

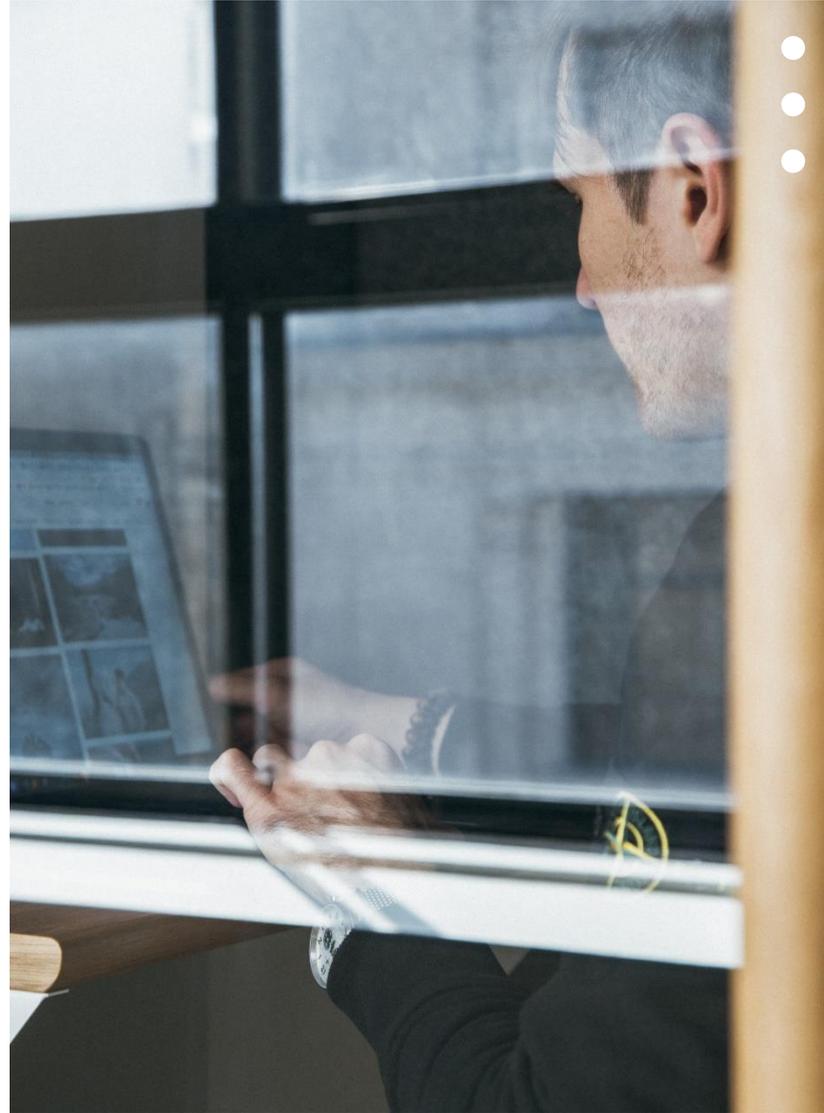
SEE-V-LAB.

Student Entrepreneurship Euregional Network

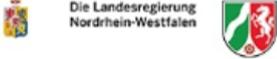
INTERREG V-A EMR
SEE-V-Lab: Student Entrepreneurship in the EUREGIO
D.T4.2.1. Effectuation game

