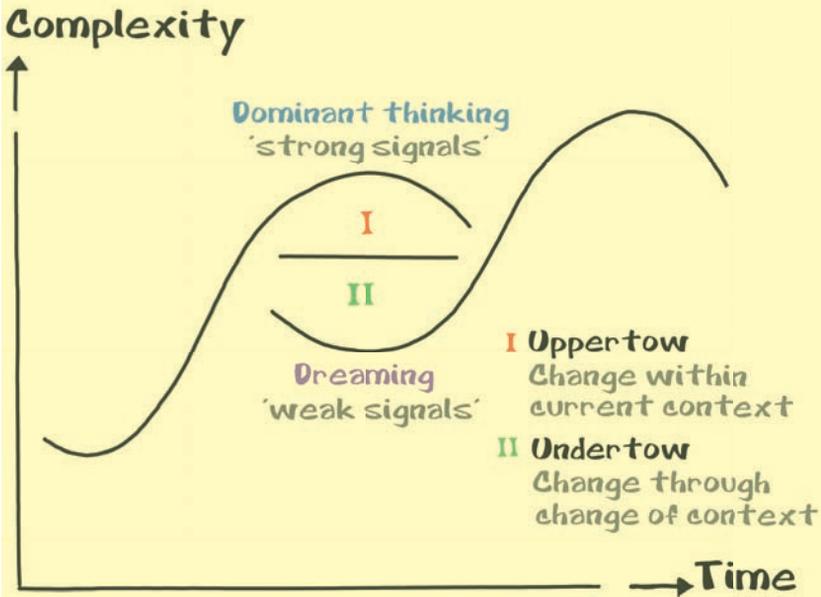
Falling-apart is a normal thing in chaordic systems, as is a reunification into new combinations. From chaos a new order evolves (counter-conservatism). Chaordic systems are *auto-transformative* and cyclical, as will be shown with respect to effectuation in action (chapters 3-7).

5 Surprise

An organization has unique characteristics that cannot be attributed to its parts but only to their interactions (counter-interventionism). These characteristics may constitute the cause of a system's escaping from chaos and "jumping" onto a higher level of complexity. Here we recognize the *lemonade* as well as the *pilot in the plane* principles (see section 2.5).

An important characteristic of chaordic systems is the fractal nature of their processes: a self-referential pattern repeats itself at every moment – the self-iterative fractal. What seems from a bird's eye perspective to be smooth linear growth, on

closer examination appears to be made of small qualitative leaps. Here, at this more proximate standpoint on the "verge of chaos," both the usual sort of thinking, which dominates, and the new sort, which is emerging, are present as, so to speak, the "uppertow" and the undertow, respectively, as a strong and a weak signal. This creative phase is of great interest in the life-cycles of organizations, and it is pre-eminently comprised of effectuation. A moment at which the "uppertow," institutionalized thinking, is met by the undertow, the new thinking, is often marked by a burst of inspiration, a novel idea, which is also termed a *splitter*. Most often, *splitters* surface spontaneously from within. At the point of bifurcation the pattern of behavior jumps from one attractor to another and back. Of course, there will not always be a complete switch of paradigm, but some discontinuity will always be present, as for instance a decision to discontinue the production of a product.



It is obvious that in such periods the doubts about the best direction for the enterprise to take will be routine. A chaordic organization is capable of mobilizing all its internal potentials and of taking the right turn in time, by virtue of its self-organization. If success is attained, the idea, after having originated as a splitter, will continue on a higher level: the new behavior is not necessarily more complex, but it is certainly smarter. Dilemmas not solved on lower levels are either solved here, or simply do not matter any longer.



Pure coincidence!?

Naturally, coincidences (contingencies) occur in all possible shapes and sizes, but there are three categories that, coincidental though this may be, occur most often. Many have had the experience that an unexpected meeting led to a complete change of course, lengthened their stay or shortened it, or turned all their planning upside down.¹⁸ Stuart Read suggested to me that for this book I contact Corina Kuiper and Fred van Ommen of Philips Corporate Venturing and Innovation Excellence, who found this to be such an excellent idea that their story may be consulted in chapter 6. What matters is not so much the meeting in itself or its contents; far more important is that the people involved are open with each other, able to influence, interest, and enthuse one another. Some people have raised the purely sociable meeting for coffee into an art-form in its own right in order to create and celebrate unpredictability. Most often, they sit with people who are not their work associates, thus fashioning what sociologist Mark Granovetter called “the strength of weak ties.”¹⁹

A famous example of unexpected information is the story of the tea merchant Thomas Sullivan, who, in 1904, having switched from tins to silk bags to pack his tea, due to the rise in tin prices, heard that his clients used the product while still packed. This was the birth of the tea bag. Imagine if there had been plastics in those days...

Companies can treat the unexpected within their organizations in a proactive manner. Faschingbauer²⁰ cites Weick and Sutcliffe,²¹ who provide five rules of thumb for “Highly Reliable Organizations” to help enable the unexpected potentials of their employees to emerge and to make the best use of them. Translated into terms of effectuation:

- Don’t be blinded by success: look for paradoxes.
- Listen to the front-line specialists on the shop floor.



- Embrace complexity: the greater the room for interpretations, the wider will be the spectrum of reactions when surprises occur.
- Experiment, even if no strong hypothesis is available: the unexpected can neither be studied nor dealt with by anticipation alone, if nothing is undertaken.
- Look for solutions in absurdities: unexpected information may often contain solutions never dreamt of. Gmail and the Android, not the least among Google's successes, were developed during the 20% of spare time all employees have to work on their own projects. One can always lend a hand to "chance."

Coincidence 2.0: serendipity

The word "serendipity" was used for the first time in English by Horace Walpole (1717-1797). In a letter, he described a Persian fairy tale about the three princes of Serendip (the Persian name for the island of Sri Lanka). The Dutch experimental ophthalmologist Pek van An del paraphrased the meaning of the word very vividly as searching for a needle in a haystack and rolling out of it with a peasant girl.²² More generally, the dictionaries define the word as meaning the talent of discovering by coincidence, though thanks to one's intelligence, something one never was looking for; thus, famous examples are the discoveries or inventions of penicillin, LSD, the Post-It, blotting paper, and cosmic background radiation. The pharmaceutical Pfizer developed Sildenafil for the treatment of angina pectoris, but it was due to a surprising side-effect that this new medicine made its real break-through, under the name of Viagra. Effectuation is not about *trial and error*, but it does encourage inquiry on the part of the organization: the *lemonade* principle opens up the space and instills the flexibility needed to make the most of serendipity.

Closely related to this is the notion of *obliquity* introduced by John Kay.²³ "Paradoxical as it may sound," he notes, "it remains true that many goals may best be achieved by pursuing them in an indirect manner. When you want to proceed in a given direction, it may be best to set out in the opposite direction." Precisely, as did Columbus on his way to India. We live in a complex world with a host of coconuts; so before we've set out problems can seldom be foreseen, not to mention our aims. Yet with effectuation one can make a start, no matter the challenges that may arise.



Coincidence 2.0: exaptation

The term *exaptation* originates from biology, where it designates a process that is the opposite of adaptation; in the new context it refers to a use of something for a purpose different than the one it was originally meant or developed to serve. In an enterprise, this may relate to existing technologies, products, or services or the elements thereof being utilized to meet other goals than those for which they were originally intended. Analgesic aspirin, developed in 1897 by Bayer, got into hot water after the introduction of paracetamol (1956) and ibuprofen (1969); then in the nineteen-seventies it was discovered that aspirin was perfectly suited to counteract coagulation of the blood. Thus the old pain-killer was “reanimated” and given a beautiful second life as a preventative against strokes and heart attacks.

Downloading the complete internet in order to search it more rapidly: this was the idea of two madmen in a garage. They offered to sell their functioning search engine for one million dollars, but the Yahoos of the world were not interested at all. So they continued on their own, developing a few other neat gadgets for e-mail, mobile phones, and the like. This was how Google came into being.



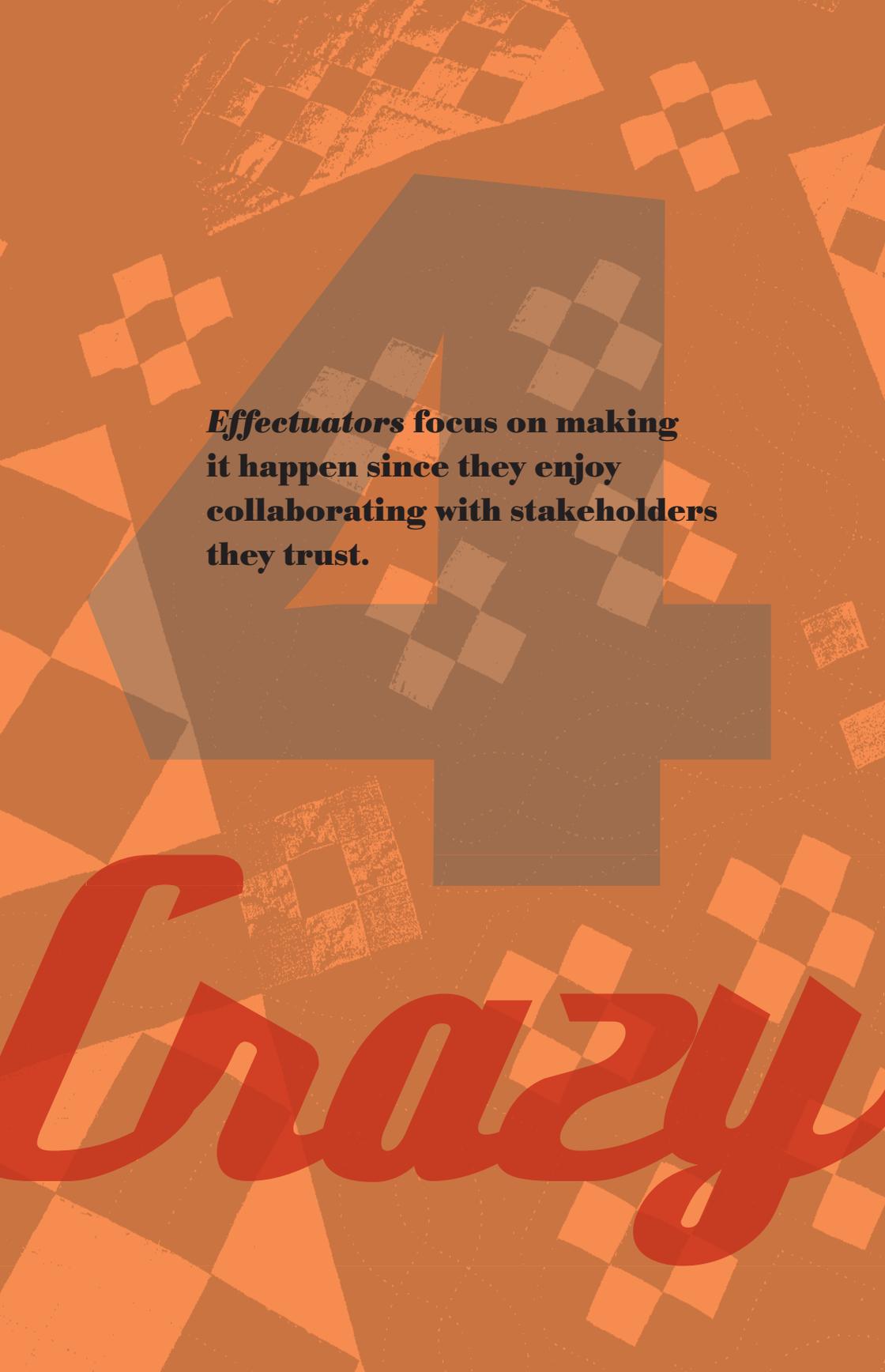
TAKEAWAY

Have faith in one's own capacity to make a difference

Experience may be important in order to demonstrate that the *lemonade* principle does work.

