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:

- 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.

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

‘It is a paradigm-shifting work, and therefore a serious candidate to become the Management Book of the Year 2012.’ – Marco van Veen, Manager of Heineken International Web Center
Corporate Effectuation

What managers should learn from entrepreneurs!

Thomas Blekman
Effectuation
now you can
do it yourself

For over a decade now, my collaborators and I have been working on identifying the learnable and teachable elements of entrepreneurial expertise. Through all those years people have continued to ask me whether we can actually teach entrepreneurship at all. It may be time to put that question to rest and write a fitting epitaph: “Yes – entrepreneurship can be taught.”

The experiences associated with building new ventures from scratch compel entrepreneurs to learn a variety of lessons that go beyond the basic toolbox materials such as setting up an accounting system, incorporation, intellectual property protection, organizing supplies, writing a business plan, etc. In fact, when a person has founded several companies and accumulated more than ten years of full-time experience as an entrepreneur wading through good times and bad, he or she learns more than how to run a business well. Experienced entrepreneurs, irrespective of industry, technology, geography, or even history, appear to learn a very similar set of lessons that coalesce into a logically coherent method – analogous to the scientific method.

Before Francis Bacon published Novum Organum in 1620, science was the occasional occupation of a few wealthy gentlemen and even they did not use a clearly articulated systematic method to do science. But after Bacon, scholars began to observe science in action and extract from their observations the key principles (such as hypothesizing, replication, parsimony, and so on) and techniques such as experimentation. What they discovered turned out to be so powerful and valuable that science began to be taught in classrooms around the world. Today we teach science not only to potential scientists but to all human
beings who have access to a decent education. This is because (a) we acknowledge the fact that scientific reasoning can be applied more generally than to science, and (b) because even a rudimentary exposure to the principles and practices of science allows us to build societies capable of putting science to use in ways that create real value.

I believe the principles and practices of entrepreneurship are similarly generally applicable beyond the creation of new ventures. Moreover an understanding of entrepreneurial reasoning will allow us to build organizations and even societies better capable of putting this powerful method to work for creating value in the human realm. What the explication of the scientific method has enabled us to achieve technologically and otherwise in the 19th and 20th centuries serves as an inspiring parallel to the possibilities offered by the development of the entrepreneurial method in the 21st century and after.

What are some of the key elements of the entrepreneurial method? We have only just begun on the journey to unearth the answers to this question. Yet I believe effectual logic will be as central to the entrepreneurial method as the logic of experimentation is to the scientific method. In particular, through a decade of studying how expert entrepreneurs think and act and by comparing them to expert managers and novices and private equity investors, we have isolated at least five principles at the heart of effectual logic:
1. **Bird in hand:** Start with who you are, what you know, and whom you know, and not necessarily with a predetermined goal or a pre-envisioned opportunity.

2. **Affordable loss:** Invest only what you can afford to lose.

3. **Crazy quilt:** Create an expanding network of self-selected stakeholders, each of whom commits only what he or she can afford to lose. Focus on partnerships rather than on competitors.

4. **Lemonade:** Be open to surprises and leverage them. Treat them as useful inputs rather than hindrances to be avoided.

5. **Pilot in the plane:** Co-create the future with things within your control and with self-selected partners.

At the end of the day, if you use these principles you can shape your future and transform your environment in ways that matter to you and your stakeholders.

It is easy to see from the exposition above that the content and purpose of the entrepreneurial method is different from the scientific method, even though the historical development of the former is strongly evocative of the latter. The scientific method is about understanding and putting nature to work for the achievement of our purposes. The entrepreneurial method is about putting human nature to work to co-create new purposes and possibilities as well as to achieve old ones; to transform what is into what can be, including our ideas of what should and should not be. If we want to think of a Latin name evocative of Bacon’s *Novum Organum* for this notion, we could call it *Novum Artificium*.

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*March 2011*
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CHAPTER 2

The five principles of Effectuation
Saras Sarasvathy discovered that the expert entrepreneurs she interviewed did not fit the popular image of a brilliant, visionary daredevil with an surplus 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. 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, 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.
One has to be creative with what’s available. Don’t wait for the golden opportunity to be presented to you on a platter.
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.” 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.” 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-
corporate effectuation

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. 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. 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.\(^1\)
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.
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.
“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. 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, 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.
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 optimalizing 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 governement 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.
“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).
The five principles of Effectuation have been formulated based on scientific research pushing back frontiers by Saras Sarasvathy under the aegis of Nobel Prize laureate Herbert Simon. Scientific findings can only be of added value to the daily practices of employees, managers and self-employed, if they are practical to use. That nothing is more practical than Effectuation, is demonstrated in colorful illustrations and appealing examples.
... has a scientific foundation
The five principles of Effectuation have been formulated based on scientific research pushing back frontiers by Saras Sarasvathy under the aegis of Nobel Prize laureate Herbert Simon. Together, the principles go through a cyclical process while interacting. Now explicitly formulated, they can be used and applied by everyone, silencing the myth for once and for all that super-entrepreneurs are gifted with a special type of DNA.

... is implementable in daily practice
Scientific findings can only be of added value to the daily practices of employees, managers and self-employed, if they are practical to use. In the following colorful illustrations and appealing examples, you will see that nothing is more practical than Effectuation. In the convincing stories that follow, I will describe the handles that Effectuation provides, tailor-made for corporations, and I will demonstrate in more detail how you can make a success of Effectuation in your own enterprise, wherever you are.

... is more alive today than ever
The world is changing in all respects at a faster pace than ever; it is often very whimsical and sometimes as unpredictable as a falling coconut. Changes have the most diverse and unexpected causes, coming from really everywhere: from unsuspected sources or sources never even heard of. But beware. He who has the illusion that only the subway uncertainty is in the game, all relevant factors can be mapped comprehensively, in short, he who has the illusion he controls all parameters, will have a rude awakening.

... is more appropriate than ever
Effectuation is not a better way of thinking than the causal one. There is no black and white, no right and wrong. But Effectuation is certainly more appropriate in uncertain or unknown and therefore unpredictable circumstances. This is not only the case because of the dynamism of the market(s); it may just as well be a result of the impact of a new product or service in an existing market. Increasingly, Effectuation is the best way indeed to obtain new handles for a better grip on unpredictable situations. Effectuation helps you find the right solution at each stage. What may be good for a baby can be counterproductive for an adolescent, let alone an adult.