Developed by D. Keskin, A. Bobelyn, M. Schmeitz & M. Clodt

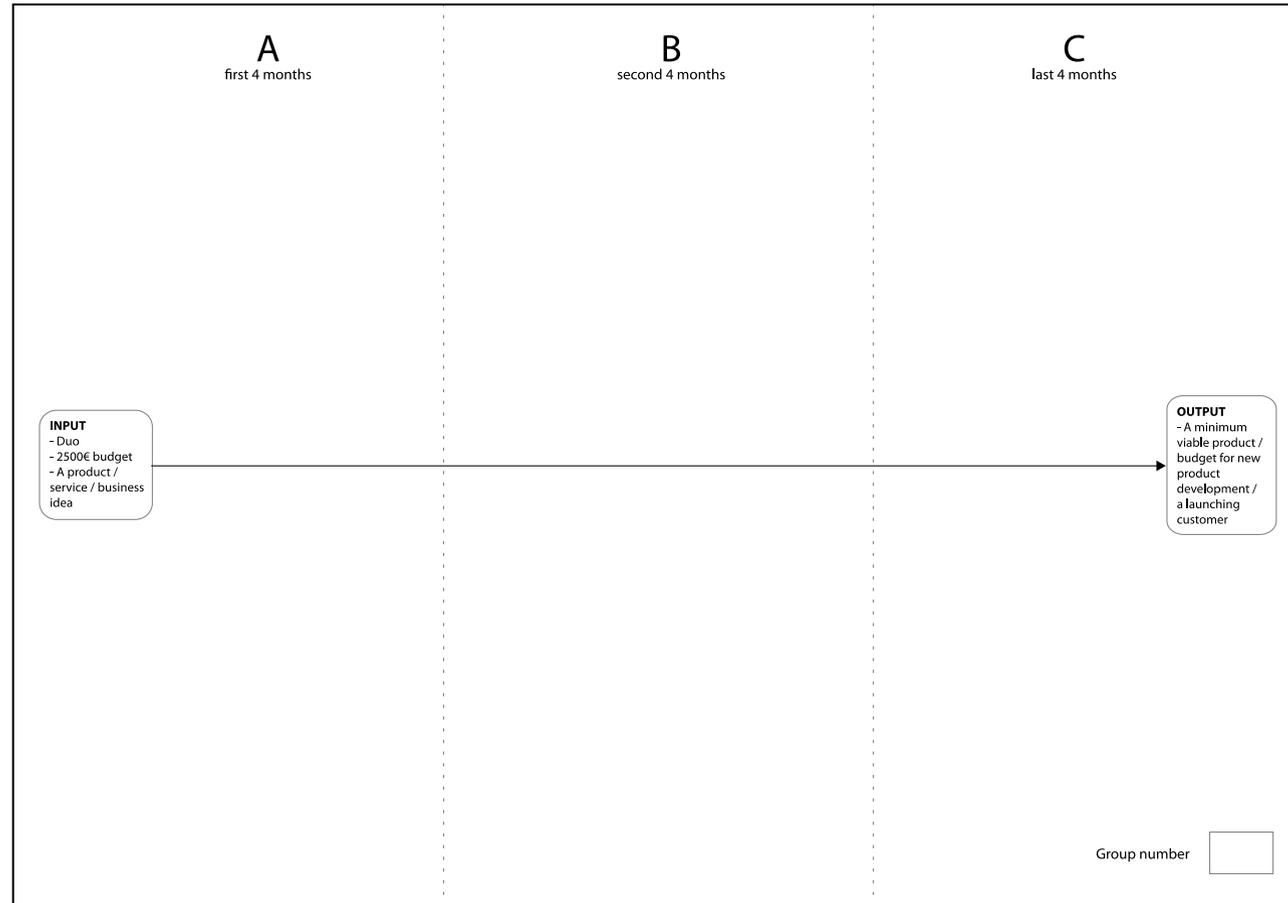
CONCEPT OF THE GAME



2 WP.T4 Example of best practice: summary of Effectuation game

		<h3 style="color: orange;">Best Practice: Effectuation game</h3>												
<p>Key resources /activities:</p> <ul style="list-style-type: none"> Game board and decision cards Powerpoint with guidelines on the game Room and coach to host the workshop 	<p>Critical success factors:</p> <ul style="list-style-type: none"> Reflection exercise, pushing student entrepreneurs to question their way of thinking. 	<p>Value proposition:</p> <ul style="list-style-type: none"> Promotes a discussion among team members regarding their mode of decision-making Team is inspired by news ways of making decisions and dealing with uncertainty. 	<p>Customer management</p> <ul style="list-style-type: none"> Integration in existing programs / workshop series 	<p>Target group:</p> <ul style="list-style-type: none"> Entrepreneurial student teams First time entrepreneurs <div style="text-align: center;">  <table border="1"> <caption>Entrepreneurship workshops</caption> <thead> <tr> <th>Stage</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Definition Stage</td> <td>~65%</td> </tr> <tr> <td>Validation Stage</td> <td>~55%</td> </tr> <tr> <td>Efficiency stage</td> <td>~45%</td> </tr> <tr> <td>Growth stage</td> <td>~35%</td> </tr> </tbody> </table> </div>	Stage	Percentage	Definition Stage	~65%	Validation Stage	~55%	Efficiency stage	~45%	Growth stage	~35%
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<p>Costs Hours spent on the work shop session (2 x 45 minutes)</p>			<p>Not applicable</p>											
														