Many *effectuators* have spectacular stories about their *survival* in severe circumstances, showing us that not only can one survive unhappy coincidences, but one may even leverage them into unthought-of opportunities, and then turn these into a success story. (True, wherever things work out differently, we won't hear much about it at all...)

Entrepreneurs who've seized opportunities in the past as a lever for success, will have much greater confidence in their own capacity to do it again the next time too. A small tree that's not uprooted in a tempest grows stronger as a result; and much the same thing holds true for a human being. It means that one can stand open for opportunities to an increasing degree by extending one's own self-motivation and having confidence in one's power to find one's way in the world and thus make a difference.



Effectuators focus on making it happen since they enjoy collaborating with stakeholders they trust.

Crazy

Crazy quilt principle

In his dialogue with potential partners, an *effectuator* will put all his cards on the table. What will result is a reciprocal probing, comparison of the intended ends, and joining together in alliances for co-operation and the attainment of shared aims. And each time a new stakeholder joins in, or circumstances change, this procedure will be followed once again. The partners aren't undertaking a journey from A to B but from A in the direction of B, and no one knows where it will end. What's more, the path is only made by walking.

quilt

Having conducted an inventory of the means available and decided on his *affordable loss*, the *effectuator* has established a starting-point; now it is time to see what he can do with it all, and also who might want to join in. The imagined ends remain dynamic, since they keep pace with the available means. And they change too, all the time, because the *effectuator* is continuously discussing his plans with other people: that is how, with his contagious enthusiasm, he creates possibilities for new partnerships. Here, the *effectuator* is employing the *crazy quilt* principle; he allows stakeholders a chance to get on board and to make a contribution to the plan, adding their own patches of cloth right where they think they'll fit the best. By joining, they become co-creators. This is in sharp contrast with the causal approach that shuffles about the sharply defined competencies of which each is correlate to a particular goal, which is comparable to the way in which the pieces of a jigsaw puzzle are assembled to match the picture on the cover of the box.

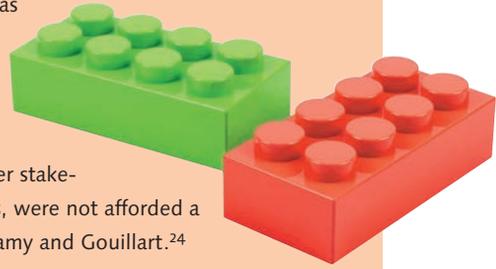
The entire *modus operandi*, when the *crazy quilt* principle is acted on, already indicates that the product, service, market, or enterprise cannot be the vision of one single brilliant *effectuator* but is more like a *Gesamtkunstwerk* of a group of co-creators (see the box). In The Netherlands, one group that has applied this method in its daily work is the poster-making collective, Loesje. Or to take a general illustration, this is how jazz musicians operate during their jam sessions and while improvising, visibly and audibly generating energy and inspiration, lifting the whole to the next level and rendering it unique (please refer also to chapter 7 on champions, *effectuators*, and superpromoters).



The art of creating new partnerships is the foundation of the *crazy quilt* principle. Partners represent a steady source of new means and new ideas, a way to share the risks (the *affordable loss* principle), and to create new possibilities (chapter 4, in the discussion of business model generation, will elaborate this point in more detail). The partners, who deliberately or not are themselves *effectuators*, are optimally involved because they have mapped out who they are beforehand, what their talents are, who it is whom they know, and what they are willing to put at risk for the enterprise as a whole. Bearing this in mind they set out towards unknown horizons and in their unpredictable adventure will encounter unknown shores and oceans one after the other (see also chapter 7).

Co-creators: stakeholders at the helm

For some time now, the toy producer Lego has been offering its clients the opportunity of suggesting their own designs for new products; this way, customers get so involved that the company will meet their wishes and needs better in the future. However, the other stakeholders, such as the employees and suppliers, were not afforded a similar strategic input, according to Ramaswamy and Gouillart.²⁴



These co-authors distinguish four steps in the co-creation process where management ought to indicate the company's strategic directions and limits:

- 1 Identify all stakeholders (such as employees, clients, suppliers, and distributors);
- 2 Map out their present interactions among themselves;
- 3 Organize workshops to share their experiences and to propose improvements;
- 4 Build platforms where they can put new ideas forward and can continue their dialogue among themselves.

The main benefits will be an increase in creativity and productivity and a decrease in employees' sick leave due to greater involvement and to the emergence of new income sources and revenue models. Here stakeholders can see their economic and/or psychological interests being upheld and strengthened.

(Source: EURIB Institute.)

In his dialogue with potential partners, an *effectuator* will put all his cards on the table. What will result is a reciprocal probing, comparison of the intended ends, and joining together in alliances for co-operation and the attainment of shared aims. And each time a new stakeholder joins in, or circumstances change, this procedure will be followed once again. The partners aren't undertaking a journey from A to B but from A in the direction of B, and no one knows where it will end. What's more, the path is only made by walking. (How alliances such as these may be entered into in a structured manner, will be illustrated by the model of dynamic effectuation in section 2.6.)

Faschingbauer is of the opinion that, in an uncertain world, talks between two parties concerning a prospective alliance are for the most part a matter of design (*Design-Aufgabe*): the design of an alliance that does justice to both parties and thus rests on a solid foundation.²⁵ Both parties are actively involved in designing it, and this of course will be much easier if all the elements that are involved or available are put on the table. The partners-to-be are in the middle of a creative, associative process that may extend into several rounds before the perfect symmetry is found, which can only be achieved if all the participants are open to one another's ideas. Those

who want to set out on the basis of extant maps will most likely fail to discover new land. And even if this entire process does not succeed in the end, it may nevertheless prove to be very worthwhile for the parties to go through it together. What may seem to be a dead-end street on one occasion, may prove to be a thoroughfare for fertile co-operation on another. For at least then one will know with whom one is dealing.

There are three skills that may be helpful in such negotiations: creativity, persuasiveness, and educability. In any process of exchange, these are not necessarily or exclusively the skills a participant has or the participants have at the outset; they could also be elements either emerging from the dynamism of the situation or gaining in strength from it, which is in itself a very significant indication. For it goes without saying that someone who is convinced of his own cause will energize himself and be the best possible advocate of it to anyone else. Animation and inspiration are a key for opening many locks, as we shall see in the *best practices* that the various co-authors have to offer in this book (and see the story of Bizner and Tulp Fietsen (Tulip Bikes) in the box).

So it is established that it's important the *effectuator* possess certain skills. He must be able to tell a story in an engaging manner, connect to his interlocutors, set his wavelength to match theirs, and adjust his ideas to facilitate the coming into existence of a collaborative quilt that all parties like and are happy with. Managers who are more attached to their directives will not usually be much help in weaving a *crazy quilt* like this, and they will start to tinker awkwardly, looking for the best option, having already decided which one it is.

Effectuators don't consider such a decision and course of action to be necessary; they prefer to work with what they've got on hand since they enjoy collaborating with stakeholders they trust.

But who can really be trusted nowadays?

A nice example was the joint venture of six companies; three large banks, one telecom provider, and two ICT companies. They hoped to create technology to enable payments to be made from a mobile phone. Isolated, each had the means to create their own (linear and causal) solution alone, but they chose to join forces in a project they called "Six-pack." Right at the start, they all made a "pre-commitment," thus in fact deducting their *affordable loss*. One of the telephone companies considered the *crazy quilt* far more important, strategically speaking, than the development of several rival variants of the technology; whereas the banks would as soon have initiated competition as have developed a new standard through their participation in the joint venture. But had the six companies all developed a standard, each by itself, the risk would have been far greater, as the experiments in The Netherlands with different kinds of debit cards had shown, with the destruction of invested capital as a result. So this pre-commitment was about the development of a new industry-stan-

standard platform that would go on to be their next arena; this was how they could get underway without being entangled in all kinds of heavy legal negotiations.

Bringing in partners

The classical, causal way to recruit partners is by tender, which defines very precisely whom the target groups are to be, who the most appropriate specialists are, and what they will cost. In one blow, all potential candidates are turned into people who do or do not meet the criteria or remain hors concours – in colloquial terms, losers. In this situation, one often sees that more than what is really necessary has been requested, which puts pressure on one's partners; and in the end one is very surprised that they fail to deliver as agreed. And an example of this is a print broker in The Netherlands; even after he was acquired by one of the biggest players worldwide and had to add all kinds of *state of the art* services to his tenders for printers, he failed to deliver subsequently since he was structurally understaffed to such a degree that he could not deliver these services inexpensively enough to avoid working at a loss. With such a bad deal like this, there will only be losers.

In contrast, I am quite convinced that a producer who develops a service together with the distributor will be willing to test out new services at a lower price than stated in the quote or tender. This will not only yield reduction in the expenses, it will also make the conditions stated in the tender a regular part of the partnership as the latter gradually assumes the form of a co-creation. Pre-commitment on the part of the distributor: to purchase a certain number of devices and hours of service. Pre-commitment on the part of the producer: not to charge all the hours required for the tailor-made products that were ordered, since the margins will be covered with the next client to whom they can be sold without having to recoup the costs of development again. Without any doubt, the quality of the product, the atmosphere of the partnership, and the relationships between the parties will be far better in this latter case!

TAKEAWAY

Purchasing is better than selling

Persuasiveness and common sense join forces where everyone feels a sincere and well-informed commitment. It is not a matter of whether someone is willing to buy something a single time; what is important is that a partner wants to go into business in order to develop an idea in co-creation. What this undertaking will look like precisely, remains to be seen. But there isn't much chance that it will be ready-to-wear; far more likely is that it will be a beautiful and functional crazy quilt.

Bizner (Rabobank's internet bank) and Tulpfietsen (Tulip Bikes)

By Frank Klemann (former general manager of Bizner, now general manager of Tulpfietsen)



The Dutch co-operative bank Rabobank observed that its market share with start-ups and SME enterprises in the big cities was under pressure, an observation that led to the idea of introducing a self-service internet bank aimed at this specific target group: Bizner Bank.

Preparations were carried out in the classical causal manner: descriptive internal memos were sent to the Executive Board so that it might approve the execution of the plans and the carrying out of market research (including focus groups), an analysis of the competition, holding breakfast sessions with stakeholders, and the formulation of a business case with tight targets.

This causal preparation was necessary to convey the importance of a distinct internet bank (possibly a rival of the existing one) to all the departments concerned: not only to higher and top management, but also to the advisory control department, and, last but not least, to the management of the local Rabobank branches. For although Bizner's primary target was to be other groups (mainly the former clients of the competitor Postbank), its success would certainly make itself felt in those branches' local market share. Most likely it would have been impossible to convince these stakeholders (themselves not entrepreneurs) without a solid business plan; and moreover, the control department would not even have deigned to consider a plan that failed to incorporate and concretize the usual standard templates.

In this phase, employing effectuation might have led only to a lot of frustration. Although I was convinced that all these well-considered analyses, researches, scenarios, and targets offered only make-believe certainties, it would probably have been less effective to act according to the principles of effectuation at this stage. What was most vital for the start-up was to convince all relevant (internal) stakeholders – and I repeat, there were no entrepreneurs among them – that it was a good idea to set up Bizner; and for this, a solid business case that spoke their language was indeed indispensable.