... offers a logic of the future
From kindergarten we learn to relate stories in a logical order, shortly thereafter we learn the importance of causal explanations. Confronted with choices and looking forward, it seems it still has to be proven whether or not the future can be described
and treated in such a logical way. The entrepreneurs who are most effective and successful in creating new products and markets in an uncertain environment most certainly don’t believe this illusion of predictability, this ‘control paradox’. Effectuation, their way to proceed, does open possibilities as well as insights into a more effective, flexible approach.

... is a pair of glasses you can hardly do without
‘You can only see it when you understand it,’ is a famous quote from football legend Johan Cruijff. Nothing seems more to the point when talking of the insights of Effectuation. During the trainings I recorded the following:
‘Since the Effectuation workshop, I can’t look at things in any other way anymore.’
‘I notice that there is much overlapping with Effectuation.’
‘Some fields now seem less useful to me.’
‘Funny that I now understand the choices of my chaotic Dad were actually consistent and reasonable!’
‘All around me I hear colleagues unknowingly making predictions without any knowledge of what really is going to happen.’
‘In our team, we talk more often than ever about quilting and coconuts.’
‘I am convinced we’re now starting projects that we would have rejected only yesterday.’
‘One realizes that the ways we act are not merely automatically – without thinking – or only pragmatically.’

But also, on the other hand: ‘In any organization used to working causally, plans will also have to be presented internally in a causal way.’

As you can read in the boxes on Rabobank, the latter two quotes, contradictory as they may be, both originate from one and the same very special man, Frank Klemann. Frank is a former managing director of Bizner Bank and at present a very successful entrepreneur and CEO of Tulip Bikes. You can read that as an entrepreneur, Frank very clearly recognizes the added value of the Effectuation principles, that he in fact used without being aware of it in starting Tulip Bikes. The chances of success of Effectuation in a corporate setting are less self-evident to him. Nevertheless, the principles can also be applied, even in the corporation where Frank Klemann was working during his Bizner challenge. This is demonstrated by another Frank working with Rabobank, Frank Nagel, Head Project Management Africa of Rabo Development.

I am very proud indeed that I am in a position to offer you concrete handles in what follows. They were formulated jointly with the guest-authors I was so happy and privileged to work with, in order to empower you to create opportunities in unpredictable markets. For you can be the Richard Branson of your organization. Finally, sustainable entrepreneurship can be learned, by employing Effectuation.
This chapter aims mainly to demonstrate what it will mean for employees as well as for managers when effectuation is put to work in an existing organization. Management seems to center around this question: “How can I make my employees meet the organizational targets in the most efficient way?” But here’s a better formulation: “How may I best facilitate my employees to achieve their goals?” Neither companies nor their employees lack creativity. There are effectuators in every enterprise; what prevents them from getting started is the feeling that success is out of their reach, or, more specifically, that they would not be permitted to reach it. This chapter will describe how to awaken or reawaken these “sleeping” effectuators and what will be needed to do so. A management that is harshly critical as soon as a mistake has been made will destroy all initiative with great efficiency. “It’s essential that we have many people with initiative if we are to continue to grow.”
It’s of prime importance that enterprises allow the superpromoters to speak up on their behalf, thereby ensure that they remain authentic and can exploit their best powers in the long run.
“Once in a while it really hits people that they don’t have to experience the world in the way they have been told to.”  
– ALAN KIGHTLEY

7.1 Essential roles in corporate effectuation

Some years ago, Pinchot and Pellman distinguished five crucial roles in an organization that can facilitate further innovations by means of their *intrapreneurship*:

- Idea people
- *Intrapreneurs*
- Members of the *intrapreneurial* team
- Sponsors
- Climate-makers.

Since everyone harbors potential creativity, idea people are not considered as representing a separate essential role for *corporate effectuators*. As Pinchot and Pellman suggest, ideas are like insects: many are born, but only a few will mature. The role of *intrapreneurs* in generating ideas is far more essential; this is because *intrapreneurs* are “dreamers who act.” They make sure that an insect will survive. Of course, they cannot achieve this individually on their own, and that’s why they prefer to work in a team. In corporate effectuation, we speak of *effectuators* who create a *crazy quilt* as a team: they are *effectual stakeholders*, stakeholders with a pre-commitment to a project (see section 2.4).

That’s why an effectuation team is not composed exclusively of employees drawn from one single department or employer: that would result in a herd effect and thus only increase the risk of settling on a faulty relationship between the product and the user. Thus the social context at issue here is essential to enable appropriate innovations — this was also the finding of Scott Berkun, who was involved at Microsoft in the development of the first through the fifth versions of Internet Explorer, as he reported in his book *The Myth of Innovation*. It is also the reason why the present work included, in chapter 5, Ockeloen and van Dijk’s presentation concerning the relationships that are needed if corporate effectuation is to meet with success.

Most larger companies have usually devised entire processes for budget allocation, as well as structures for internal communication and decision-making. This is precisely the reason why the sponsor is the second essential role in corporate effectuation. Since *effectuators* work according to the *affordable loss* principle, the *effectuator* who intends to see an initiative through is not asking for a budget so much as for the room to create a *crazy quilt*. What matters most often is the freedom to act, and the trust that emboldens autonomy. A good sponsor almost automatically is a climate-maker as well, although *effectuators* themselves can also assume that role. In any event, it’s preferable to speak of *effectual champions* as combining the roles of sponsor and climate-maker.
The notion of *intrapreneuring* introduced by Pinchot is concerned with internal entrepreneurship; creating a favorable climate and devising new initiatives to facilitate entrepreneurship within enterprises. What his approach lacks, and what Henry Chesbrough for his part would like considerable attention to be focused on, is open innovation (see section 2.1). Now, stakeholders situated outside the organization or department may be called *effectual stakeholders*. An example of the role they can play is offered by the joint venture of Philips and Sara Lee in developing the Senseo coffee concept. In terms of the *bird in hand* principle, this collaboration clearly extended the available means: Philips introduced a new device to the market, while with the new coffee pads Sara Lee effectuated a success. (Further examples are presented in section 2.4.)