														
														
														
<p>Case selected from Eindhoven University of Technology</p>														

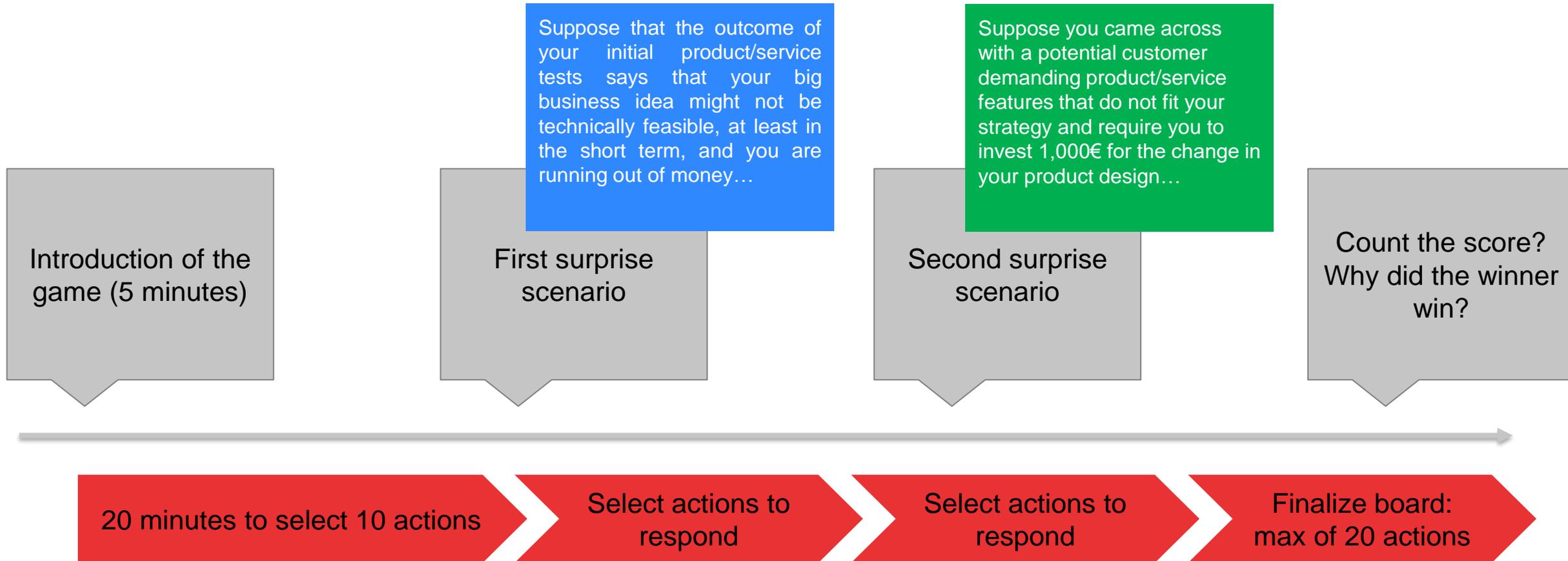
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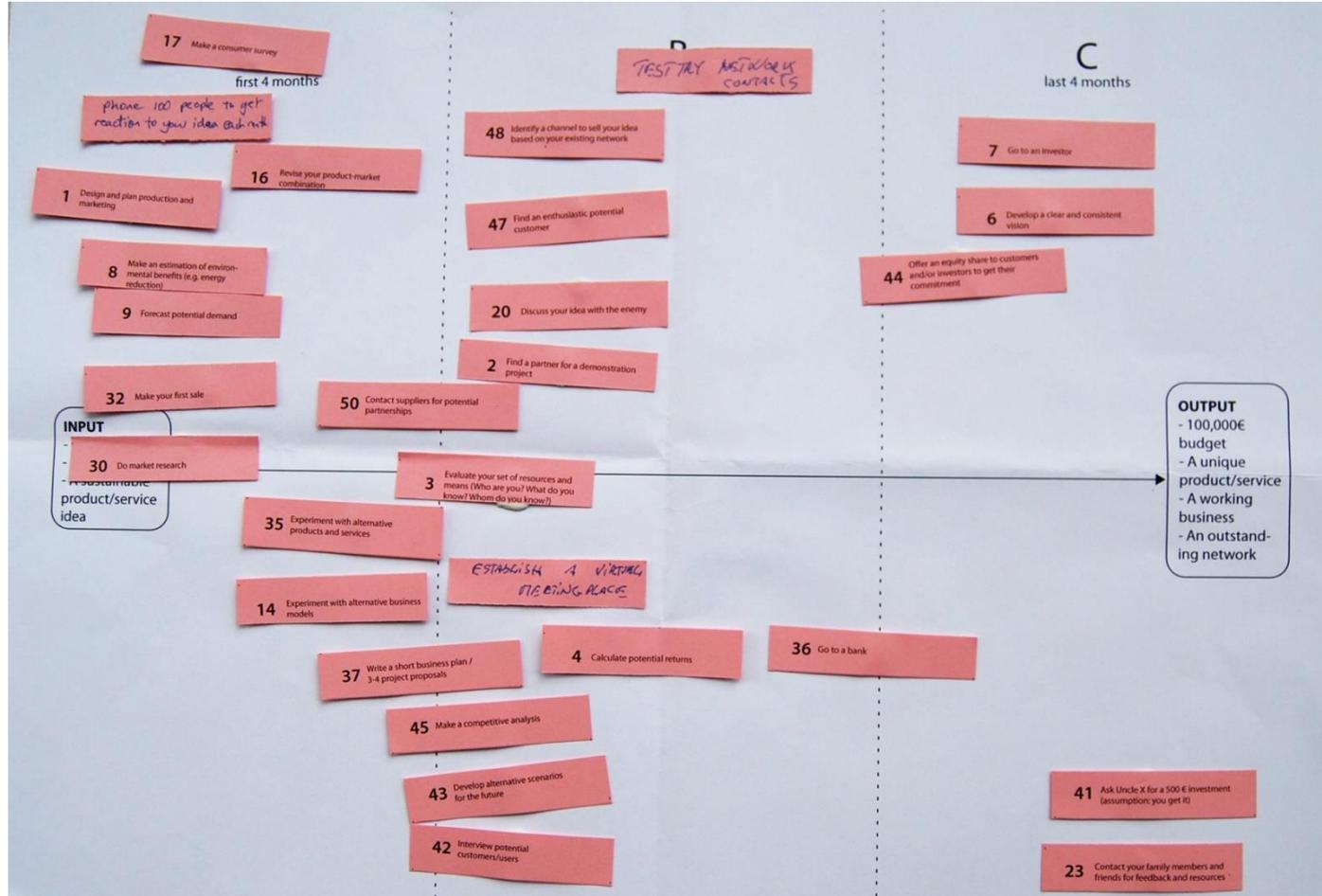
Example of best practice: summary of Effectuation game