Moreover, I assume that effectuation will only work within a large enterprise if the top management itself takes a positive stand regarding its principles. For as valuable and easily explained as effectuation may be, in an organization that is used to work in a causal manner, all plans must be presented internally in that same manner, especially so long as effectuation is not a familiar method and line management therefore is not in a position to appreciate it as it deserves.

In 2007, Bizner won the Financial Marketing Award; it was later discontinued by Rabobank when the latter could also offer the intended services through its own website.

Tulpfietsen (Tulip Bikes)

The company Tulpfietsen (a name which translates as "Tulip Bikes") was founded in a completely different way. Here the point of departure was the knowledge and expertise I had already acquired in the development of new businesses and the internet. And yet I had not even a clue concerning the sector in which I wanted to become active. My partner and I studied many of them, continuously asking ourselves whether the internet and internet distribution channels might be of added value.

After wandering about for a while, we arrived at the bicycle sector, long a traditional, supply-driven industry. True, alongside the traditional channels there also existed internet shops with bicycles for sale, but the option of assembling one's own personal bike via the internet was not yet something those stores offered. So here we saw an opportunity: a web shop where one could assemble one's own classic city bike according to one's personal preferences (type of frame, color, type of saddle, transportation rack, bell, dress guards if desired), with all one's decisions and choices registered instantaneously. As is well-known, producers in the automobile industry also offer these kinds of possibilities.



The elaboration of this idea eventually led to the launch of Tulpfietsen.nl in May 2010. On the website, we offer over four hundred thousand versions that can be delivered to the client within a week at competitive prices, including service at home. And what's more, we all know that the bike is the best answer to many social challenges, such as congestion, parking problems, air pollution in the cities, and diseases such as obesity. Thus it is a rewarding and sustainable product, not least because we have the assembly of our bikes done in social workshops.

The development of an initial idea was in this case completely different than in the instance of Bizner, for the following reasons:

- Not hindered by any specialist expertise, I looked up and spoke with a diverse group of suppliers and potential partners, who also inspired me with new ideas;
- There was no need to convince anyone of my ideas since there were no external (financial) stakeholders, nor was there any political agenda.

There was no business case, no consultations with focus groups, and no market analysis (other than looking carefully at the different types of bikes that were to be seen in the streets, and their respective riders). The most important aim was to reach the market as quickly and efficiently as possible with the best products, processes, and reliable partners, while keeping costs down as far as we could (*affordable loss*). And we succeeded in all this.

Of course, we have a vision of the number of bikes we would like to sell, but it's far more important to introduce a good new brand of bicycle to the market. And while we're building them we encounter new opportunities; we've experienced this already more than once, and in any number of ways: possibilities pertaining to exports, to new target groups, and to new partners and/or suppliers in collaboration with whom we can further improve our products and processes. This unceasing pursuit opens up new opportunities and thus from time to time makes us adjust our policies and ends. Here, an important difference between entrepreneurship and operating inside a large enterprise is manifest: nobody was stepping on our brake-pedal. Not that this would have led us to exhaust ourselves in a sprint – the point is that we could grasp our opportunities as soon as they showed up and translate them into new products, ways of working, and markets, without holding them up, or quantifying them strictly in terms of the predicted return on our investment.

The nice thing about effectuation is that one is aware that one isn't acting as a complete madman, or only opportunistically, but that one operates in accordance with some very sane principles one was unaware of before. At the same time, this is perhaps also a bit of a pity, since it unpacks the elements of successful entrepreneurship and in this way dispels the myth of genius.

Effectuation: an excess or a lack of trust?

S. Goel and R. Karri outlined a provocative connection between the logic of effectuation, an excess of trust, and certain specific psychological characteristics;²⁶ to this Saras Sarasvathy and Nicholas Dew have replied in their article "Effectuation and Over-Trust: Debating Goel and Karri."²⁷ They agree that effectuation requires trust, but maintain that with effectuation this trust is neither obvious nor implied. Confronted with the absolute uncertainty of the coconut – "Knight's uncertainty" – the only possible way that the concerned parties have of making any progress is by means of small but trustworthy contributions to the right course of action (*affordable loss*), without ever knowing for sure how reliable their partners will prove themselves to be in the end.

First of all, an *effectuator* is not placing wild bets. He has established for himself what he considers an acceptable risk. Moreover, he wants to design the future, including the future behavior of stakeholders, and in doing so he's practicing the kind of smart altruism that he also expects from his partners.

A second important point is that the intertwining of the partners' networks (*crazy quilt*) is achieved in stages, on the basis of commitments made and met; it does not take place as a function of blind trust. Moreover, with each further step new participants present themselves – and yet, all this notwithstanding, smart altruism is still not presupposed, although it undoubtedly would be a rational criterion in view of Knight's uncertainty.

What is more, Saras Sarasvathy never analyzed psychological characteristics: all the data upon which the hypothesis of effectuation is based were assembled by empirical field research into the ways in which entrepreneurs create new enterprises and new markets. This offers insight into how they think, act, decide, and solve problems, which together constitute the logic of effectuation which any mortal human being may learn: the description given is of an enterprising mind, not of a born entrepreneur. So it is incorrect and unfounded to suggest that effectuation divides the world into entrepreneurs and non-entrepreneurs; on the contrary, even cynical opportunists, naïve idealists, or cool-headed apparatchiks could begin immediately to work along the lines proposed by effectuation.

Corporate effectuation and innovation

By René Mauer et al.



The literature on innovation management and Research & Development (R&D) differs in a principal way on planning as a factor of success, most certainly in the case of the more innovative R&D projects. Even more so, in the most innovative projects, planning has a clearly proven lack of success.

A research team of the Rheinisch Westfälische Technische Hochschule Aachen (The Rhinish-Westphalian Technical Highschool Aachen) reports in the *Journal of Business Venturing* about the research on the differences between the use of Effectuation and Causation in innovation and R&D in corporate surroundings. And it shows that the logics of Effectuation are best equipped in the R&D context, since entrepreneurs and decision makers in such surroundings are placed before a high amount of uncertainty.

In three significant ways, the study contributes in a substantial way to place Effectuation firmly on the map: in the first place, the theoretical approach of Effectuation is very well applicable to the empirical context of R&D. Second, Effectuation offers a set of tools that are well suitable to use in corporate R&D surroundings and the best judgment of the presentations of the R&D project teams. Thirdly, the study emphasizes the four crucial dimensions of Effectuation in these surroundings: available means, affordable risk, partnerships and room for the unexpected. For researchers in corporate innovation and R&D management, this has some major consequences.

The strict process management approach with its concepts as Total Quality Management and Lean Management, was dominating in all management practices in the past two decades. Nevertheless, researchers are of the opinion that managers who want to achieve an increase in productivity, have an insufficient eye for the long term effects. Advocates of process management believe the focus on productivity is sacrosanct, while researchers are worried because the existing tools for innovation management are designed for exhausting innovation (exploitation) and turn a blind eye on the more discovering type (exploration). The Aachen researchers have demonstrated that in strongly innovative projects, it is precisely the principle of *affordable loss* that can heighten the efficiency of a project and that the principles of partnership (*crazy quilt*) and room for the unexpected (*lemonade*) can advance successful results of an innovative R&D project.

So also for internal innovation projects of large corporates, a lot can still be learned from experienced entrepreneurs. From day 1 they will look for supporters of their intentions. They do not analyze in the classical fashion of management logics the

competition, but look for congenial partners who will join them in the effort to develop the innovation idea in more detail. Moreover, an enterprising innovation team will not try beforehand to exclude all possible risk all together. Unexpected events are more the rule than an exception, and they are considered as a chance out of the blue. A flexible, active attitude offers possibilities to leverage the business model into practice, develop it further and by all this, opens more chances on a successful introduction in an innovative market. As described before, an Effectuation team does not set out based on predicted results, since these cannot be calculated in a market that has yet to come into existence. Instead, it decides the limits of an affordable loss it is willing to take, both financially and psychologically. That way, it can explore several directions to test the idea by bringing it into practice.

Of course, it is beyond dispute that process management activities can have their value in the more exploiting R&D projects, but precisely these exploiting advantages must be put into the perspective of exploring projects, since it is exactly in this context that R&D managers have to distinct between the projects with a high and those with a low level of innovation. And a rigidly planned, causal approach that is deduced from projected outcomes can be perfectly suitable for low levels of innovation, but Effectuation is by far the better toolbox when it comes to projects with high levels of innovation. Our research on the limits of innovation shows that we have to leverage the internal processes into Effectuation cells that offer more room for a means oriented, innovative approach. And more room for such enterprising projects in the true sense of the word may very well be the key to the substantial innovations that may help an enterprise to hold firm in today's dynamic, unpredictable markets.

Source: Malte Brettel, René Mauer, Andreas Engelen, Daniel Küpper, "Corporate Effectuation: Entrepreneurial Action and Its Impact on R&D Project Performance," in: *Journal of Business Venturing*, 2011.



Piloting

**A good plan is only temporarily
a good plan. A good guy however,
is always a good guy. So what do
they do differently?**

Pilot in the plane principle

What makes this book a good book, is that it is built on scientific research. It is the acting of an individual that creates the future, not the causal extending of trends. Now that you understand the effectuation principles, it's only up to you if you are going to experience their value. That's what makes this book "disturbingly good". Good luck and happy sailing.

The plane

“Finding the right people with a passion to make an idea work is more important than the right plan. A plan is useless as soon as the team makes mistakes and learns from them.”

– GIFFORD PINCHOT, author of *Intrapreneuring*

The need for control is as old as mankind itself.²⁸ Psychology even tells us that most human behavior is intended solely to gain hold of a situation and of one’s own life: our health depends immediately on it, as personal control is positively correlated to an increase of self-esteem and a reduction of stress, while a decrease therein is linked with feelings of helplessness and depression. This means that one is not by definition a “control freak” if one wants to get a grip on one’s own life. It’s only natural and healthy.

The need for control confronts an *effectuator* with a set of paradoxes that it’s essential to face if he wants to be successful. While it is a perfect piece of causal logic to expect that one will be able to control the future if only one is able to predict it, the *effectuator* thinks exactly the other way round: insofar as we can determine the future, there will no longer be any need to predict it.

As we have seen, he is always looking for circumstances where he can take control, be it exogenously, if he is intent on designing the future, or endogenously, from within. The majority of the expert entrepreneurs who were interviewed by Sarasvathy hadn’t the slightest doubt about the importance of personal control: for them the most important thing by far is to be a free agent. This priority relates very closely to their sense of freedom, self-determination, and autonomy – in other words, it’s an instance of the *bird in hand* principle. That’s why they’ve chosen to be self-employed, reinforcing their motivation in the process, going so far as to proclaim often that they will never again work for someone else.