To sum up, here are the three essential roles in corporate effectuation:

- **Effectuator**
  The stakeholder who has pre-committed himself to co-create a new product, service, category, or market together with other self-selected stakeholders, thus forming a *crazy quilt*. The effectuator is the *pilot in the plane*, the dreamer acting with a view to a common goal somewhere on the horizon.

- **Effectual champion**
  The manager or the patron of the effectuator who makes sure that the latter has the freedom and the confidence to make a beeline in the direction of the *imagined ends* – but under no circumstances a teacher who would coach and explain everything to the effectuator. The task here is to combine the sponsor with the climate-maker, in order to create both additional means and room for the effectuator to be able to set out on a voyage of exploration.

- **Effectual stakeholder**
  The partner who co-operates in putting together the *crazy quilt*.

### 7.2 Effectuation at work (1)

This chapter aims mainly to demonstrate what it will mean for employees as well as for managers when effectuation is put to work in an existing organization. Managers can assume both the role of effectuator and that of an effectual champion, whereas employees often lack the span of control required to fulfill this last role adequately. There’s a hierarchical relationship between these two roles: effectuators need champions to create the room for autonomy, while effectual champions need effectuators to carry out lasting and sustainable innovations in an organization. Although in management literature there are several names to denote entrepreneurial employees – sometimes they are called corporate entrepreneurs, or more usually *intrapreneurs*, the term coined by Pinchot in 1982 – here they will explicitly be termed effectuators, since this designates *intrapreneurs* who employ effectuation deliberately.

In short, an effectuator is an employee, or a manager in the capacity of employee, who works in an existing company and becomes actively involved in co-creation with other stakeholders in order to realize their ideas with the available means. They
make sure of being and of staying in control, the unpredictable context in which they find themselves notwithstanding.

That they are vitally important in the maintenance and continuous rejuvenation of any organization, is also the opinion of Richard Branson: "Healthy growth requires a smattering of intrapreneurs who drive new projects and explore new and unexpected directions for business development." A company does not only need a wholehearted entrepreneur to come along; for its healthy growth and development, intrapreneurs are also indispensable: to inspire new projects and to make the enterprise pursue completely different and unexpected avenues to achieve success. Branson relates that Virgin would never have evolved from the publication of Student magazine into a consortium of over two hundred companies had it not been for its intrapreneurs, who were and remained ceaselessly eager in the search for new opportunities and developments. And, by the way, he also admits that these intrapreneurs are often quite stubborn, as is shown in an example from a decade ago at Virgin Atlantic. None of the famous and pricey designers of plane seats could solve the problems posed by the specifications for first-class seats, until a young talent who insisted that the project come to a successful conclusion, Joe Ferry, volunteered for the job. Virgin offered him the freedom to do so, and thanks to his unorthodox creativity he introduced the single berth in a herringbone pattern that all at once gave them a royal lead on the competition, and on which millions of very content passengers have since stretched out.

As they were unfamiliar with intrapreneurship or effectuation, it seems that they introduced the role at Virgin subconsciously or intuitively. Generally speaking, if one becomes actively involved in a branch one knows little or nothing about, it’s always a good thing to have some carefully selected specialists aboard who know the ins and outs; in this instance, something similar must have occurred, albeit unaware, as the process, recognizable to us as the lemonade principle in action, led to the selection of the right pilot in the plane — of the Virgin aircraft, in this case. And when Virgin went into mobile phones, another branch it didn’t know the first thing about, it sought out its “rivals’ best managers, hired them away, took off their ties and gave them the freedom to set up their own ventures within the Virgin Group,” as Branson notes. Tom Alexander, in the United Kingdom, Dan Schulman, in the United States, and Andrew Black, in Canada, accomplished this with the greatest success, and with their aggressive manner of doing business they led Virgin enterprises on new and unexpected paths.

"Perhaps the greatest thing about this form of enabled intrapreneurship is that often everyone becomes so immersed in what they’re doing that they feel like they own their companies. They don’t feel like employees working for someone else, they feel much more like ... well, I think the only word to describe it is ‘belongers.’"

— SIR RICHARD BRANSON
The fact that *intrapreneurs* and *effectuators* feel to a greater degree that they belong, as Branson suggests, is also attributable to their authentic enthusiasm, fed by their belief in the meaning of their work, the room given them to act, and the confidence they’ve developed.

Therefore, no further new role will be introduced for discussion in the next section, where, with the assistance of Rijn Vogelaar of Blauw Research, the relevance of his insights concerning the superpromoter’s function in corporate effectuation will be addressed. The superpromoter personifies the power of enthusiasm that is perfectly suited to be put to work in the formation of partnerships (see section 2.4), but is indispensable and essential in helping to motivate *effectuators* and *effectual champions* and encouraging them to persevere. Thus this nicely ties in with the three roles touched on earlier.

### 7.3 With the zeal of a superpromoter

with Rijn Vogelaar, CEO (Chief Enthusiasm Officer) of Blauw Research

In the book *De Superpromoter*, Rijn Vogelaar presented his pioneering insights into how to address customer satisfaction and the ways in which it is studied, and they are at odds with what has been, at least up until recently, the usual manner of dealing with these topics. It was standard practice to search for the most average client as offering the best reflection of target groups and segments, but Vogelaar maintained that what should be researched was enthusiasm: the clients that are confirmed enthusiasts, able to inspire others and to convince them to use the same product or service, whom he calls *superpromoters*. In the ultimate fight with his evil twin, the *antipromoter*, the *superpromoter* is decisive for upholding the reputation of companies. It is not only on account of the commercial results in the short run that it’s vital for companies to identify (or re-identify) these *superpromoters*, it’s of prime importance also because enterprises that allow the *superpromoters* to speak up on their behalf, thereby ensure that they remain authentic and can exploit their best powers in the long run.