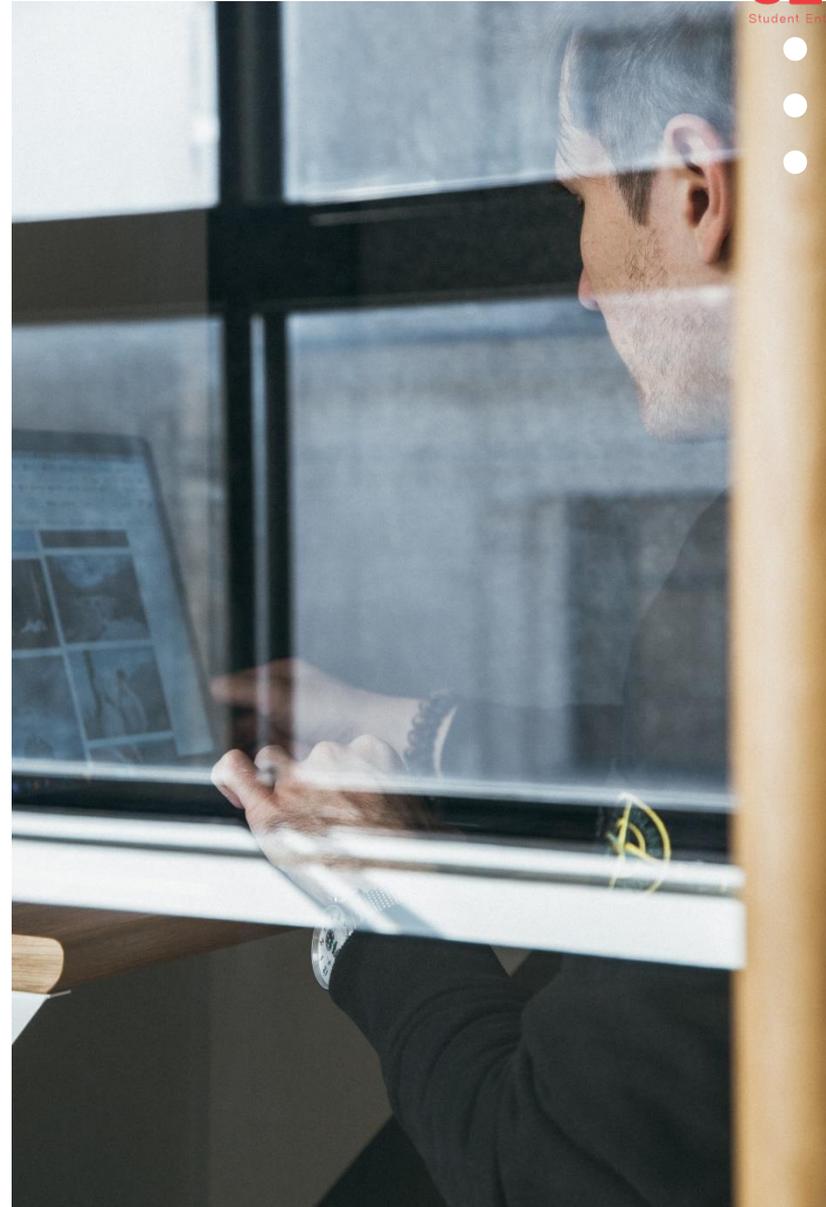
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Example of best practice: summary of Effectuation game