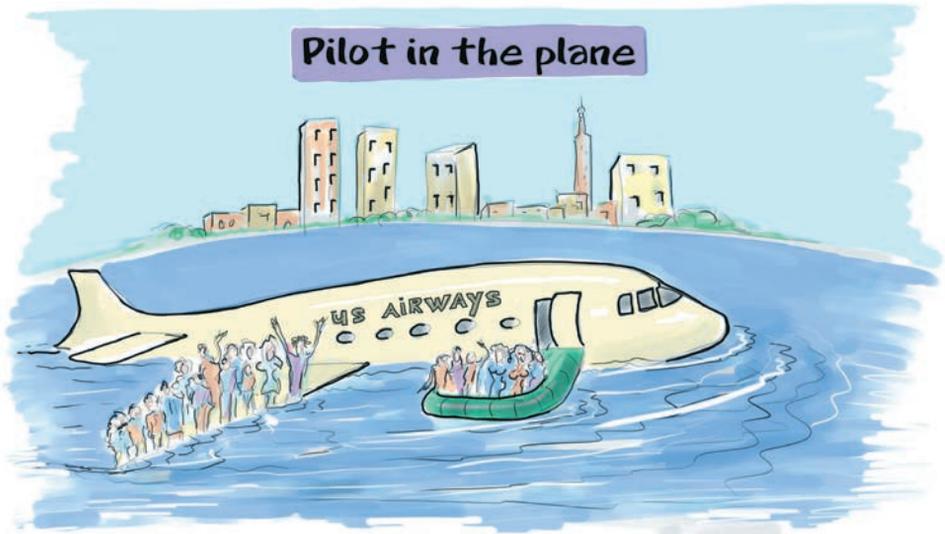
Meanwhile, there is a great difference between mere wishing and exercising effective control. Freely adapting Makridakis,²⁹ we can take a look at the choice one would have made about a plan for a trip from Amsterdam to Paris by car or plane, shortly after September 9, 2001. If the money were not a decisive consideration, one probably would have elected to travel by car, on account of the “illusion of control”: one sits behind the wheel, can stop for a cup of coffee whenever one likes, and, of course, one gets to be a better than average driver. On the other hand, one’s chances of getting in a fatal accident are increased 250%, and were that to happen, it wouldn’t make the front page of any newspaper. Well, we think our decisions are rational, but the opposite is the case.

It is all a matter of perception; a captain won’t easily accept the fact that he is completely at the mercy of the elements: he should have some autonomy to make a difference. The perception of control is of the greatest importance in understanding any action, not only those of entrepreneurs. It determines in a very strong sense the

motivation for acting, for if the motivation is bound not to affect anything, what would the use be of acting anyway? Of course, the circumstances and conditions may prove forbidding, but that's besides the point: what's important is the idea that one will have an effect, to a greater or lesser extent. Here, an *effectuator* will rely not on predictions or market analyses but purely on his own experience.

Who is preferable: a good guy with a reasonable plan, or a reasonable guy with a good plan? In a stable climate, one perhaps would be inclined to choose the good plan. But in turbulent surroundings, there is a great chance that the plan will have to be adjusted more than once. A good plan was just that, a mere beginning. Whenever the situations, the best appraisals, the means, and the imponderabilia are all in continuous change, one will have faith in one's belief that the *pilot in the plane* will make the right decisions with the best judgment concerning all the changing circumstances; and this may entail more than merely switching on the "fasten your seatbelts" sign. In which case, the *potential loss* suddenly overrules the *affordable loss*: then, diverting to another airport is no longer a problem at all – heavens no, so long as the landing is safe, wherever it may be!

Project management operates in much the same manner, although some will cling to their Powerpoint presentations with smiley-faces. This often happens when KPIs are agreed upon in development agreements that were derived from the full automatic performance management system and linked to the bonuses and other extras. The more specific were the SMART agreements, the clearer may we see in retrospect ("with today's knowledge") that those agreements are no longer based on anything at all, since events have taken another turn.



Miracle of the Hudson plane crash

The future comes from what people do.

To what extent can the intervention of an individual make a difference:

The uncertainty paradox

Q How can one control a future one cannot predict?

A By creating it.

The certainty paradox

Q How can one create a future in a surrounding one cannot control?

A By co-creating it with other stakeholders.

The participation paradox

Q How can one interest others in baking a non-existing cake?

A One lets them decide themselves what their piece of the cake will be.

The autonomy paradox

Q How can one cut the cake without a loss of control?

A By understanding that ownership is not about property, but about command.

The perseverance paradox

Q What will one do if everything goes wrong?

A One carries on, since one had already decided at what point one would quit.

The performance paradox

Q One has created a fantastic organization and a market that has by maturing become predictable.

A Well, here one doesn't have much to say anymore! (Control has turned into prediction.)

As was already mentioned, it's crucially important in the *pilot in the plane* principle that the *effectuators* create the future while acting, thus deciding what they will do with a trend, rather than waiting to see what it will do to them. A nice example is Huib Morelisse, formerly the CTO of RWE Nederland, and nowadays *pilot in the plane* of another "airline" in his capacity of the CEO of Nuon, who invited us to help him in optimizing his asset strategy. Without a doubt, what one will come across in the energy market is the unpredictable role the authorities play in this domain. Each successive government will follow its own course for let's say three years – far too little time to erect a technological edifice such as a "power cathedral." How can one make sustainable choices in an enterprise if one doesn't know the first thing about the next round of policies? Here's how Huib Morelisse handled it: "We have to inform the authorities more often, and involve them in the choices we make. Don't get mad or insecure when policies change, but provide the *opinion leaders* with the right information to get the best possible



changes when they occur!” Of course, misfortune can always supervene, in the form of a coconut falling right on one’s head, but in all other cases what matters for the *pilot in the plane* is to take an *affordable loss* and to do his part in knitting the *crazy quilt!* We do have to admit that it took a little while for effectuation to arrive, but the practice is better than the precept. (In the box “What to use, and when?” one can read about the assistance effectuation could offer in arriving at Blue Oceans, the implementation of new business models, the achievement of a high-performance organization, and much more.)

Circles of influence and concern

According to Covey, one crucial characteristic of a proactive, effective leader is that his focus is on that which he can influence, not on whatever might threaten him while offering him little chance of influencing it.³⁰ The circle thus described of influence from within is his starting-point, and not the circle of concern for whatever might impinge from the outside with possibly paralyzing results. His motto: “Don’t let anything one cannot influence decide what one can do.”

He who embarks only from his own sphere of influence, can expand it as he goes; he who considers all that might threaten him from the outside, has lost ground before he even sets out.



TAKEAWAY

Control only the controllable

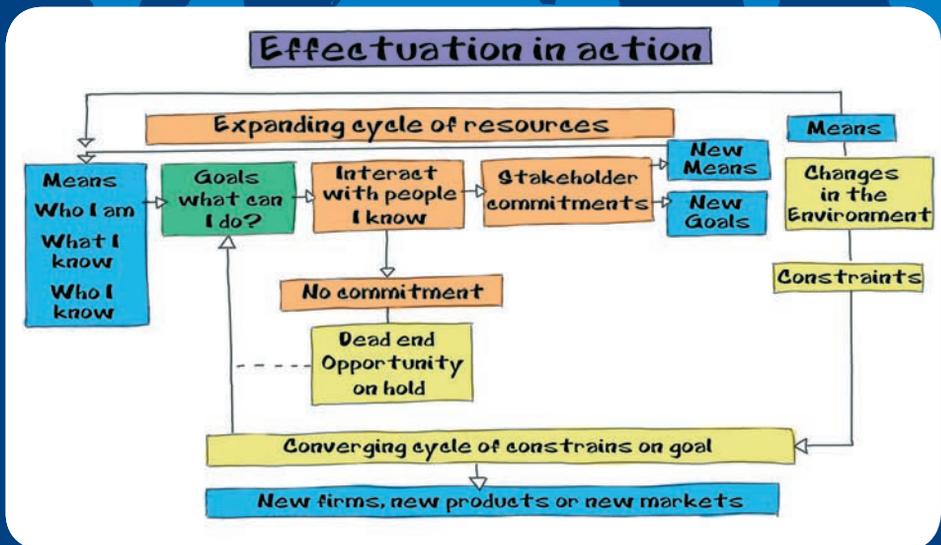
That which one wants to control, in the sense of managing, depends strongly on one’s knowledge of what is controllable. It is important to know what it is that one can control and influence, and what cannot be handled in this manner. Only by respecting the difference can one establish a make-to-measure enterprise:

- Control and influence whatever may be treated in such a way.
- Predict (design) if doing so is more sensible than managing.
- Enlarge one’s span of control by working as far as possible with elements that one can control and influence.

Effectuation in action

“Everything must be as simple as possible, but no more than exactly that.”

– ALBERT EINSTEIN



The principles we've been discussing one by one in the preceding pages, all participate in a cyclical process and are interdependent. The graph clearly illustrates how they are interconnected: it begins with the means of an individual *effectuator*, who gives thought to what could be created with them (plan A), and then shares them with other *effectual stakeholders* in his network, allowing the consultations eventually to lead to (a) new goals (plan B); or (b) to new additional means; or (c) to the cancellation of the initial plan A. The last will be the case if the stakeholders are not willing to pre-commit themselves further. For an *effectuator*, this is *the* sign that it's time to discard plan A and think up another.

Corporate effectuation in action at Rabo Development

"Those scientific theories always make me itch, I don't know why. We've been practicing the principles you describe for years already."

Frank Nagel, head of Project management at Afrika Rabo Development



A bank is an organization where risk management is the pre-eminent governing consideration. Nevertheless, Frank Nagel, head of Project management Afrika at Rabo Development, acknowledges the importance of many of the features of effectuation – and his organization, mind you, is part of the parent company that also initiated Frank Klemann's Bizner Bank (see the box in section 2.4). How can it be that one manager stresses that they've already been working for years according to the principles of effectuation, while the other insists that effectuation would only lead to frustration? Could they both be right? Why yes, I do believe so: for Rabo Development has some neat features that enable corporate effectuation to be implemented in a manner that other corporations can only dream of. Frank Nagel agrees with me: "We're starting to realize that we are busy with quite a unique business. At present, people come to work with Rabobank, hoping that at some point they will be able to get started abroad. On a yearly basis, we offer some one hundred and fifty employees the opportunity to have a *life-changing experience*, ranging from a week to three months long."

What does Rabo Development do?

Rabo Development began as an advisory team that was to make Rabobank's expertise available to co-operative banks in emerging markets and developing countries. And the offers of expertise in banking, agriculture, and co-operative structures sold like hotcakes. Yet more often than not the bank would also receive this reply: "Nice advice, but why don't you invest in this plan yourself? *Put your money where your mouth is!*"



This changed the rules of the game. Late in 2005, Rabo Development started to found and develop banks in certain developing countries modeled after the Dutch parent, with the mission of offering more people access to financial services. These banks don't necessarily have a co-operative structure, but they most certainly have the agricultural countryside as their main market domain: there the impact of a greater number of financial services can be the largest. Rabo Development aims at the long-term development of its partner banks;

profit in the short run is of secondary importance. It takes a minority share in them and does without any exit strategy. This is not naïve or irresponsible: the absence of an exit strategy, of course, does not mean that the company cannot quit, but it does imply that every situation differs, and that none can be predicted and all will have to be evaluated on their own merits.

Rabo Development will only set out with partner banks in developing countries with sufficient economic, political, and social stability, with a preference for banks having a comparably large and, preferably, a national office network. Rabobank is represented on their boards in order to have control over the strategy; and furthermore, it makes managers available and offers technological assistance in all aspects of the banking business, putting Rabobank employees with their abilities as consultants in the field in order to share their specialist expertise with the local staff. In the long run, the partner banks develop into mature, strong banks which can also in their turn bolster Rabobank's presence in precisely those countries that are of increasing interest to the world economy especially on account of their prominence in agriculture. At the same time, this initiative contributes to the social standing of Rabobank in an appealing fashion, both to its own employees as well as to its clients and other stakeholders.