An example in the pop music industry is the band Snow Patrol, which focuses in each of its concerts entirely on those in the audience who push forward in order to enjoy as much time up close and personal as they can. The public’s less enthusiastic listeners, remaining towards the back of the crowd, are totally ignored by the band. This seems the smart thing to do, and yet companies have quite different policies for their less enthusiastic clients. But imagine what would happen to the unique sound of Snow Patrol if the band tried to please everyone. Exactly: it would soon turn into just another band, and lacking to be sure the real diehard fans.
And the same holds true for companies. Beer brewer Heineken, with its numerous different labels, has attuned its advertisements to the different target groups; thus the experience of those who drink Amstel beer is completely different from those drinking Heineken beer; both are part of the Heineken assortment, yet each delivers something entirely different. And that’s precisely the reason why both have their devotees who prefer their own brand whenever it’s available. It was by listening carefully to the superpromoters that the difference in taste became apparent, and that subsequently all the advertising could be devised to support the superpromoters’ view of the matter to the furthest possible extent. Nor is it true that the potential target group would shrink were the superpromoters to be focused on exclusively. Quite the opposite: by the acknowledgment and support shown them, they were set to inspire even more effectively, thus enlarging the brand’s market presence among the target group by leading the other customers to mimic them. Of course, there are other companies that employ similar techniques: for instance, the superpromoters of the Dutch telecommunications firm KPN emphasized that a network is not widely viewed as a symbol of “being reachable,” although the company itself thought to adopt that as a standard in its operations. But nothing was further from the truth.

Accordingly, the superpromoters may be acknowledged to be personifications of the power of enthusiasm. They make recommendations and inspire others to replicate
their behavior. Their contagious enthusiasm is vitally important to companies, because they help expand the base of customers and increase the turnover; for this reason, a superpromoter is also the ideal co-creator and a source of motivation for the employees. Thus, superpromoters are found not only among the clients. Employees enthusiastic about their company and who spread their enthusiasm contagiously throughout the surrounding social environment also fulfill this role; it’s certainly not a privilege reserved for the Apples and Googles of this world. However, a different type of leadership is indeed required in order to let the enthusiasm flow from the employees to the clients and from the current to the new clients, so that an enterprise’s successes may accrue more rapidly all the time. And whenever both the management and the employees are confronted with the enthusiasm of their customers, this in turn will stimulate their motivation and the zealous desire for further innovations.

Accordingly, corporate effectuation is in need of superpromoters, both among the clientele, in the role of the effectual stakeholders who create the quilt, and also within the corporation among its managers and its employees, in the roles of effectual champion and effectuator.

If larger companies succeed in firing up the enthusiasm of the employees or, better still, in effectuating it in their effectuators, a flow of enthusiasm will emerge. And at the point when an effectuator will be imbued with the enterprising zeal of the genuine intrapreneur, he will continue where others had stopped too soon. This doesn’t mean that effectuating enthusiasm will be easy. Companies are often organized in such a way that intrapreneurship receives a reprimand and enthusiasm
Corporate Effectuation helps NGOs to discover other ways of “doing business”, expanding their business models and enlarging the scope of their raison d’être.
CHAPTER 9

Effectuation for non-profits

The words “NGO, charity, non-profit” and “donation” often go hand in hand. But times are changing. With the term “corporate social responsibility” gaining popularity amongst corporates, for-profits and non-profits increasingly succeed in getting along great. However, the relationships they’re engaging in often still lack perspective, as the underlying business case is weak, if it exists at all.
This book is all about corporate effectuation... or how effectuation can be used in a corporate setting to help companies excel and innovate. But what about the non-profit arena? Is effectuation of any use to NGOs (Non-Governmental Organizations) and social ventures? Does effectuation provide tools for business model innovation within charities? It most certainly does! Following the five principles of effectuation, I’ll take you through some of my experiences in developing business models for NGOs and social ventures.

The words “NGO, charity, non-profit” and “donation” often go hand in hand. Because that’s how it usually works: charities ask for the money they need to realize projects in the social arena. And because they’ve gotten quite good at it, it comes from many directions: consumers, funds, trusts, governments... and companies. That has led to the general belief that a non-profit is an organization that, with the help of your generosity, helps to fix what’s wrong in the world... on your behalf and without you expecting any financial return. Now of course, that’s all good, but far from complete: effectuation helps NGOs to discover other ways of “doing business”, expanding their business models, enlarging the scope of their raison d’être.

In the old days, the words “company” and “NGO” could not be mentioned in one and the same sentence. They served different purposes, talked a different language and strived towards conflicting objectives. But times are changing. With the term “corporate social responsibility” gaining popularity amongst corporates and with NGOs employing professionals in the field of “corporate fundraising,” for-profits and non-profits increasingly succeed in getting along great. However, the relationships they’re engaging in often still lack perspective, as the underlying business case is weak, if it exists at all. That is mainly due to the traditional belief that, from a corporate perspective, an NGO is appointed beneficiary of a percentage of the business’ excess profits. And the other way around, from an NGO perspective, a company is a money-making machine that – when asked politely – donates money to the charity’s cause. And this, in return, enables the NGO to finance its operation and do good, while the company meets its philanthropic agenda and its stakeholders’ expectations.

Now what is wrong with that? Nothing really, but it isn’t that great either, because there is a lack of sustainability in the partnership; both parties are mainly driven by opportunistic values. In most scenarios both parties can easily be exchanged by another actor in the for-profit or non-profit community. Let’s have a look how effectuation can provide the tools to improve this situation.
9.1 Bird in the hand

The bird in the hand principle challenges NGOs to take a different stand on the way they raise money. Charities should never stop asking for money however, in addition there is much more non-profits can use to generate income. When one tries to answer the question what it is NGOs can offer to businesses, the following answers seem to make perfect sense: image building, risk management, tax relief, stakeholder dialogue... And of course that’s all very true, but still far from complete.

By having a closer look at the NGO’s assets and comparing those with corporate needs, other ways of wheeling and dealing between businesses and charities come to mind. A few examples:

- **Access to markets.** Charities operating cross-border often rely on a strong network of local partner organizations that are well embedded in civil society. A company aiming at entering a new market can benefit from partnering with a local NGO to get a better perspective on social dynamics and country mechanisms. Or perhaps more practically put, an NGO active in the area of sustainable agriculture can guide food importers in doing business with fair trade producing organizations; local farmer cooperatives in developing countries that are now or in the near future able to meet importer demands, thanks to capacity building efforts provided by the NGO.