SLIDES TO PRESENT THE WORKSHOP



AGENDA

Introduction	5
Play-it	40
Break	15
Scoring	10
Short lecture	10
Discussion	20



GOAL OF THE GAME

Build upon your current business idea and develop it further

Prepare you for the actual process of venture development

Get an overview of alternative actions you can take in the coming weeks

GAME MATERIALS

Playing board

A number of actions

An overview of actions

GAME MATERIALS

Actions – 40 in total

GAME MATERIALS



RULES OF THE GAME

Which actions would you take during the 3 phases of the first year?

Max 20 actions (**including** the colored ones!)

40 minutes

2 scenarios during the game

At the end scoring and winner!

LET'S PLAY



20 minutes

Let's start: at least 10 actions
on your playboard

Suppose that the outcome of your initial product/service tests says that your big business idea might not be technically feasible, at least in the short term, and you are running out of money...

→ Choose up to 2 actions out of 4 blue-colored actions!

Suppose you came across with a potential customer demanding product/service features that do not fit your strategy and require you to invest 1,000€ for the change in your product design...

→ Choose up to 3 actions out of 6 green-colored actions!

Break
15 minutes

LET'S SCORE

What type of an entrepreneur are you?

Count the odd numbers and add one point for each odd-numbered action you used on the playing board (take picture and add to your assignment of week 3)

What is your scores? And, who is the winner?

