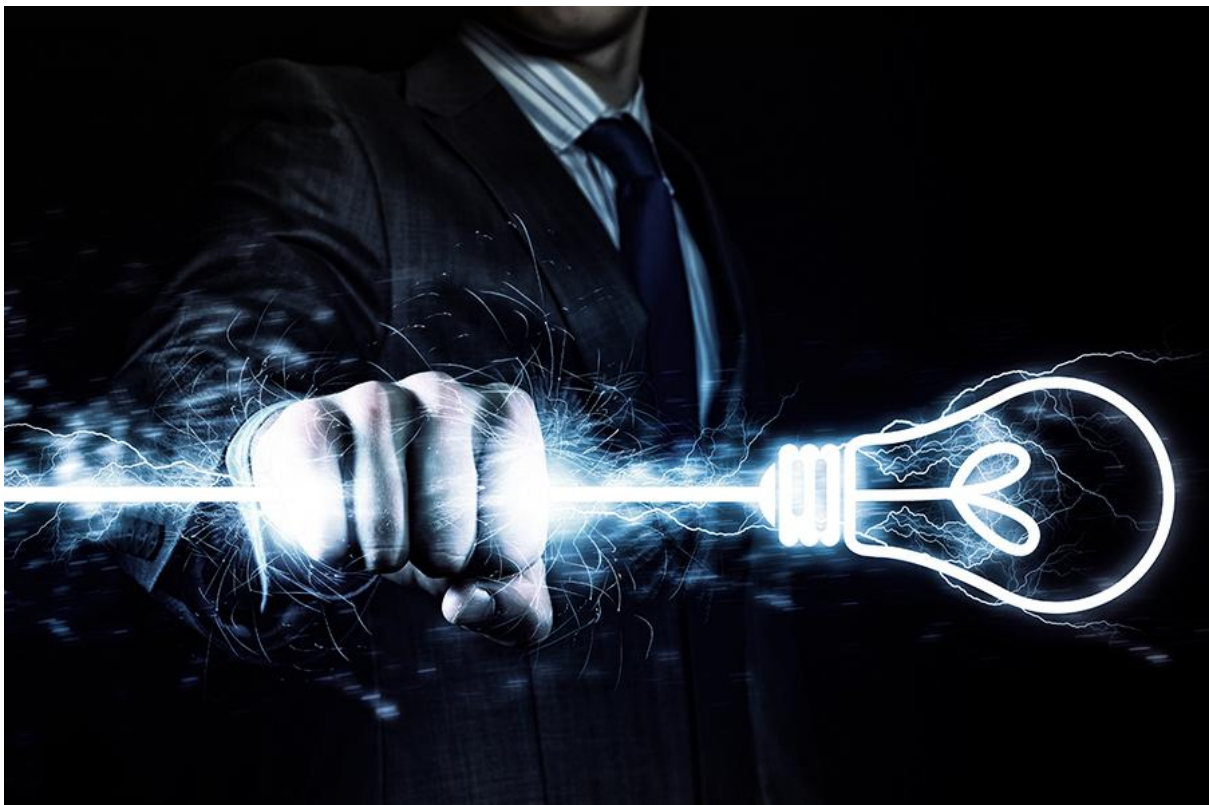


6 lessons for entrepreneurs and managers of small businesses to handle uncertainty

By Masoud Karami, Jintong Tang, and Ludvig Levasseur | Jan 24, 2022

Entrepreneurs welcome unpredictability because it presents new possibilities and new opportunities. Here's a handy guide to better deal with uncertainties



Effectuation theory, as one of the dominant theories in entrepreneurship, argues that when you cannot predict the future, control it

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Entrepreneurs or managers of small firms have to make difficult decisions under uncertainty, where they know nothing about the future. Under such uncertainty, should decision-makers do market research, industry analysis, or macro market edits to figure out where the future is heading? Do they have financial as well as other required resources to conduct such studies? Even if they can afford it, is there any guarantee that the results will be reliable? What if they exhaust their financial resources on market research and results suggest that no action should be taken until a new trend emerges? Should they stop there and wait for a new trend? Or should they be proactive and consider uncertainty as a source of new opportunities? If so, how would they exploit new opportunities? These are concerns that decision-makers, especially those of small businesses with limited resources, have to deal with.

While the standard economics and marketing approach emphasize the importance of formal analysis and predictions, the [behavioural approach](#) provides other promising ways to deal with these concerns. Effectuation theory (Sarasvathy, 2001), as one of the dominant theories in [entrepreneurship](#), argues that when you cannot predict the future, control it. According to this theory, entrepreneurs start with the means they have at their disposal, rather than predictions of the future and the desired return on investment. Effectuation theory argues that entrepreneurs are not afraid of the unpredictability of the future. Rather, they welcome unpredictability because it presents new possibilities and new opportunities.

A recent study (Karami & Tang, 2021) investigated how decision-makers of internationalising small businesses in New Zealand applied the logic of control to make their internationalisation decisions and to enhance their international performance. This research reveals that decision-makers of small businesses do not waste their scarce resources on market research and analysis. Rather, they utilise their readily available resources: experiential knowledge and human capital. Existing experiential knowledge is developed by decision-makers through their previous internationalisation experiences. Human capital refers to existing human resources and their [knowledge, skillset, experience](#), and goodwill. The more interesting finding is that decision-makers adopt the effectual logic of control to activate and enable these intangible and overlooked resources to gain access to complementary resources via networks. As such, the process begins within the firm and is based on the existing means. The control of their existing means gives decision-makers control over the situation, which in turn is expanded through gaining more resources.

Recommendations for [entrepreneurs](#) and managers of small businesses

Building upon these findings, we offer the following recommendations to entrepreneurs and managers of small businesses:

1. Be aware that there is more than one future and your decisions determine which future will come through. Today's decision creates new futures. In other words, an opportunity is the other side of uncertainty.

2. Do not waste your limited financial resources on market research. Instead, utilise your intangible resources, such as human capital and experiential knowledge, to unpack uncertainty.
3. Take your experiences (success or failure experiences) seriously and reflect upon these to figure out what works and what does not under different conditions.
4. Revise the concept of a resource. Resources are not limited to tangible resources. Indeed, imagination, personality, experience, organisational culture, employees, and many more intangible resources can also be seen as resources for strategic mobilisation.
5. Build trust and develop commitment with other stakeholders within your networks who have tangible resources and seek partners to invest their resources with.
6. Rethink your logic of the decision. The effectual logic of control will enable you to see the value of your existing means and motivate you to employ existing means to develop trust and gain access to other important resources. As effectuation theory advises: if you cannot predict it, control it.

This paper is based on the following published paper:

Karami, M., & Tang, J. (2021). Decision-makers' logic of control and SME international performance. Journal of Business & Industrial Marketing. <https://doi.org/10.1108/JBIM-11-2020-0516>

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Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. Academy of Management Review, 26(2): 243-263.

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