- **Cause marketing.** As charities typically succeed rather well in connecting with personal values, they can serve as a host for delivering messages to consumers, on behalf of businesses. Think of charities “lending” the use of their brand to companies in search of ways to stress a specific product or service attribute that relates to the charity’s cause. Recent examples include the Pampers diaper brand partnering with Unicef providing baby vaccines in developing countries and the Tide detergent brand partnering with the American Red Cross on providing hygiene services to Katrina and Haiti victims.

- **Core competences.** The obvious reason to partner with a charity from a corporate perspective is the need for their knowledge, network or capacity. Charities tend to be rather knowledgeable about their cause – including trends, innovations and stakeholders' opinions – and are expert stakeholder managers, in on-going conversation with their supporters, researchers, governments etc. Next In addition to that, non-profits are good at mobilizing volunteers and maintaining extensive relations, nationwide or worldwide. This makes charities the partner of choice for companies looking to procure that knowledge or take a ride on the NGO’s network or capacity.

- **Commodities.** Okay, and then there’s of course the usual suspects: your fair trade bio-eco Christmas gifts, cards and chocolate. Don’t forget to obtain these from your neighborhood charity as well. Tax deductible of course.

Let’s elaborate a bit more on the bird-in-the-hand principle as it provides for yet another opportunity for non-profits to boost income and expand business models.
Over the past few years I’ve experienced NGOs opening up to the possibility of starting a business. A social venture that markets a selection of the NGO’s core competences and thereby creates an income generating activity that adds to the balance sheet without cannibalizing on conventional donations. This is quite interesting because now the NGO in fact owns its for-profit partner as it is created by the NGO as a spin-off venture. Although I do realize it is quite a challenge for NGOs equipping the social venture with the right set of skills and assets, importing “entrepreneurial DNA” into its own network, it does not counter the benefits for an NGO having its own, in-house run social venture. For one reason, because it provides the NGO with a sustainable relief of full donor dependency. For another, because it brings a more entrepreneurial mindset within the “corporate culture” of the non-profit organization. But most importantly, because in many cases some of the charity’s assets deserve to be marketed in exchange for sustainable income, simply because of their unique value proposition and corresponding demand.

9.2 Affordable loss

Whereas affordable loss can be calculated or budgeted quite easily within companies, for NGOs the definition of affordable loss requires a first step outside the comfort zone, since the core business of most non-profits consists of investing their means – given to them by the community – in their cause as efficiently as possible. In practice that boils down to a constant focus on lowering overhead cost while increasing impact by selecting better projects, partners and avoiding risk.

Maybe that’s also why, when partnering with companies, charities like to keep things simple and just ask for money. Of course that’s quite understandable, but not necessarily the optimal result of a partnership... for at least two reasons. When non-profit A and company B decide to move into a partnership, the potential outcome can be that B gives cash to A, that B gives cash and kind to A or that B gives kind to A.  

1 In the “cash-only” case, the company frees a budget of, say, €100,000 and donates that amount to charity A. Net value received by A equals €100,000;

2 In the “kind-only” case, the company frees a budget of again €100,000, but now in terms of capacity instead of cash. In other words, company B transfers €100,000 worth of man hours, for example, to charity A. However, if A had had to buy that same amount of man hours in the market, it probably would have paid something like €125,000. As a result, the net value received by A equals €125,000.

These calculations show the value of in-kind giving in comparison to in-cash giving. The optimum however is in the middle... or in the mix.

Instead of preferring one above the other, companies and NGOs should always strive to end up in a partnership that includes both. On the one hand, because the pure in-cash option makes the company easily exchangeable by another corporate partner. Every profit-making company is able to donate cash to charity. No matter
the industry, no matter the brand. On the other hand, because the pure in-kind option creates the risk that the non-profit partner will not be able to implement. For example, let’s say an IT advisory firm donates 500 man hours of capacity to a charity in order to optimize the IT structures in place. Now, in essence, that is a great thing to receive being a non-profit. However, if the outcome of the effort is a need to replace the charity’s hardware, the whole exercise is a waste of time and effort, if the non-profit does not have the financial means available to act upon the free advice.

In partnerships that involve both cash and kind, a “best of both worlds” situation is created that includes the highly valued non-financial assets of the corporate partner as well as the financial means to support implementation and overall strengthening of the NGO’s balance sheet.

9.3 Crazy quilt
NGOs are naturally quite good at moving into partnerships to achieve their goals. Typically, Western charities operate mainly as fundraising entities that transfer their proceeds to partner organizations in developing countries in charge of the actual implementation of programs. However, the crazy quilt principle is not easily applicable to NGOs, as they tend to move rather carefully in selecting trusted parties for inclusion in their programs due to strict regulations on efficiency, reputation and quality.

However, there is at least one well-known case that demonstrates how the crazy quilt can boost fundraising and awareness for a cause: the Product Red campaign. The campaign was founded in 2006 by Bono and Bobby Shriver, aiming at engaging corporates in raising awareness and funds in the fight against AIDS in developing countries. To date, a wide variety of brands have joined the program, such as Nike, American Express, Apple, Starbucks, Converse, Bugaboo, Gap, Emporio Armani, Hallmark and Dell. By 2011, Product Red had generated about 120 million euros. Its proceeds go to the Global Fund – founded by Bill Gates in 2002 – and have reached more than 7.5 million people in Ghana, Lesotho, Rwanda, South Africa, Swaziland and Zambia.

That makes Product Red a rather successful quilt of brands joining forces in the fight against AIDS, embracing the Global Fund as its charity partner of choice. It shows how competing brands benefit from embracing the same goals. And it makes a wonderful case for cause marketing, as all of the Product Red partners realize a net financial gain through growth in turnover and customer loyalty.

