

Antecedents of Effectuation and Causation in Crisis Environment: The Role of CEO Temporal Focus

Authors:

Ekaterina Kozachenko, HSE University, St. Petersburg, Russia

Galina Shirokova, HSE University, St. Petersburg, Russia

This research has been conducted with financial support from a Russian Science Foundation grant (project No. 19-18-00081-P)



II ICEM Conference • Valencia • October 18–19, 2022

Research Motivation

- Environmental changes make firms question their behaviour strategies and strive for a better adaptation of their behaviour to the new reality.
- Various individual and firm-level antecedents impact the choice of a behavioural strategy e.g. the level of market uncertainty (Shirokova et al., 2022; Laine & Galkina, 2017), cultural context (Laskovaia et al., 2017), entrepreneurs' experience (Dew et al., 2009).
- CEO personality can have a significant impact on how SMEs evolve, invent and compete (Carr et al., 2021; Del Giudice & Maggioni, 2014).
- Top managers' perception of time is a flexible characteristic, and people differ in their temporal orientations (Zimbardo & Boyd, 2008)
- Academic literature proves that managers align their behavioural strategies with their temporal orientation (Bluedorn & Martin, 2008; Souitaris & Maestro, 2010).

Research Question

How does CEO temporal focus relate to the choice of effectuation and causation as behavioural strategies in times of crisis?

- **Effectuation** – behavioural strategy implying the focus on a fixed set of resources available at a particular time to consider the probable results that can be attained with these resources (Sarasvathy, 2001).
- **Causation** – behavioural strategy implying the focus on a specific result and the corresponding choice of the best recourse set to achieve the goal (Sarasvathy, 2001).
- **Temporal focus** – an individual trait of a person in how they view and perceive time, for example, primarily focusing on the past, present, or future (Zimbardo & Boyd, 1999).

Attention-based view

- **Organisational adaptation** (Chandler, 1962) describes the decision-making process conducted by organisational members to modify the organisation according to its economic and institutional environment (Sarta et al., 2017)
- Choosing a strategic behaviour, small and medium sized enterprises usually struggle with a lack of **resources** and have to choose how to manage them in the best way (Sirmon et al. 2011).
- The COVID-19 pandemic drew attention to an issue of responding to crisis and unexpected events, and their effects on **organisational attention** and inattention to both disruptive events and ongoing grand challenges (Laureiro-Martinez, 2021).
- In these situations, **attentional flexibility** is absolutely critical (Laureiro-Martínez & Brusoni, 2018).

Method

- **Multiple-case study** research design (21 companies).
- **Primary data** have been collected through interviews with CEOs. The semi-structured interviews were conducted in two phases after each of two waves of pandemic: April 2020 - July 2020 - “the first wave”; December 2020 - February 2021 – “the second wave” of pandemic. Interviews were conducted with each of respondents separately two times.
- **Secondary data** were collected to cover a company activities and interactions, actual processes, organizational identity, and consequences of strategic response to the crises from the Professional Market and Company Analysis System (SPARK-Interfax)

Analysis

- Interviews were recorded via ZOOM.
- Transcribed for conducting the coding procedure.
- The collected data were coded following the prescriptions of thematic analysis.
- The codes were analyzed, sorted, and aggregated to search for common patterns within broader themes related to effectuation/causation and CEO temporal focus.
- Thus, we encoded the transcripts of the interview, compared the topics inherent in each behavioral strategy and temporal focus, establishing justifications of the code of each topic by quoting respondents' statements.

Themes, codes and quote examples to each of them: behavioural strategies

- Chandler et al. (2011): **effectuation** includes experimentation, affordable loss, flexibility, pre-commitments
- Sarasvathy (2001): **causation** includes envisioning the end from the beginning, maximizing expected returns, business planning and competitive analysis to predict uncertain future, exploiting pre-existing knowledge

Company	Coding of Behavioural strategy (1 st order codes)	Interpretation of Behavioural strategy (2 nd order concepts)	Behavioural strategy theoretical dimension
Alpha	"...it makes sense and necessary for us to test hypotheses of entering other markets as a performer and co-performer <...> especially in light of the exchange rate difference and the quality that we can show here...". Interview with CEO, wave 1	<u>Experimentation:</u> Experimentation with entering other markets	<u>Effectuation</u>
	"We tried to enter Western markets, but now we have put these attempts on pause, because it is quite difficult." Interview with CEO, wave 2	<u>Affordable loss</u> Refuse of entering a market not to lose money	<u>Effectuation</u>
Gamma	"I <...> decided to re-equip the production a little, we quickly bought several machines <...>. We took about a week to work out the technologies for the production of shields, a week later we had shields that cost us less than they cost the makers.." Interview with CEO, wave 1	<u>Business planning and competitive analysis to predict uncertain future</u> Fast production re-equipment to meet new environment and compete with other market players	<u>Causation</u>
	"It is necessary to be saved, that is, a catastrophe. I do not hide that all options for changing productions that will help save the process are being considered." Interview with CEO, wave 2	<u>Envisioning the end from the beginning</u> Predicting catastrophic situation in future and changing production to survive	<u>Causation</u>

