

# Risk-Taking Propensity and Passion: What effectuation theory can tell about entrepreneurs

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# RISIKO? – RISK!

- Sociology: Beck, Ulrich (1986): The Risk Society
- Disastermanagement: Risk = Hazard x Vulnerability
- Entrepreneurial Personality: Extraversion, Selfefficacy, Risk-taking propensity, ...
  
- Financial markets: Asset management - risk reduction
- Risk propensity varies by gender
- (Emotional propensity and passion varies by gender)

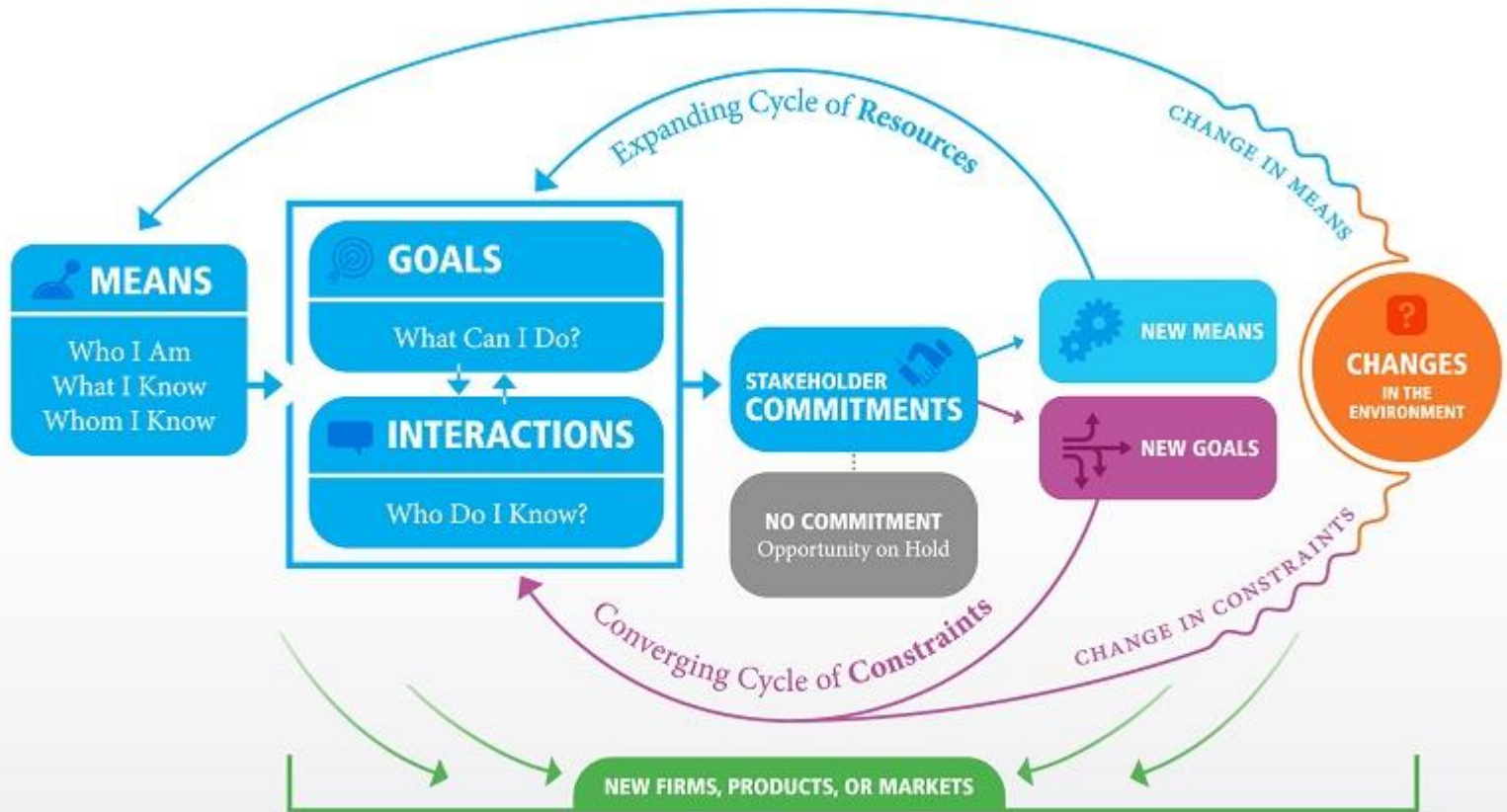


# EFFECTUATION THEORY

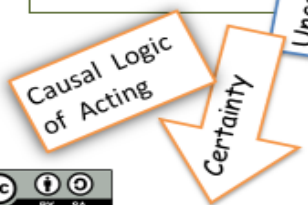
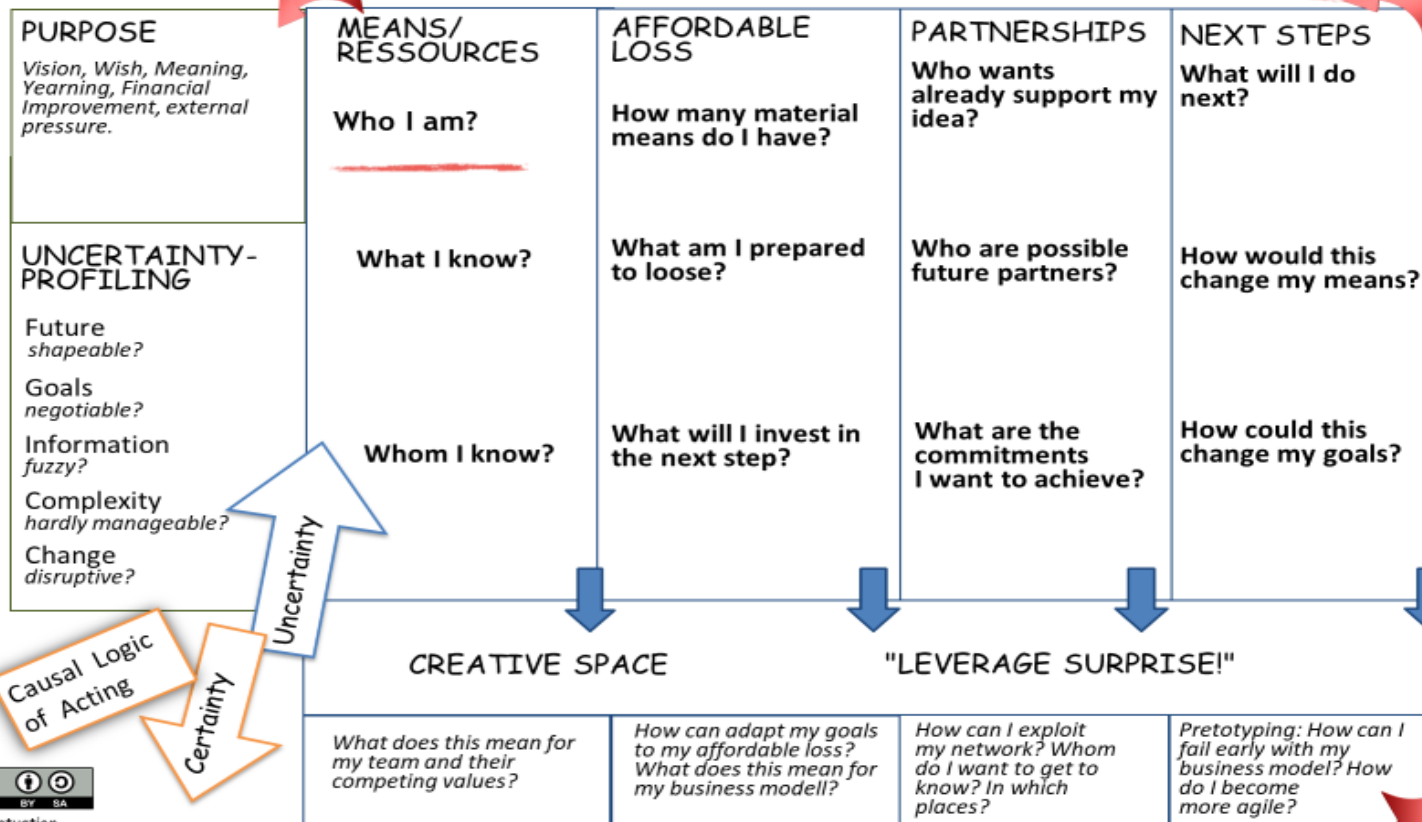
- Good entrepreneurs are risk-avoiders (and effect optimisers)
- Passion and commitment play managerial roles
- Effectuation is a principle of decision making and action found in (a study on) entrepreneurs
- Saras D. Sarasvathy (published since 2001 with Stuart Read et al), Indian U.S. American researcher (Prof. Saras) and serial entrepreneur
- Future is unpredictable, uncertain
- The available means are the starting point of action
- Every action is embedded in a social world
- Every action has effects on others (artifacts and Humans)

*Sarasvathy, Saras D./Wiltbank, Robert/Dew, Nicolas/Read, Stuart (2006): What to do next?*

# THE EFFECTUATION PROCESS



# EFFECTUATION GRID: Decision Making and Innovating Under UNCERTAINTY



# RISK-TAKING DEPENDS ON FRAMING

## Uncertainty external, no control, predictive

- Individual awareness
- risk-taking propensity grows with **resources**
- Information and data driven competition
- Prediction and simulation
- Risk-taker is winner or loser in the end
- Cultivation of risk to create profit

## Uncertainty, control by action, non-predictive

- Network awareness
- risk-taking propensity relates to low **resources**
- Own **passion** and stakeholder passion and **commitment** mobilise and moderate network activities
- Affordable loss limit
- Cultivation of no-risk to create new means and goals

# RISK AND PASSION

**“THE BEAUTY OF EFFECTUATION IS THAT IF YOU SUCCEED, THE CHANCES OF SOMETHING NOBLE HAPPENING IS VERY VERY HIGH BUT IF YOU FAIL THE COSTS OF FAILURE IS LOW,”**

STATED BY PROF. SARAS





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