Rabo Development and the principles of effectuation

Bird in hand: ingredients and shared vision

"No project will be like the last one," notes Frank Nagel. "You might think our working methods are by now a kind of *proven technology*, always using the same ingredients, but there is no recipe. In every joint venture that's resulted in our participation in a partner bank, we look for the *common grounds* and try to agree on a *shared vision*. An *imagined end*: where will we stand in five or ten year's time? We make managers available, supply technical assistance on all levels, offer specific expertise and experience in co-operative structures and the like. These are all

means which Rabo Development has on offer to initiate the search for a mutual need as a starting-point for a beautiful quilt."

Affordable loss: balanced banking

"Let's remember that we began with the knowledge that an acquisition of a bank in the Western world is more expensive than acquiring an African one – along with the fact that we were taking a minority share, requiring of us mainly a lot of experience and man-hours. In the beginning, we had some difficulties in finding and mobilizing the right resources inside the Rabobank Group. Then the idea of *affordable loss* was thought to go really far, too far... Departments did not wish to make their most talented employees available: sometimes, assigned instead were managers who had become redundant and were therefore available to undertake a significant project abroad. But this didn't really work; our operations required a different approach; and, what's more, it threw us back upon our profession's basic principles, where there's no room for any bluff: those managers just didn't measure up. On the other hand, it would not have been helpful either to make over-detailed predictions in order to arrive at a decision. Once you've taken a critical look at what the emerging markets are in which you want to become active, you know enough of their potentials to justify participating. You have to find the right balance between the risk and the investment, relative to the potential; it's what we call *balanced banking*."



Crazy quilt: common grounds?

"The *quilt* principle described precisely how we get into business. And this distinguishes us from the network banks, the banks with centralized international headquarters that manage everyone and everything. These banks operate in a causal way; with a briefcase full of formats and set convictions, they dictate to their partner banks how things must be done. You simply should not have the gumption of thinking to pay a visit and arrange everything in one go; arrogance of this kind does not mesh with our working methods. You must be open with your partner and look for the *common grounds* and a *shared vision* together. That way, you will set the stage for promising collaborations."

Lemonade principle

"What distinguishes the rules of our particular game is the immense unpredictability we meet with every day. This is hard to understand as long as you yourself haven't experienced it. Once, in Tanzania we had a visiting group of about twenty students in a Dutch MBA course; we divided them in several groups and let them visit offices of the Dutch bank NMB. They hadn't the faintest idea of how things were run, and they returned almost in shock. Here too, at our headquarters, we

have to communicate properly if we are to affirm our legitimacy. In itself, this is a good thing. This way, we are able to move into a new, more mature phase, and we must begin to behave accordingly. And yet we're succeeding in maintaining our ways of working as they were: we just have to report more frequently and in a

more formal manner. But that's simply how things are whenever a pioneering department generates a considerable portfolio. Notwithstanding the *affordable loss* principle, the uncertainties in the market will always entail risks; as investments increase, you will have to recalibrate the organization, without bargaining away the advantages of our working methods. Not everything can be analyzed as though it were an instance of a rigid structure. But sometimes you have to be on top of developments merely to avoid the occurrence of very strange events. I noticed that effectuation

dispenses with all analysis of the competition, but this does not mean that you can dismiss market research altogether, though of course we don't go into the kind of detail that's used in the Western world, since our market is not conducive to forecasting. But you do need to have some sense of it as a whole. In Zambia, Barclays really took us by surprise by implementing in one enormous go a complete expansion program, far too large for our partner bank to keep pace with. We looked at the means we had available for the right reply, and went all in for *mobile banking*, with great success."

Pilot in the plane: pilot in a haystack

"At first, we were the total outsider, because our added value was hard to distinguish, compared to the results of the other departments. In those days there was a short supply of candidates, but nowadays selecting them poses a full-fledged challenge. It is as if we're looking for a needle in a haystack. We need the proper *jack-of-all-trades*: you must be able to comply with the old-fashioned, more bureaucratic approach that HQ expects, the causal approach; but beyond that, you need to have the gift of leveraging the uncertainties. We require pilots who've been tested in storms and tempests, and who know what to do when getting into an air pocket. In the past we tried to employ supply-driven personnel; nowadays we've shifted towards the demand-driven type. This doesn't imply that these employees would no longer be afforded any room to learn, but they must already have the potential. There is too much at stake in terms of uncertainty. Put it this way: I think the training Rabobank offers should pay greater attention to effectuation."



Rabo Development as a flight school

Rabo Development offers the possibility of the *life-changing experience* needed to understand and apply the resources of effectuation. It's not by chance that every year as much as one hundred and fifty participants start their training at this flight school. And there are exquisite anecdotes to illustrate the impact this can have, large and small. For instance, one of the leaders of this project, who, while in The Netherlands, was accustomed to send an e-mail invitation to a meeting for the collective kick-off, used this method in Zambia only to find herself all alone in the meeting-room she'd reserved. In that country, visiting the participants in person and making real contact is more successful, and so she imported this practice back into Holland as well. It is quicker, and it has more added value. Or, on quite a different scale, the IT employee who was tasked with devising the encryption system for payment terminals and debit cards. On his return to The Netherlands he was elated! Thanks to his contribution, all the bank's clients had their customers using debit cards within two months – enthusiastically, he exclaimed upon returning: "Imagine, over there I got it fixed in only two months' time. That's the time needed here to convene the first meeting of



the steering committee!" Thus he's come to see how often it happens that our very haste slows us down. The last word goes to Frank Nagel: "And yet, this is still not enough. The profile of the qualities we currently expect in our managers can be upgraded and made more entrepreneurial. We haven't paid enough attention to this subject, and I sincerely hope that the application of corporate effectuation will make a valuable contribution. It is not the structure that matters, nor the bureaucracy: it's all about the way you position yourself in the game."



“*Corporate Effectuation* is a paradigm-shifting work, and therefore a serious candidate to become the Management Book of the Year 2012.”

– MARCO VAN VEEN, Heineken International
(Manager of Global Web & Innovation Centre)

“Can we imagine change and prosperity without effectuation? The principles of effectuation are about the power to act. Big or small, every effectuator can create the future, and the difference. And this is not about dreaming; we may embrace and celebrate risks, not fearing them; change and surprises are good, even greeted! *Corporate Effectuation* may change the world forever. A useful, practical and useable book!”

– CAROLA VERSCHOOR, Managing Director BrainJuicer Netherlands and former International Marketing Director Sara Lee (with Senseo among her responsibilities).

CHAPTER 10

Orchestration of Corporate Effectuation

This chapter opens with the presentation of a holistic Corporate Effectuation Model that should help large companies with the orchestration of the transformation of their organization to become more entrepreneurial. As corporations need a corporate effectuation mindset in order to remain profitable, this chapter therefore offers a practical framework to develop managers with a better grip on autonomous growth and also offers handles to the HR departments with the ambition to act as a strategic partner of the top management. The described Corporate Effectuation Business Program is a well-tested approach, with great real life business results, waiting to be tailored to your situation with you.

With Henri Mennens, *Head of Business Area 'Strategy & Corporate Excellence' at Indra Sistemas (Madrid)*



10.1 Introduction

This book opened with an introduction and a comprehensive description of the scientific principles of Effectuation. These principles were discovered in the actions of experienced entrepreneurs who operate successfully in uncertain markets. Since the markets where corporations operate change faster and are becoming more disruptive all the time, it is of vital importance that these organizations incorporate all of the effective competences and skills of their enterprising employees in their already available resources. These times of complexity, uncertainty and unpredictability in which we operate, call for a transformation of the almost exclusively causal-driven processes. What we need, in addition to the causal approach, is a modus of operating that allows us also to work with Effectuation where appropriate.

In order to give managers and *effectuators* the right handles, in the chapters that followed the theory, I first applied the new insights to Corporate Effectuation. With my co-authors, I demonstrated how Effectuation can add value in

- Realizing a sustainable High Performance Organization;
- Developing new revenue models and realizing strategic flexibility with the Business Model Canvas and the Blue Ocean Strategy;
- Developing new products and services by means of Reframing;
- Tolerating ‘adolescents in the breeding grounds’, *ventures*, depending on the ‘granularity’ of these innovations.

In doing so, we showed there are three internal and external Effectuation roles that can play an essential role in this respect.

In this chapter, Henri Mennens and I would like to offer some more insights in the ways Corporate Effectuation can be embedded in the culture and the ways of working and thinking of a corporation. We will discuss the different elements in the organization that need some adjustments and mutual fine-tuning in order to secure Corporate Effectuation successfully in the complete *mindset* of an organization as a whole.

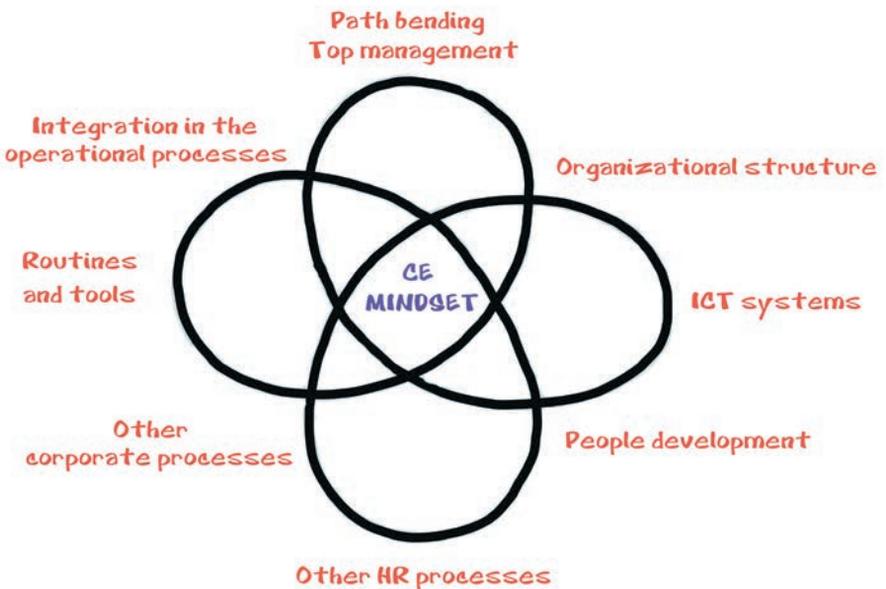
We consider this integral approach as a holistic corporate transformation that in many respects resembles conducting an orchestra. That’s why we like to speak of the orchestration of Corporate Effectuation. In what follows, we will outline the steps to the most harmonic orchestration. First we designate the organizational components that must be included in a successful corporate transformation in order to implant Corporate Effectuation into the very DNA of the organization. Since certainly not all companies are organized like the Googles and 3Ms of this world, to many it will seem unachievable to include all components immediately and at the same time: ‘Here, that would never work!’

Especially for these enterprises, we offer at the end of this chapter a practical example of a solution with an easier start, and without any complicated implementation, that will lead to quick, and visible results: the Corporate Effectuation Business Program.

10.2 A survey of the relevant organizational components

The orchestration of Corporate Effectuation aims at bringing about a paradigm shift in the dominant *mindset* in an organization. After all, this *mindset* determines actual behavior and attitudes. The golden rule of all change management, implementing corporate transformations, is that a *mindset* can never be changed directly but only indirectly, by adjusting the relevant organizational components. The new *mindset* will result from this process by itself.

In this section we will discuss nine aspects of any organization that may be of importance in the orchestration. It depends on the specific organization and the ambitions to what extent each of these components needs adjustment and how many of the elements can be included in one go. Ambitions can range from a world-wide transformation of all divisions in one big blow (*big bang*) down to an experimental start of a pilot in one single business unit or starting a development program. In the graph below we map the nine components that have proven to be of relevance in orchestrating Corporate Effectuation:



The CE mindset as a result

The integral transformation of the eight surrounding organizational components will in the end result in the desired change in *mindset* (middle). Then, the implementation of Corporate Effectuation in the organization will be a fact. (The CE *mindset* can be enforced further by letting parallel attitudes become a part of it, such as attitudes relating to superpromoters, corporate engagement, corporate vision, strategic choices and targets, *social business networking* and *lean thinking*. They can be stimulated and generated in their turn by harmonizing the other organizational components.)