9.4 Lemonade
Two specific cases can explain how the lemonade principle can work for NGOs looking to expand sources of income.
Microfinance. Long before the large financial institutions discovered the – rather lucrative – market of microfinance, NGOs had been experimenting how to optimize the outcome of lending money to the poor. When, in the late nineties, microfinance got picked up by the commercial banks, NGOs proved successful in partnering with their corporate counterparts. Sharing knowledge and expertise on the one hand, channeling funds and educating clientele on the other. “Lemonade” in this case illustrates how NGOs have been successful in linking the sudden rise in microfinance popularity to their existing programs and move into partnerships with business... instead of competing against them. In my experience, the business model proved to be very successful in which a financial institution provides the funds but leaves the channeling and management thereof to a local non-profit with experience in microfinance. The model realizes measureable profit for the “bank,” the charity and the local community and makes optimal use of capacity available on both sides.

Carbon credits. More or less the same goes for the development of the carbon credit trading mechanism and markets. The focus on carbon dioxide emission reduction has been on the agenda of many non-profits active in the field of green/environmental protection for quite some time. In some cases that led to reforestation activities, in others to shifting the use of energy sources. Then, thanks to “Kyoto” the global community agreed to award so-called carbon-credits to clean-energy projects in developing countries. That provided an opportunity for many NGOs to engage in the worldwide carbon credit trading mechanism. The clean-energy projects they were developing anyway now suddenly got awarded carbon credits that could be sold for good value to Western organizations looking for opportunities to compensate for their carbon footprint. For non-profits, the ease and risk-free route would be to invite others to do the carbon credit certification and sales on their behalf. However, I’ve been working with charities to develop the “business” in-house and embed the carbon emission offsetting mechanism successfully in their environmental awareness/protection programs – boosting program sustainability and income generation.

9.5 Pilot in the plane
While non-profits are often perceived as being slow, sluggish and inefficient, innovation often lies at the heart of it. New business models using microfinance, bottom-of-the-pyramid investing and online peer-to-peer lending have been originated by NGOs looking for new ways to improve the lives of the poor and strengthen local societies by building capacity in the small business arena.

Where NGOs were used to going about this quite solitarily, nowadays teaming up with corporate partners to achieve a common goal is no longer taboo. With the NGO behind the steering wheel, inviting corporate partners to join in and co-create the business case with focus on mutual gain, new style partnerships are being created with a nice touch of sustainability to them.
A recent example of an NGO being pilot in the plane is provided by one of my current clients. Hivos, a Netherlands based NGO with about 100 M annual budget, aims at providing the population of a medium sized Indonesian island with 100 percent renewable energy, in a transition that needs to take place over the next ten years. It aims at improving the quality of life for hundreds of thousands of people in small island communities, while stimulating economic development as well as taking concrete steps towards addressing climate change. While ambitious, Hivos’ research shows that the idea of the Iconic Island is neither impossible nor utopian; however, the NGO realizes it cannot do this by itself. Therefore the non-profit organization calls for the help of corporates to join the project and co-create the outcome jointly. Not necessarily based on charitable principles alone.

With the Iconic Island program, the NGO is able to provide the corporate partners with a controlled environment in which new technology and innovative business models can be implemented and improved. Sharing expertise in microfinance and bottom-of-the-pyramid investing, Hivos guides the corporate partners towards a successful and profitable joint effort in realizing a 100 percent sustainable energy driven island community.

**TAKEAWAY**

As a non-profit, try to map what it is you know, you can, you do and you have. Next, envision how you could offer that to the corporate sector as a product or service. You’ll be amazed how companies start lining up at your front door willing to buy... since you – being a registered charity – will be providing them with a tax deductible purchase, silver lined with a nice social touch, called corporate social responsibility.
“If you’re going to talk the talk, you’ve got to walk the walk!”
CHAPTER 11

The De Beukelaar Groep story

Here’s the story of the effectual creation of a new-style professional firm (to work and to enjoy!). This is a true story of the origins, growth and downsides of an organizational entity – De Beukelaar Groep /...&.../ Corsendonk College, (and much more). Complete transparency to introduce De Beukelaar Groep as your possible future partner in corporate effectuation. It is all permanently based on enjoyment of the differences, on the client needs and on an ever-changing context!
With Edwin de Beukelaar, Managing director and founding father of De Beukelaar Group

**The autocreation**

Our De Beukelaar Groep has never been a start-up: it was always there, as a group of talented individuals (cats?) permanently busy in creating unique programs for organizational behavior and executive development, and by doing so changing (their) clients’ lives (in business and personal contexts). Inspired and connected through Edwin de Beukelaar (who adopted effectuation before he was born) the group decided to use his name next to the impossible brand name ...&... (no accounts, no invoices, no branding, but great!).

**Clients, clients and...**

The exciting effects of their changes, the monthly results, the transforming leadership they inspired all created a unique demand for members of De Beukelaar Groep to come and co-create quilts with clients. They said ‘no’ to some prospects, leaving them behind, curious. They always stayed modest and brave. The De Beukelaar Groep members co-created a unique collaboration without extensive contracts, year plannings; no structure and no detailed focus.

In those days (1998) they were teased, ignored and also ‘voodooed’ by peers/competitors, but were enjoyed, rewarded and paid by innovative (new) clients, who believed in the combination of business, innovation, development, while just being different; quite a journey.

**Grow and glow?**

Aligning a non-focus approach (within development/organizational effectiveness) with a growing number of partners (16 in 2011) and a warm circle (96 in 2011) of (non-)connected effectuators was a tough ride.

New programs, new (types of) clients and the unbelievable pace of changes created new challenges and mindsets, and in the process, we grew in wisdom, approachability and achieved effects.

The downsides were inimitable speed, nonchalance, ‘been there – don’t even like it’ – T-shirts and a touch of fatigue. But the endless piloting inside client’s planes, the unbelievable demands of New World HR people (GSK, Pfizer, Aegon, ING, Cisco, Rabobank, Vebego, Deloitte, and other heroes) kept the core team alive and inspiring.
Labeling
Multi-Siting
Tasking

Everything (with the exception of our wonderful traffic management, initiated by Mrs. Mandy Koek and friends) was an ‘accident’: our logos, activities, and new partners/trainees, all ‘flew’ in as we were listening to the world, to new markets, new partners and to new participants.