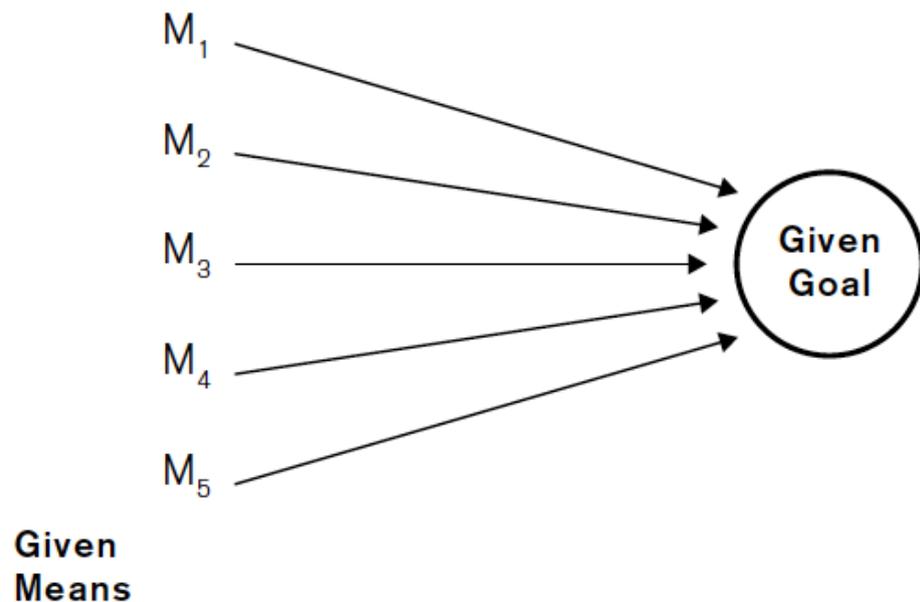
Why some teams scored higher? What is the theory/logic behind? Can you guess?

Causation/Effectuation

Causal versus Effectual reasoning

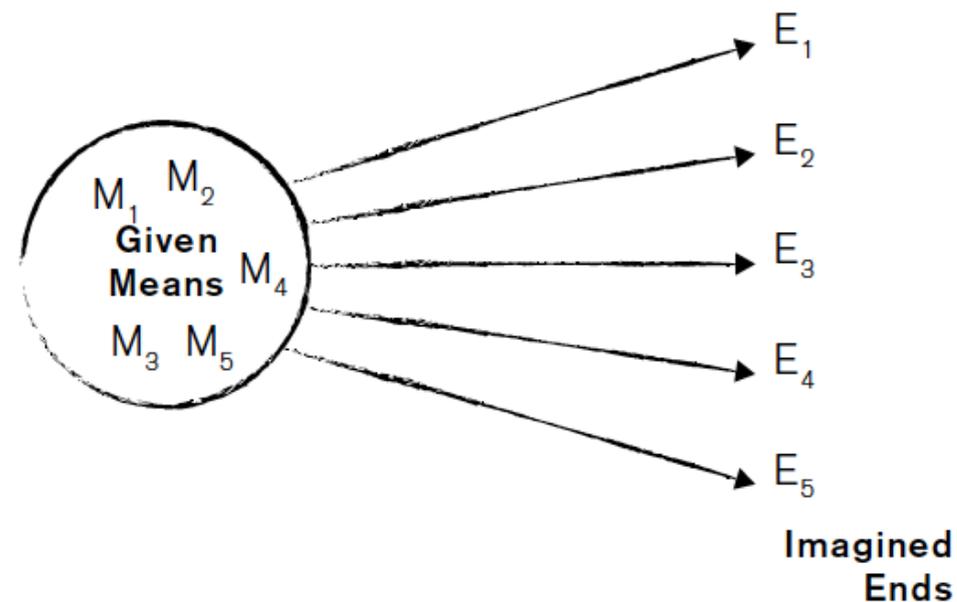
Managerial Thinking Causal Reasoning

Distinguishing Characteristic:
Selecting between given means to achieve a pre-determined goal



Entrepreneurial Thinking Effectual Reasoning

Distinguishing Characteristic:
Imagining possible new ends using a given set of means



How do you cook?



How do you cook?