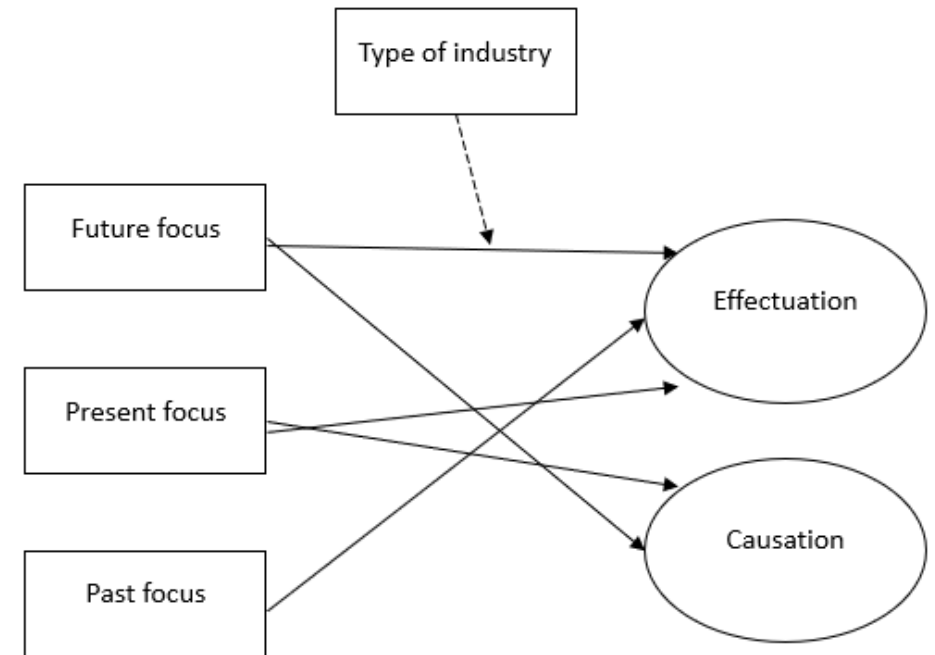
Themes, codes and quote examples to each of them: CEO temporal focus

- Nadkarni & Chen (2014): **a past focus** “reflection on the past and the repeated use of past memories in decision-making”; **a present focus** is an orientation “here and now”; **a future focus** is “thinking primarily about what the future holds and with envisioning of future events.

Company	Coding of CEO temporal focus (1 ST order codes)	Interpretation of CEO temporal focus (2 nd order concepts)	CEO temporal focus theoretical dimension
Delta	“They will probably never return to the old course, because after this coronavirus, after isolation, after the closure of borders, the world will never be like this again.” - <i>Interview with CEO, wave 1</i>	<u>Previous introspection</u> Comparison present with past	<u>Past</u>
	“Strategy is not a thing that changes under the influence of a weak wind. Only when stable trends are formed, then it makes sense to revise the strategy.” - <i>Interview with CEO, wave 2</i>	<u>Previous introspection</u> Adhering to past decisions	
Eta	“... immediately began, like everyone else, to run and think, and what is needed to protect all these personnel and, in general, hit this competition, where to buy hand washing products...” - <i>Interview with CEO, wave 1</i>	<u>Quick decisions</u> Immediate actions to meet new requirements	<u>Present</u>
	“...with panic moods about a sharp planned drop in revenue, it is clear that the first feelings that you need to at least survive, that is, pass at minimal costs ...” - <i>Interview with CEO, wave 2</i>	<u>Concentration on “here and “now”</u> Attempts to hold the current position	
Lambda	“... it will depend more not on money, but on our morality. How much we will want to do this if nothing happens for a long time.” - <i>Interview with CEO, wave 1</i>	<u>Reflection on future</u> Planning future activities	<u>Future</u>
	“50% of the effort is spent on building improvement processes around things in Compensair, and 50% on testing new ideas...” - <i>Interview with CEO, wave 2</i>		

Findings

1. For organisations that adhere to a **future orientation**, it is characteristic to choose either a **Causation** or an **Effectuation** strategy depending on the type of **industry**.
2. **Past focused** CEOs are more likely to choose **Effectuation** as a behavioural strategy demonstrating unwillingness to change on-going business processes and pessimism towards the current situation in the environment.
3. CEO **present focus** is likely to have a **mixed effect** on the choice of decision-making approach: CEOs equally choose Causal and Effectual approaches and are prone to fluctuate from one approach to another.



Theoretical model

Theoretical Contribution

- The research contributes into **Effectuation theory** (Sarasvathy, 2003) and **Attention-based view** (Ocasio, 1997; Ocasio & Joseph, 2005) extending the existing knowledge on the individual-level factors, in particular, the focus of a CEO on past, present or future, which may become an antecedent of adoption effectuation or causation as a behavioural strategy in the conditions of high environmental uncertainty among small and medium-sized enterprises.

Managerial Implication

Study is expected to provide a practical insight for SMEs business owner and top-managers concerning:

1. The choice of strategical decision in response to the economic adversity factors similar to COVID-19 ones.
2. The notion of the influence of temporal focus on the choice of behavioural strategies.

Thank you!

Ekaterina Kozachenko

Email: ekozachenko@hse.ru

Tel.: +79046078735



VNIVERSITAT
DE VALÈNCIA [Q%]
Facultat d' Economia

II ICEM Conference · Valencia · October 18–19, 2022