Path bending Top management

Orchestration presupposes the vision and strategic intentions of top management, since they will be decisive to:

- Decide on the most appropriate core competences: what are the core competences? How can we secure them? Do they combine with our present mission and vision?
- Strategic direction: what developments can we identify? What fundamental strategic changes are needed?
- Organizational culture: even top management cannot make or change a culture in less than one day, but it certainly can support it, or break it. The best role model behavior of top management is crucial.

The best support by top management presupposes diversity in its composition. Here we don't mean sex or ethnicity, but the proper mix of causal and *effectual* minds. The team should focus on both the exploitative as well as the exploring abilities of the organization. The combination of market dynamics and the ambitions of the organization will define the right balance. A dynamic market, stimulating an organization to many innovations, will necessitate a sharp focus on exploration, with many *effectual* brains in top management; on the other hand, a predictable, stable market, offering an organization many chances for big gains by optimizing the processes and systems, calls for a top management with a strong focus on exploitation, in other words, causal thinkers. And of course the same goes for operational top management of one or more divisions and subsidiaries of multinationals. A business unit wishing to incorporate Corporate Effectuation in its DNA, is bound to fail if there are only causal minds in top management focused on control and costs containment. So we ask quite a lot of the members of top management.

An important and crucial aspect was already discussed in chapter 7: *path bending* leadership qualities. Top management must be able and have the guts to make *bold moves*, to say goodbye to the beaten track and to push forward in directions others never took, probably even diverting from the present directions. With such leadership qualities they can gain the confidence of others who are willing to follow, perhaps even take the lead. The days all ideas had to originate from



top management are over. But still, top management is expected to decide on the exact mission and strategy, to enter into co-creation with employees to make the best design – all of which is contributing to more meaningful work, and as a consequence a higher commitment of all personnel.

During the transformation, support by top management should be attuned continuously to all other variables. Policies and budgeting should back up the other variables (for instance with 15% *boot legging* time, meaning the employee has 15% of work time at his or her disposal to initiate private projects and to select projects to join in co-creation), an increasing *empowerment* of the *effectuator* and tolerance regarding failures and mistakes, as illustrated by the story about 3M, see the box on William McKnight in chapter 7). It is very important for top management to show its support and ambitions on a regular basis, making the new set of Effectuation policies and corporate philosophies continuously visible.

As Corina Kuiper and Fred van Ommen demonstrated in chapter 6 in a convincing way, here *company patience* should be seriously taken into account: the time allowed the transformation before its momentum subsides. In times of crisis, it is a big trap to decide for cost efficiency and wait for more prosperous days to invest again in corporate transformations; all transformation profits precisely from an acute *sense of urgency*. Repairs on the roof should be done in dry weather, but you shouldn't postpone improvements because it's raining. As stated earlier, the right balance between exploiting existing innovations and exploring new ones should be continuously pursued.

Organizational structure

It is very likely that the incorporation of Corporate Effectuation will necessitate adjustment in the formal structure. Still more important is allowing more room to let the interpretation of the organizational structure be as free as possible. *Effectuators* and *effectual champions* should be able and allowed to get together without any obstacles due to their hierarchical position in the organization. In many organizations, it is almost impossible for employees to get started with an *effectual champion* who is active in another division, without a formal employment contract. And conversely, the same often applies. Notwithstanding the fact that both are employed by the same organization!

We also range modern office concepts under this aspect of the organizational structure. Open-plan space and smart interior devices can be of help to break narrow-mindedness. *Quilting* calls for continuous and refreshing communication, and meetings with diverse employees and other *effectual stakeholders*. A long corridor with all doors closed will not be of much help.

Other examples of organizational structure changes as orchestration elements are the formation of teams for innovation assessment and monitoring, Business Modeling Committees and the creation of formal *social business networking communi-*

ties enabling *effectuators* to *quilt* together: getting connected, learning by example, creating synergy and generating innovations. Here, changes in behavior and attitude, facilitating a freer interpretation of the existing structure, are far more essential than arranging figures on a piece of paper, although of course the fact remains that no corporation can do without an appropriate formal structure.

Also, monopsonies should be formally barred. In chapter 7 we explained it is very helpful to Corporate Effectuation to have a multitude of potential investors available; an *effectuator* should not be organizationally limited in his freedom of movement: he must be able to get into interaction with *effectual champions* and *effectual stakeholders* while being allowed to go through all regions of the organization crossing departments and even divisions. Dependence solely on innovation requests is as deadly as can be. What will facilitate much better is the formation of *social business networks* with *effectual champions* with the mandate to invest freely in ideas.

Finally, in due course larger (infra)structural measures may be feasible, like the installation of facilities, a *venturing* division and *creativity rooms*, as Philips did (chapter 6).

ICT systems

Here, we have a closer look at the software, systems and ICT networks facilitating processes and organizational structures. ICT systems can indeed work in your advantage when deployed in the right way. Corporate Effectuation calls for transparency. *Effectuators* should be facilitated in various ways: in their cooperation working on their quilt (for instance, by means of *cloud computing*), they must be able to trace *effectual champions* (internal LinkedIn facilitating *social business networking*) and should have access to the latest insights that might help them in their innovations and knowledge (via knowledge platforms where thoughts are shared on a continuous basis, where expertise, innovation and potential business generation are shared, scanned and documented). These measures will not only facilitate innovation, they will provide top management insight into potential innovations and business development). A functional example of an ideas generator and assessment system is the Turkish platform We-Think: here, employees can submit their ideas on strategic directions (to be decided by top management), the ideas are evaluated by a vast *crowd* (both internal and external *effectual stakeholders*, so not only top management) and the system enables others to enrich the presented ideas. The original idea generators may decide on the possible added value of the suggestions and in the end it becomes



obvious who submits the best ideas and who enriched them the most. Both groups may be rewarded for their added value.

we-decide

People development

Once again, it is very important that existing organizations incorporate the effective competences and skills belonging to Effectuation in their already available repertory. Development programs should pay attention to the abilities, knowledge and attitude as presupposed by the five Effectuation principles and the proper use of working methods and tools. But it is not only the *effectuator* who needs training and coaching; the *effectual champion* also needs to optimally develop his or her *path bending* and transformational leadership abilities in order to conduct and stimulate a shift to the CE *mindset* in the best way by playing an exemplary role. This is not true only of *effectual champions*. Top management is also participating in development sessions in order to support the transformation in the most optimal way.

Other HR processes

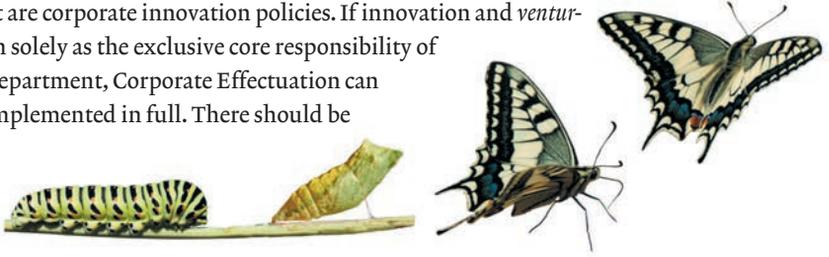
Apart from Development, HR has a number of other crucial processes at its disposal to promote the best tuning. Most important are incentives and acknowledgment of innovations (not always implying, as many might think, only financial rewards; meaningful work has a far later expiration date), adjustments in personal evaluation cycles and matching systems, recruitment policies and talent program. HR also will



have to develop a clever retention program to retain the most enterprising top talents for the organization.

Other corporate processes

There is a diversity of other corporate processes that can support Effectuation. Most prominent are corporate innovation policies. If innovation and *venturing* are seen solely as the exclusive core responsibility of the R&D department, Corporate Effectuation can never be implemented in full. There should be



the best interaction between R&D and the business. It is precisely because it is out of the operational processes (the daily production and provision of services by respective divisions) that Effectuation generates innovation. *Effectuators* create new ideas and business models outside of their daily work processes. Innovation processes should be organized separately and decentralized, once more facilitated by the other organizational variables.

Other examples in this context are an effective internal communications policy, advisory processes that are adequately attuned to intellectual rights of ownership and compliance with the corporate identity.

Routines and tools

In fine-tuning the various HR and corporate policies, variable standards should be developed within the organization for the operational routines and tools that may make work more efficient and effective to stimulate Corporate Effectuation. As an example, we discussed Business Model Generation (BMG) for innovations and business creation with the Business Model Canvas as the most effective tool. Under this heading, we may also range the many methods, techniques and tools to stimulate creativity and idea generation, such as Reframing techniques.

Integration in the operational processes

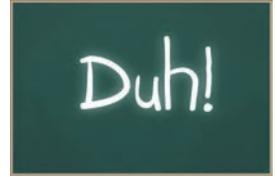
The organizational design variables discussed thus far can be more or less retranslated to the variables of business transformation according to the holistic '7S-McKinsey' model. But this final variable distinguishes the described holistic corporate transformation from the other models and adds to a further optimization of the CE *mindset* transformation.

In most transformation models, in *people development* the most beautiful messages are left behind by the professional;



and usually, that's it. In such situations, the respective focus groups will experience their typical 'duh' moment: 'It's all very nice and interesting, this Corporate Effectuation, but of what use is it to me?'

We may avoid this by developing an effective follow-up, integrated in the operational corporate processes (daily production and provisions of services by the respective divisions) by the implementation of the new approved operational routines. Examples are *venturing* competitions on the shop floor, making *social business networking* dynamic and integration into the operational processes of the different new methods, techniques and tools, developed especially for the advancement of Effectuation, like the Business Model Canvas and Reframing. The integration of these tools by way of the systems of *social business networks* is one of the most recent developments: a new operational grid to stimulate innovation processes and Effectuation easily and worldwide inside corporations. With the latter, the still relatively unknown and immaterial CE body of thought becomes very much concrete and measurable, which may be of decisive importance for the investment decision to allow a green light for such a holistic corporate transformation.



Here, a remark is called for that regulating Corporate Effectuation and rendering it measurable should not be too expressively apparent. This might frustrate the spontaneous character of Effectuation, thereby limiting creativity and innovation powers. This should be an extra point of interest to 'ambidextrous' strategic and operational top management. We advise not to assess the results and returns on the usual project level, but on a higher aggregate level.

To sum up, here are four recommendations for the best moment to implement the holistic transformation in a corporate organization:

- 1 Since the desired *mindset* transformation will not be completed within a week or a couple of months, it is advisable to define clear *quick wins*: small successes with a clear (measurable) target. In these days of crisis, cost efficiency has to be proven convincingly by these *quick wins* before a decision regarding the ultimate investment can be made. Cost reductions can be achieved by building on existing structures and means, and by using eLearning and expertise platforms. This may be especially crucial in organizations where questions are raised due to the *company patience* we described.
- 2 Try to get to a *crazy quilt* with different internal sponsors; don't restrict yourself to the financing by corporate management but also look for 'entrepreneurship and funds' in operational divisions. Don't let HR alone provide and earmark the budgets, but also try to convince corporate Strategy and Innovations to become co-creator and co-financer with their own resources. It is not always only about money; they can also enable the transforming team to organize meetings and to finance pilots.