Principles of effectuation

- Experimentation
- Affordable loss
- Flexibility
- Pre-commitments

EXPERIMENTATION

“A series of **trial and error** changes pursued along various dimensions of strategy, over a relatively short period of time, in an effort to identify and establish a viable basis for competing” (Nicholls-Nixon et al., 2000: 496).

Trying different approaches in the marketplace before settling on a business concept (Sarasvathy, 2001).

Low cost method of probing into the future (Brown and Eisenhardt, 1997).

Effectuation process: a series of experiments to identify a business model that works. (Chandler, 2011)

AFFORDABLE LOSS

Instead of trying to base decisions on expected return (which is done by calculating the upside potential of one or many opportunities and pursuing the best opportunity), calculate **downside potential** and risk no more than you can **afford to lose**.

Affordable loss focuses on what one is **willing to lose** rather than expected returns.

PRE-COMMITMENTS

Instead of focusing on competition, build your “future” together with customers, suppliers and even prospective competitors who identify that they want to **co-create** with you through their **commitment** to an idea co-developed through some novel combination of your means with your partners’.

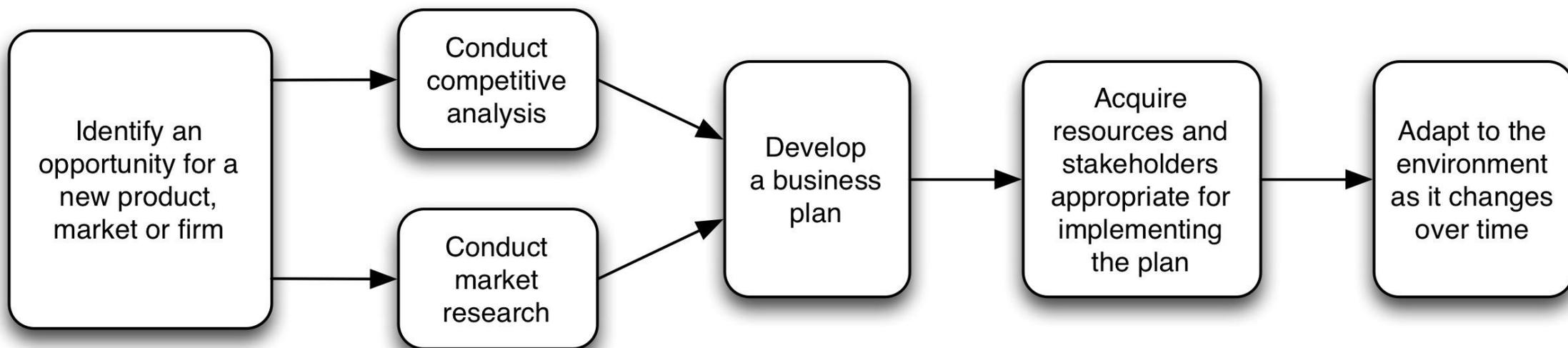
The effectuator uses pre-commitments to reduce uncertainty, minimize cost of experimentation, and maintain flexibility. The causation approach uses pre-commitments and alliances as a way to acquire essential resources and implement plans.