The only thing we did frame in our teams was ‘personal doubt’ (always in search for whatever!?) based on differences (noses in different directions, or no nose at all!). A new member could be a filmmaker, writer, trainer, consultant, musician, but we never went with only one talent - talent quilting is what we do! Also when it came to the more modest tasks, such as creating websites (into the new ‘hype’ multi-siting, but here also starting with a lack of overview, strategy and chaos).

Enjoying differences
De Beukelaar Groep started different initiatives:
– 3V: female consultants in the lead
– Development days: assessment, including development programs
– Senior development: for 40+ staff to re-focus, re-energize and re-main effective
– Connecting business/innovation with individual growth/effects.
– ...

Here I can only talk of a selection of successes/failures, but in the long run we have proven that corporate effectuation is not a fiction and no recipe either. We created innovative concepts without detailed plans, investment schemes and intensive meetings:
– Once a year we held a team journey with 361° feedback sessions, with client input and fun!
– Every month we gather around an informal ‘boompje’ (talking tree) with the complete crew and whoever else wants to join (and no agenda! We talk about what matters most).

Every member of the group co-creates his/her own clients, services and needs, in doing so constantly inventing new labels and propositions. As a result most of us don’t exactly know what is and what isn’t part of De Beukelaar Groep. Some examples are:
– Interim development: as dedicated interim staff
– Living languages: executive language and culture sessions (quilted since we bought an old manor house in need of repairs)
Corporate effectuation

- Corsendonk college: a business school based on the best faculties in the world selected for the program
- „„ &... for wild, innovative challenges or large scale events/change interventions.
- Beech Venture Lab: effectual incubator for social ventures where managers can run social ventures as part of our tailored, state-of-the-art Management development programs.

Emerging labels, and co-creating strategy, but never without somebody else (client, NGO, CEO, HR hero), also willing to co-invest with time/energy/money, making them true effectual stakeholders offering pre-commitment!

Making money (in other ‘places’)

Because of the nature of this professional firm, we never planned values, cultural change and/or belief systems. But for some reasons (as described in this book) a genetic code has somehow emerged:
- Create profit in another circle (real estate, studio, specific different activities, leisure)
- Never acquire bricks and mortar as a team (our successful 16 locations have different/external owners)
- Never combine content with ownership (a good example is our successful beach center St(r)andplaats Nederzandt, which was created and built (!) using the principles of effectuation)
- Experiment on your ‘own’ and attract energy (for example: Run your own beach club at Playa BuitenGewoon, Noordwijk and our Beech Venture Lab)
- Take content/process as a result of a real demand (development programs like seniorship, product management, managing turbulence, find a way to lead).
On the way, we discovered that it was an excellent combination to re-invest in old stuff (Corsendonk Belgium, Hagenhorst Wassenaar, churches) and in new people (Van Dooren with Corporate Social Responsibility (also see chapter nine), Blekman with Effectuation and Strategy, Van Melick with Sustaining Change). As well as... to continue to believe in ‘old’ friends who are there forever (Weterman, Bouwhuis, Bouwman) combined with new discoveries (with a totally unbelievable talent/start!). And we accepted that partners grow into new lives (Schouten as a 5 star-hotel director in Zeeland) and into senior executive positions.

Pitfalls (underway)

In our inimitable speed to get to effective results, we lost something on the way as well:
- Too little attention for all partners and all warm relations
- Too much extra focus on innovation instead of caring for excellent structural improvement concepts
- Too much love for the difference led to less appreciation of loyalty, faith and repetition possibilities of hard work
- Too much short-term focus on client results (but fortunately we kept our belief in talented new kids and held our breath)
- Respect for seniorship but just as much attention for the newest generation(s)
- Too much, too fast, too mixed, too complex (just like our clients, ha-ha).

It was a tough ride, and it’s getting harder every day ...
It’s filled with laughter, tears and 24/07 dedication,
With courageous clients, becoming ‘comrades’ on the way!
Thanks for this breath-taking journey ... and trust in new quilts! We look forward to getting to know you and create a world you and I want to live in!
ABOUT THE AUTHORS
*co-creating this QUILT*

**EDWIN DE BEUKELAAR** is managing director and founder of De Beukelaar Group, a unique network organization specialized in training, coaching and advising individuals as well as companies in such diverse domains as Management Development, commercial leadership, (internal) entrepreneurship, mediation and negotiations. See: www.debeukelaar.nl.

**THOMAS BLEKMAN** is a partner of De Beukelaar Group, dean of Corsendonk College in Belgium (a business school specialized in Renewall and a branch of De Beukelaar Group), as well as lecturer in Corporate Effectuation and Strategy at Rotterdam School of Management Erasmus University. In other words, he has one foot firmly in daily practice, and the other in solid science. According to Thomas, scientific knowledge can only be useful if it improves results in daily practice. Thomas inspires, facilitates and advises corporations that want to be more enterprising and innovating, and assists in implementing the best steps to effectuate that.

**CAMILLA VAN DEN BOOM** is COO and founder of Business Models Inc., an international strategy and business model advisory bureau that assists organizations and management teams in finding new ways of doing business and generating business by the analysis, innovation and implementation of (new) business models. Business Models Inc. is the co-creator of the work *Business Model Generation*. More information on www.businessmodelsinc.com.

**MARIEKE CAMBEEN** is chief publishing officer of Sdu Publishers, one of the leading publishers of management literature in the Netherlands. Sdu’s target groups are professionals in public service, the judicial branch, business services and construction industry. See: www.sdu.nl. Academic Service is an imprint of Sdu Publishers.
MATHIJS VAN DIJK is co-owner and creative manager of KVD Reframing and Design Amsterdam. He graduated as mechanical mechatronic engineer at Technical University Eindhoven and followed a postdoc in Consumer Goods at the Industrial Design department of Technical University Delft. In 1992, he founded KVD design in Amsterdam. In that year, he also began his part-time work at the faculty of Industrial Design, where he was appointed professor of Industrial Design in 2003.