- 3 Build an Effectuation competences model as a measuring rod to decide where precisely in the organization, and to what extent and with what force you wish to implement Corporate Effectuation as the new *mindset*. Internally, there will be many growth dimensions that are relevant to a multinational in a holistic transformation. Changes should occur at a slow pace, depending on the diversity of geographical location, product divisions, functional levels, et cetera. Corporate Effectuation may not be necessary or appropriate everywhere. Be this as it may, it remains important for the decision to be sound and objective (based on a well-founded competence model) to avoid discrimination and to give the best opportunities to the most crucial domains.
- 4 Finally, create an effect that can spread unchecked by having sufficient agents in every growth dimension to accelerate the transformational process. Of crucial importance in this respect will be the transformational leadership qualities of the *effectual champions* who will become active with support of top management.

Admittedly, any transformation process needs its tailor-made provisions, but the nine organizational aspects described together constitute a good first *roadmap* for all organizations that aim to orchestrate a holistic corporate transformation in order to implement Corporate Effectuation as the new internal *mindset* of their company.



10.3 Corporate Effectuation Business Program

In the above, we described the elements that may have an important role in orchestrating a corporate transformation. But not all companies will be in a position to include the entire organization in one single go in the transformation. In order to facilitate also those enterprises and departments that do not wish to turn their organization upside down completely at once, but nevertheless have a sincere desire to allow an effective holistic integration of Corporate Effectuation, in Corsendonk College we have developed a successful program: the Corporate Effectuation Business Program (CEBP).

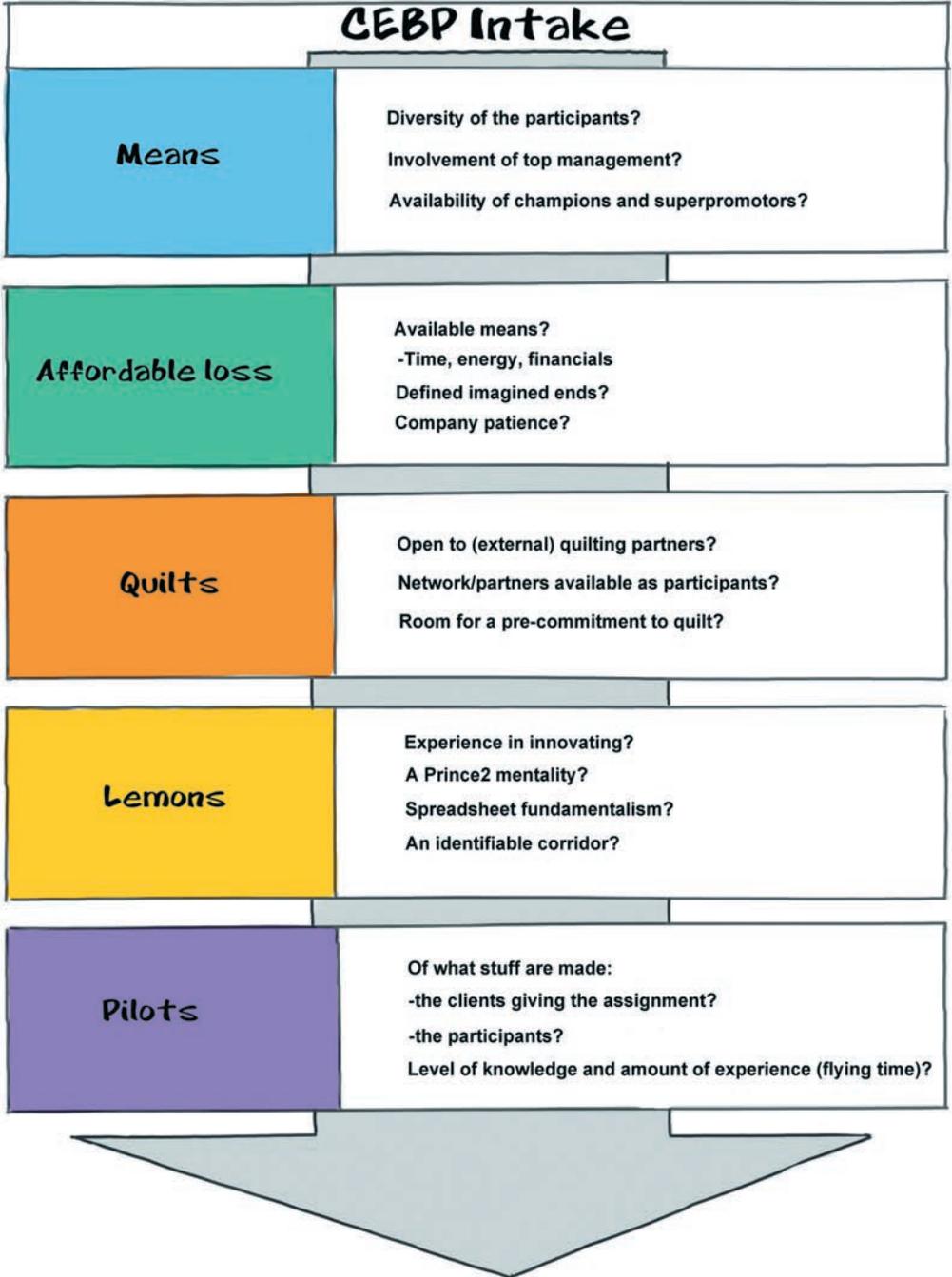
This program has a holistic design as well: it takes into account almost all organizational aspects we have discussed. Here we will sketch the *framework*. The actual filling-in is, as stated, a made-to-measure matter, depending on the ambition and the state of the organization. The framework is a description of the relevant building blocks. The inventory that results from a structured intake interview will eventually provide the best matching completion.

10.3.1 *The intake: the only certainty*

The orientation is crucial to implement Effectuation in the most effective way. This is because our one and only certainty is the starting-point (*bird in hand*), the benchmark. The intake proceeds according to the Effectuation principles. The final goal is to create a *crazy quilt* with the means all stakeholders have put on the table. This is a good opportunity for the management to show that they are talking serious business. This can be demonstrated with even more emphasis by choosing the *change leadership* approach. After all, if they operate in a causal and directive way, the program will not really have a chance. With the *masterful* approach as described in the context of HPO 2.0 (chapter 3), they can draw the boundaries for the initiatives. In doing so we avoid internal political problems, enable our clients to be really *in control* and at the same time create the room for the participants to effectuate. In the intake interviews there is room for closer examination of how to expand the ‘corridor’ as much as possible. This is an interesting paradox: discussing what is not allowed will create more room than discussing what is acceptable! CEBP also pays due attention to ‘company patience’ mentioned before, since it may turn out to be a potential cocoon of impressive size. How long will management really grant the room and the time to the program to proceed to real substantial results that can contribute effectively to innovations of both the organization and its strategies?

Internal and external quilting and superpromoters

Employees are seldom in a position to invite external *effectual stakeholders* themselves. If the corridor sketched in the intake does not provide this room, the customer can hand over a list of partnering enterprises with their contacts who will be allowed to join in stitching the *quilt*. Also, it is of great importance to start looking for superpromoters (chapter 7). Possibilities for external cooperation and reflection may constitute the first ingredients to bring about a flow of energy and enthusiasm



in all *effectuators*. Apart from business results, this is another reason why CEBP is perfectly fit to instigate change in the cultures of departments and complete companies; it can be applied very well as a pilot and a first move towards a holistic corporate transformation. The intake will provide a clear picture of the existing organizational structure. If everyone is used to causal change management, it is of importance that the client adopts the role of *effectual champion* in order to prevent the ruling governance models from leading all Effectuation initiatives straight into a swamp.

Diversity expands the means

If uncertainty indeed is the case, nobody will be able to predict the future. Regardless of the present expertise of the participants, no one will be able to predict what the best choices might be. That's why the program takes all to be equal: it's anybody's guess! Personal characteristics, competences, expertise, experience and networks are better selection criteria in Effectuation than the place one occupies in the hierarchy. It is of far more importance how the networks spread, who is active in what domain and the number of the contacts maintained.

10.3.2 What results does CEBP have to offer?

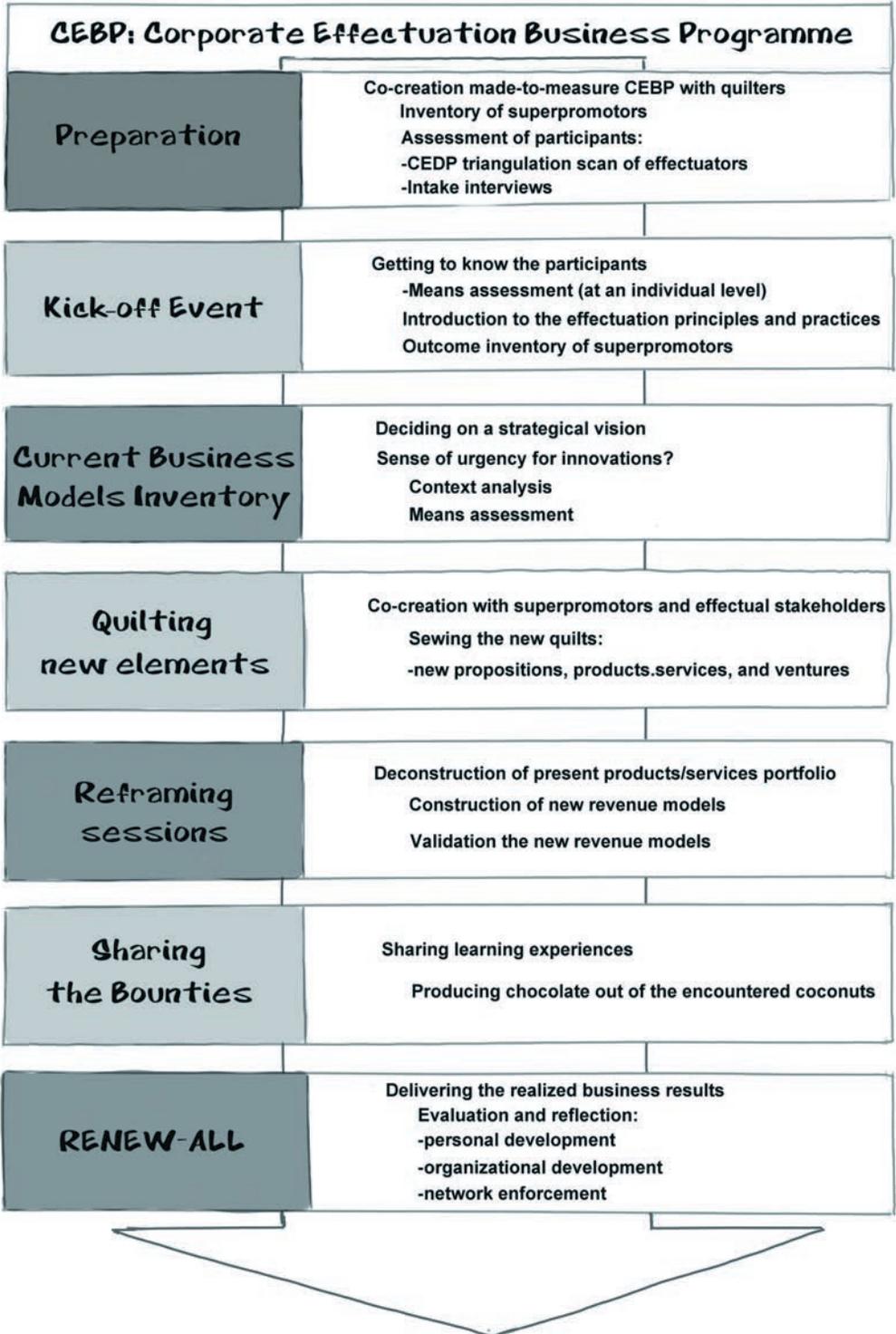
After a thorough intake, we proceed to the co-creation of the actual filling-in of the framework (figure x). The framework consists of seven steps, enabling results like the following:

Individual

- Insight in present business models of the organization
- Insight in alternative business models for the organization
- Getting acquainted with the Effectuation principles
- *Real life* entrepreneurial experience
- *Boosting the mindset* of an entrepreneur
- Expanding and intensifying the networks
- Developing entrepreneurial competences and matching *mindset*
- Meaningful work, so more commitment to the organization.

