

Enterprise in action

Business



Enterprise in Action Effectual Logic vs Causal Logic Effectual logic is a decision making process which is widely employed by entrepreneurs. This kind of decision-making is mostly utilized when an entrepreneur is facing uncertainty. With effectual logic, one is capable of controlling the future but prediction not promised. Effectual logic focuses on intangible resources such as co-creation and relationships. Causal logic involves a variable depending on one another with one event consequently leading to the other. It is easy to predict and control the future due to interdependence from one variable to another with causal logic.

Differences

Effectual logic takes advantage of unexpected events in the market. On the other hand, causal logic entrepreneurs engage actively in exploring existing opportunities and are capable of building their future upon them. These investors are able to correlate between one variable and the other and interpret the future depending on the consequence that one variable has over the other. When it comes to basis for taking action, effectual logic investors do not make goals at the beginning but the goals tend to emerge in the course of action. In contrast, causal logic is goal oriented, their means of achievement is determined by a set of goals, and objectives that they strive to satisfy. Causal logic entrepreneurs are driven into investment by the fact of maximizing on risk adjusted to the returns. Effectual logic entrepreneurs will limit their investment to a certain level of their acceptance in order to give them a chance to participate again next time. Effectual logic is more flexible but less secure while causal logic is not flexible but secure to some extent (Stuart Reed, 2009).

References

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Stuart Reed, N. N. (2009). Marketing Under Uncertainty: The Logic of an Effectual Approach. *Journal of Marketing*, 73 1-18.