MACHIEL VAN DOOREN started organizing learning journeys (www.learningjourneys.nl) in 2002 and founded EsteamWork (www.esteamwork.com) a year later as a social venture focusing on creating sustainable partnerships between businesses and NGOs. Another social venture followed in 2006 when Machiel co-founded OCO2, a company all about reducing and compensating carbon emissions. In 2009 OCO2 merged with Climate Neutral Group (www.climateneutralgroup.com) and as of 2010 EsteamWork continues as a part of De Beukelaar Groep. Today Machiel primarily works with non-profits and social ventures looking for business model innovation and social business creation, acting as a social entrepreneur and impact investor.

MICHAEL FASCHINGBAUER is an independent corporate advisor, coach and lecturer. He introduced Effectuation in Austria and put the epoch-making methodology into practice. He develops projects and methods for startups, managers, self-employed and consultants in both profit and not-for-profit organizations, helping them to design the future themselves in an enterprising way. He also delivers lectures and organizes workshops and seminars on the subject. His work Effectuation. Wie erfolgreiche Unternehmer denken, entscheiden und handeln, was proclaimed Management Book of the Year 2010 in Germany.
**Frank Klemann** studied business economics and was employed by Rabobank for 18 years, among others as general manager of Rabobank.be and of Bizner. He changed course in 2010 and founded his own enterprise: Tulip Bikes BV. www.tulpietsen.nl is an online bike shop offering the possibility of assembling one’s own bike. All together, more than 40,000 types are on offer. Tulip is not only active in the Dutch market, but now also in Belgium and Germany.

**Corina Kuiper** is Senior Director New Business Development / Venturing of Philips NV. She reports directly to the board member responsible for Innovations and Markets. She oversees the design and implementation of global corporate policies in new business development/venturing and its standards, business processes, governance, infrastructure, training and support. She is a fellow of Bell-Mason Group and had a key role in developing Venturing internally in Philips.

**René Mauer** is a consultant and researcher in the field of Effectuation, improvisation and innovation. He was employed by 3M and startups as a consultant, is co-owner of a family business and co-founder of a high tech startup. Co-founder of web platform ‘Effectuation Forschung’ (www.effectuation.de) and co-author with Michael Faschingbauer of *Effectuation. Wie erfolgreiche Unternehmer denken, entscheiden und handeln*, Schäffer-Poeschel 2010; of *Understanding the Entrepreneurial Mind*, Springer 2009; and of *Entrepreneurship: Unternehmerisches Denken, Entscheiden und Handeln in innovativen und technologieorientierten Unternehmen*, Schäffer-Poeschel 2010, a German textbook on entrepreneurship.

**Henri Mennens** is working in the strategic consultancy department of Indra Sistemas, a leading Spanish enterprise in technology and innovation, active in over 100 countries and employing 31,000 professionals. He is also an internal advisor strategic corporate HR with a focus on talent management and executive development.
Frank Nagel is regional manager Africa of Rabo Development. He studied business economics at Erasmus University Rotterdam and upon graduation started as a management trainee with Rabobank the Netherlands. During the over 20 years he worked at this bank, he specialized in diverse departments in international services with a retail focus. Since 2004, Frank has worked with Rabo Development, the organization active in facilitating access to financial services in developing countries and emerging markets.

Gijs Ockeloen is co-owner and managing director of KVD Reframing and Design Amsterdam. He graduated in industrial design at Technical University Delft and continued studies with professor Reinhart Butter of Ohio State University. He started as a professional at Philips Design and built up vast experience in developing and designing medical equipment and industrial electronics. His designs were awarded at Hannover Messe. He is a teacher at the Gerrit Rietveld Academy and at the Technical University Eindhoven and is a member of the program board People’s Republic of Premsela Foundation.

Fred van Ommen is Senior Vice President Innovation Philips NV. He is a member of the management team of Philips Corporate Technologies, responsible for strategic matters. Fred van Ommen worked in a variety of business units at Philips, among them MR Imaging of Philips Healthcare and the LCD Lighting departments.

Stuart Read is professor in Marketing, Innovation and Entrepreneurship at IMD in Lausanne, Switzerland. Earlier he was for more than two decades involved in technological enterprises (among others Oracle) and co-founded six high tech companies, that either merged with big players in their sector or went public. He is a pioneer in Effectuation research and author of many scientific publications.
SARAS D. SARASVATHY is Isadore Horween Research Associate Professor at The Darden School of the University of Virginia. She took her Ph.D. at Carnegie Mellon University. As a distinguished researcher of the cognitive foundations of excelling entrepreneurship she is an advisor of educational and promotional programs in entrepreneurship in Europe and Asia. She received the Newman Award 2001 of the Academy of Management and the Gerald E. Hills Best Paper Award 2009 of the American Marketing Association. Her pioneering work *Effectuation: Elements of Entrepreneurial Expertise* was nominated for the Terry Book Award 2009 of the Academy of Management.

JONAS VAN STEKELENBURG was appointed in 2008 as general manager of the GROUNDS, the sustainable business development project of Airport Schiphol Group and the Mainport Innovation Fund. Earlier he worked at the international airport of the Netherlands as general manager Joint Ventures Indonesia and as legal advisor economic regulations New Business. From 1996 to 1999, Jonas was an attorney for Enterprises and Liquidations at Houthoff Buruma and self-employed legal council for Hewlett-Packard, Autobyte and other organizations.

PETER STOPPELENBURG studied at Erasmus University, Rotterdam School of Management, the University of Texas in Austin and INSEAD in France. Since then, he has worked for over twenty years in the international energy sector. He worked in Business Development and Strategy, Finance and Accountancy and has a lot of expertise in operational and general management functions. In his present function, he is responsible for the program aiming to make Essent a High Performance Organization: a transformation from good to great.

RIJN VOGELAAR is Chief Enthusiasm Officer (CEO) of Blauw Research and the author of *De Superpromoter*, published in August 2009 in the Dutch language and translated into English and German in autumn 2010. Rijn studied social psychology and psychological methodology and specialized in marketing and communications, market research, customer relations, branding, recommending attitudes, social media and social networking.
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:

- 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.

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

‘It is a paradigm-shifting work, and therefore a serious candidate to become the Management Book of the Year 2012.’ – Marco van Veen, Manager of Heineken International Web Center