

Contribution to the first AIN conference in Germany, 3rd - 5th October 2013

Sigrid Peuker, Akazienstr. 20, 10823 Berlin

mail@sigridpeuker.de, +49 30 7813177

1. Related focus area (Leadership, Science, Cultures)

Leadership / Science (workshop)

2. Title

Effectuation – What Improv Can Teach Entrepreneurs

3. Topics/content

Dr. Saras Sarasvathy, a cognitive scientist, conducted a study of highly successful serial entrepreneurs. She wanted to know how experienced entrepreneurs make decisions and whether there are universal methods or principles that can be deduced from their behavior.

She found out, that in fact experienced entrepreneurs follow a different logic than the one propagated in business books. This is mainly the case in the beginning of a venture, when the future is not only unknown but unknowable and the goals are still vague. In this phase of a venture, experienced entrepreneurs use techniques which focus on shaping the future instead of predicting it.

Dr. Sarasvathy called the logic which lies behind this thinking „effectual logic“ in contrast to the „causal logic“ which follows a predefined path to a strict goal and which will take over as the process of starting a venture progresses.

Effectual logic is a powerful tool in the context of uncertain environments and unpredictable outcomes. It doesn't prescribe what to do but offers a set of heuristics that help to do the doable. That's why Dr. Sarasvathy described effectuation as „the art of the next step“ , or „Do the doable and then push it and then push it“.

Effectual logic is based on five main principles:

1. „The bird-in-hand-principle“ - Start with your means: who I am, what I know, whom I know.
2. „The affordable loss principle“ - At each step, invest only what you can afford to lose. Risk little, fail cheap.
3. „The crazy quilt principle“ - Form partnerships and co-create with self-selected stakeholders. Partners are a source of new means, new ideas, and a way of sharing risks.
4. „The lemonade principle“ - Leverage surprise, take advantage of the unexpected: „If life gives you lemons, make lemonade“.
5. „The pilot-on-the-plane-principle“ - The future is neither found nor predicted, but rather made: Apply non-predictive control by acting, thus forging a path for things to develop.

If one looks more closely at these principles, thinking about their implication and how they can be applied, one finds quite a number of parallels to principles of improvisation.

Looking at these parallels and using proven improv techniques to support effectual thinking is a good way to work with improv in entrepreneurship.

4. How will you deliver the content?

In the workshop I'll introduce the concept of effectuation and the five principles, connecting them to principles of improv and using improv techniques to work out their meaning, implication and potential.

This will be done by a mixture of input and improv-exercises with subsequent reflection.

Possible interrelations that are dealt with:

1. „The bird-in-hand-principle“ - In improv you start with your ideas and impulses, with your imagination, with a thought that comes to your mind, or with a movement of your body. You interact with your partners, and from this starting point something great and unexpected can develop.
2. „The affordable loss principle“ - If you are not willing to lose something, you'll never start. If you're afraid of looking foolish in improv, you never get the chance to experience something extraordinary and new. If you are not willing to leave your comfort-zone you will not reach a higher level. If you try at all costs to avoid mistakes, you will not learn.
3. „The crazy quilt principle“ - In improv it is very important to perceive what your partner says, does or feels. If you don't perceive well enough, then you can't bring his or her idea forward. It is the interaction between partners which creates a tension out of which good improv drama can emerge. And if you let your partner shine, mutual trust and strong commitment can develop. The play will profit from that!
4. „The lemonade principle“ - „Yes, and...“ is one of the most fundamental improv principles. Whatever happens, be open to it, use it, make something great out of it. Don't block ideas of your partners; look what's in them.
5. „The pilot-on-the-plane-principle“ - „Action beats inaction“ in improv. If you don't become active, nothing happens. You only can bring things forward by doing something. It is your choices and decisions that determine the outcome. Let loose of your desire to control and something great may happen!

5. Take away for participants?

Experiencing a new and powerful tool for starting any kind of new project, be it a business or a private venture.

Learning principles which help to deal with uncertain and unpredictable situations.

6. Who are you? Experiences as an Applied Practitioner

Having worked with more than 100 entrepreneurs during the last ten years, and doing improv for more than two years, I realized that entrepreneurship and improv share fundamental principles.

In my entrepreneurship courses at a private university (SRH) in Berlin I use improv exercises to demonstrate the principles of effectuation and to bring the ideas of the students forward.

Literature

Sarasvathy, Saras D., 2001. What makes entrepreneurs entrepreneurial?
www.entreprnr.net/assets/WhatMakesEntrepreneurs.pdf

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Faschingbauer, Michael, 2013. Effectuation. Wie erfolgreiche Unternehmer denken, entscheiden und handeln.

<http://www.effectuation.org/>