FLEXIBILITY

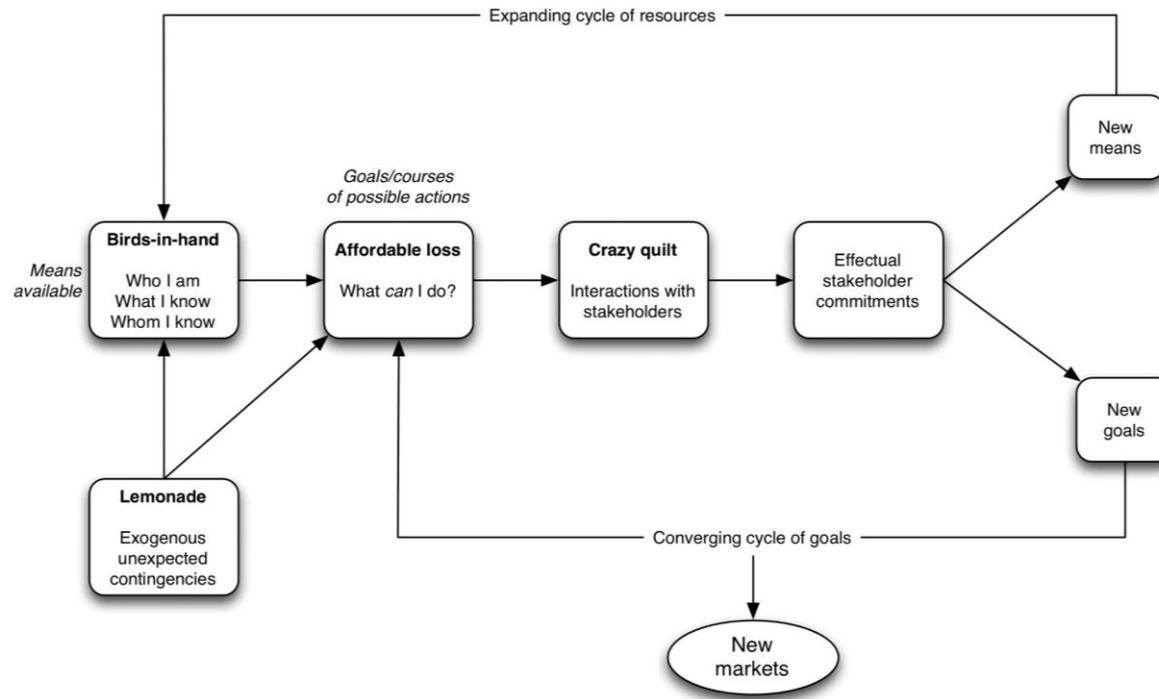
Instead of trying to anticipate surprise, avoid it, **overcome it or adapt to it**, think about contingent events, information and meetings as new resources that you can add to your existing means.

Thus, “the need for prediction is greatly reduced” (Sarasvathy, 2001).

Causal process



EFFECTUATION PROCESS



EXAMPLE: CURRY IN A HURRY

Imagine an entrepreneur who wants to start an Indian restaurant...

In a causal way:

Start with some market research into the restaurant industry, say in Delft

Select a location very carefully based upon the market research

Select target segments based on estimates of potential return

Design a restaurant to appeal target segment

Raise required funding

Bring the team together

Finally, implement specific market strategies and manage daily operations to make the restaurant a success

EXAMPLE : CURRY IN A HURRY

Imagine an entrepreneur who wants to start an Indian restaurant...

In an effectual way:

Lets say she is a **good Indian chef** who is considering starting an independent business

Assume she has little money (she **might** partner with an existing restaurant, participate in ethnic food fairs, set up catering service, etc.)

Lets say she **chooses to persuade friends** to allow her bring lunch for their office colleagues

Lets further say that **some customers then sign up** for a lunch service and she begins preparing the food at home and delivering lunches personally

Eventually, she could save up enough money to rent a location and start a restaurant.

Example: Curry in a hurry

Imagine an entrepreneur who wants to start an Indian restaurant...

In an effectual way:

But...

It could equally be possible that the lunch business **did not take off**

Instead she **discovers** that the customers are actually interested in her ethnic philosophy and life experiences or Indian culture

She can then decide to go into any one of several different businesses based on the **feedback**

A few possibilities could be in any one of the following industries: education, entertainment, interior decoration, etc.

EXAMPLE: CURRY IN A HURRY

Were you more causal/effectual? Why?

Can you highlight the effectual actions at your timeline...?
When (at which phase of the process) were you more causal/effectual?

Which causal/effectual actions were you using?

Do you recognize the differences in causal and effectual actions?

DISCUSSION: EFFECTUATION PRINCIPLES

Do you recognize the link between actions and the principles of effectuation?

- **Action 1, 3, 5, 7, 9 >> Experimentation**
- **Action 11, 13, 15, 17, 19 >> Affordable loss**
- **Action 21, 23, 25, 27, 29 >> Pre-commitments**
- **Action 31, 33, 35, 37, 39 >> Flexibility**

Which effectuation principle did you use most frequently?

Which effectuation principle did you use least frequently?

Can you think of why?

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MERC
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Thank you for your attention!