Organization/Department

- New adequate innovative products and services, ready for the future
- Optimization of the business models of the organization
- Optimization of strategic plans
- Improved internal climate to encourage entrepreneurship
- A network of *effectuators* able to come back together whenever required
- Insight in the value of the organization to its customers (superpromoters)
- More engagement of employees and managers
- Improved position with regard to the competition
- First substantial steps towards a holistic transformation.



10.3.3 The seven steps of CEBP

In order to strengthen the chances of success of CEBP, the first step is good preparation. Did we select the best pilots in the program to fly the *planes* of Effectuation? For a decision on this we apply a triangulation similar to the way a GPS system triangulates your position by your distance from three satellites. Ideally speaking, this triangulation would result from a CEDP scan: we invite the pilot to do some self-reflection and ask the people in his or her surroundings to do likewise. The third satellite consists of our own experienced trainers and coaches. By means of the outcomes of the scan, they will conduct profound intake interviews. This way, a clear picture will emerge of the participant and his or her entourage.

Apart from participating *effectuators*, the personal involvement of *effectual champions* (leaders, senior managers) is also crucially important to the program! Where management is not included in the program and not really involved, chances of success will diminish.

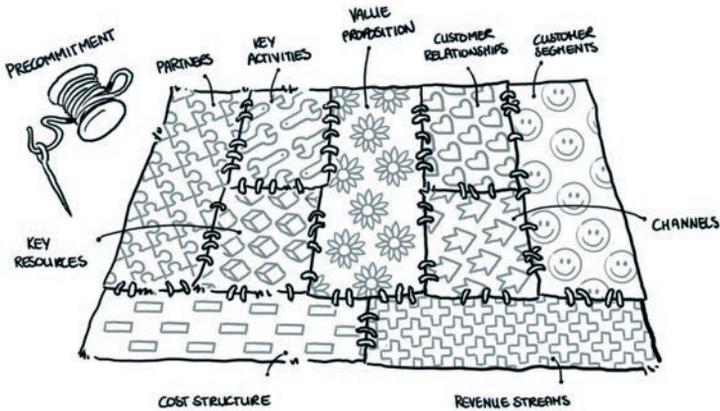
During the kick-off, the pilots will share all their personal baggage. We need to put everything on the table that may help to create a better future for the enterprise and the participants. This will cost some time. As a check, we often use the modified Hidden Resource Finder (see paragraph 2.1). Next to sharing their means, the pilots also get to know the Effectuation principles. It is very important to include in subsequent modules the directions that are generated out of the sharing of available means. These *imagined ends* constitute the first ideas generated by the program. The findings of the search for superpromoters will corroborate or refute most ideas. This will trigger an enormous *flow* of enthusiasm in the group. The effects of meaningful work start to show.

In the second module, the *effectuators* set to work with business model innovation. They come to understand how the enterprise makes its money and the most important drivers and obstacles in doing so. These obstacles usually match as a *sense of urgency* with the *imagined ends* formulated earlier, and in doing so offer clear directions and increase commitment and drive. Insight breathes new life into everyone. When working for Nespresso you realize that your company's profits largely depend on selling cups with expired patents; you realize also at once that it's your turn. A more efficient distribution here would be mere eyewash. But if you are an employee of Sara Lee, your reaction will of course be completely different.

During the fourth step, *quilting new elements*, the *effectual champions* and *effectual stakeholders* have a crucial role to play. The teams invite them to join in sewing the new *quilts*. These stakeholders, with superpromoters among them, will participate in this module and in project work, that will simply continue during the meetings to follow.



The CEBP is a *real life learning* approach where everyone works on projects that matter and have practical relevance. No classes, simply work. Meaningful work that will create the future of the department and the enterprise with almost all orchestration elements in concert. An important outcome of the *quilting* module will be the direction of the modernized propositions and the matching new business models. To make them suitable and fitting for the future, we utilize a very sophisticated technique: Reframing (see chapter 5). With Reframing we build products and services to make the business model tangible. The project work emerging from reframing is aimed to get started with these substantiated new propositions (plans A).



The next module is ‘Sharing the bounties’: *effectuators* and *effectual champions* share their learning experiences with each other: they show the path they created, what coconuts they met on their way and how they produced chocolate out of all of them. Teams that present their plan A again at this stage often have made little progress, or else they created a homerun during the preceding module. Teams that often adjusted their plans, arriving now at their plan P, usually have been working hard and have made genuine progress, or they were thinking a bit too lightly during the last module. The extent to which they proceed in the alphabet is, of course, not an indication of success in itself, but it does demonstrate that a lot of thinking has been done. In order to proceed to real results substantiated at closing time, we facilitate the teams gradually with *snack events* at the end of the day to discuss progress and to identify the obstacles. As their tour guides we maintain our orchestration role during the complete journey, without deciding on the precise directions. The teams decide.



After sharing their learned experiences, the teams will continue their projects inside their organization. It may take quite a while before participants meet again to share their results and their efforts. But the shorter meetings mentioned previously continue to take place in order to keep facilitating the teams in their Effectuation initiatives. The

last module should provide more clarity in the achieved results. What did it mean for the participant, what projects resulted in successful business outcomes? Here, it is the output that matters. Even if you didn't know what it was going to be at the outset.

Managers, leaders and employees with a Corporate Effectuation mindset will be making the difference in tomorrow's winning companies!



TAKEAWAY

The orchestration of Corporate Effectuation calls for a holistic approach. Fine tuning a large number of elements in the orchestration will determine if your aims are achieved.

Organizations are abstract entities; they cannot change, but people can. Corporate Effectuation calls for many specific personal characteristics and competences of both *effectuators* and *effectual champions*. Organizations with a larger interest in Corporate Effectuation and a HR department with the ambition to act as a strategic partner of management, should pay explicit attention to these Effectuation roles.

This will not only have consequences on selection and promotion policies, but also on the competence model of the enterprise and the ways in which development and coaching of *effectuators* and *effectual champions* is facilitated. Many companies have entrepreneurship included in their profiles and performance management, but only a few of them really succeed in realizing substantial innovative powers.

The Corporate Effectuation Business Program offers corporations a possibility to deploy a holistic approach without turning the complete organization upside down. In using the program they can make resources available to give a more effective substance to internal entrepreneurship in their organization.

Line management wishing to work on renewal of propositions and the best matching products and services in an uncertain future, also are often seen and welcome clients of the CEBP program. The investment certainly pays off, as long as this is not the only goal. Simply by starting to use the *affordable loss* principle you will experience the power and the *flow* of enthusiasm that is certain to emerge!

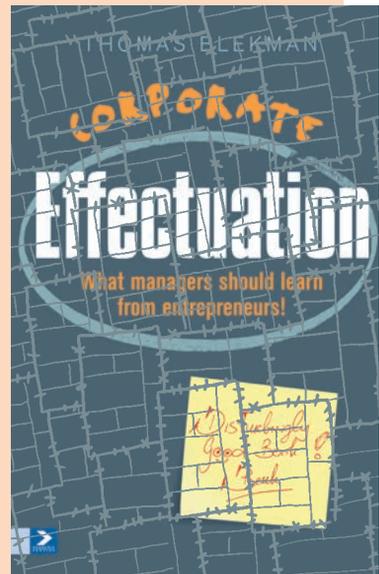
**When the wind of change blows
in the Netherlands, some build
dykes and others create windmills.**

Not only Effectuation, but the combination!

There is no guarantee of *real life* business successes for teams setting out with Effectuation. Market conditions are in a permanent flux, coconuts show up at the most unexpected moments, they are of very different sizes and the means to deploy them as a lever are not available sufficiently at all times. What makes teams successful are the ways in which they learn to apply the principles and – who can tell – sheer coincidence, although often those coincidences are only apparent to those willing to open their eyes for new possibilities.

Effectuation is a frame of mind that is powerful and may also be unruly. Participants will not master it simply by intuition, it will take some time. They have to experience it by applying it. The times of assembling cognitive knowledge in conference rooms are over. What matters is the best combination of experience and practical results. This justifies the investment and delivers the positive outcomes of programs such as CEBP; not merely qualitative ones, but most certainly the quantifiable ones.

What CEBP most clearly shows is the coherence of all types of techniques, tools and other elements of orchestration. This coherence is also the red thread of the *quilt* this book is itself, holding everything neatly and tightly together. The discussed methods and techniques will only be effective in the hands of employees made of the right stuff. Personal characteristics will decide whether a pilot is fit to fly an Effectuation plane; competences will decide where the pilot will land, and whether he will have any passengers at all on his next flight. When orchestrating, enterprises, and more specifically their top management would be wise to pay more attention to the development of their pilots and the airport. Often there is far too much floor management, far too complicated procedures, keeping all the Effectuation planes grounded for too long with no good reasons at all. Often it has also been quite some time since top management took off themselves. Just reading about the principles of Effectuation will do nothing in this respect. What matters is getting started; ready for take-off. It is in the combination!



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**“If you’re going to talk the talk,
you’ve got to walk the walk!”**

What managers should learn from entrepreneurs

Did you ever wonder why successful entrepreneurs always seem to accomplish ‘magical’ results, even in uncertain times, while others struggle on a daily basis? What do they do differently? What can managers really learn from successful entrepreneurs? Thomas Blekman from *De Beukelaar Groep* and *Rotterdam School of Management, Erasmus University* presents the answer.

Corporate Effectuation brings a scientifically proven method called ‘Effectuation’ to corporate organizations. Effectuation consists of 5 principles that help managers cope with uncertainty and unpredictability:



PHOTO: SIAAK RAMAKERS

- **Bird in hand** principle
- **Affordable loss** principle
- **Crazy quilt** principle
- **Lemonade** principle
- **Pilot in the plane** principle

The 5 principles are proven in a corporate context in collaboration with 17 path banding co-authors. In this book, valuable case studies are presented such as Philips, RWE Essent, Rabobank, KVD, University Hospital of Maastricht and De Beukelaar Groep.

Hospital of Maastricht and De Beukelaar Groep.

A changing world requires strategic flexibility. *Corporate Effectuation* offers a new view of ‘corporate entrepreneurship’ and illuminates insight into new tools for corporations such as *Business Modeling* and *Reframing*.

After reading *Corporate Effectuation* there is no longer reason to be a ‘*smart-follower*’. Apply these new insights and you too can be a ‘*smart-creator*’.

‘Thomas Blekman offers insight into where new opportunities come from and the process and tools by which they are created.’ – Stuart Read, Professor in Marketing, Innovation and Entrepreneurship at IMD Switzerland

‘Enterprises that can deploy both the causal approach and effectuation will be the winners of tomorrow.’ – Dr. Fred van Ommen, CTO, Senior Vice President of Innovation Excellence, Philips Electronics

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