

TRAINING GUIDANCE NOTE: INTEGRATING EFFECTUATION THEORY INTO YOUTH ENTREPRENEURSHIP EDUCATION AND TRAINING PROGRAMS



USAID Ghana

INTRODUCTION

At the request of the USAID Africa Bureau, YouthPower Learning conducted a study into how effectuation theory could be used to prepare young entrepreneurs in developing countries. This note builds upon that study, providing guidance to practitioners seeking to integrate new methodologies into their youth entrepreneurship education and training (EE&T) programs. We offer programming considerations for three stages of the project implementation cycle: design, implementation, and monitoring and evaluation.

BRIEF BACKGROUND ON THEORY

Effectuation theory, originally developed by Dr. Saras Sarasvathy in 2001, attempts to describe entrepreneurial behavior. It hypothesizes that entrepreneurs face an unknowable and therefore unpredictable future. And it suggests that entrepreneurs, through their entrepreneurial activity, actively engage in a process of market creation. Entrepreneurs then, in a sense, create their own future. This is a particularly powerful concept for young entrepreneurs who might otherwise feel like they are victims of factors beyond their control. Effectuation employs five principles as outlined Design



Figure 1: Five Principals of Effectuation Theory¹



Though effectuation theory was not developed for training purposes, study findings show it to be a promising training approach for use with youth living in lower and middle-income countries (LMICs). Effectuation theory recognizes that successful entrepreneurs first look at their available resources and then identify goals that can be achieved by deploying their resources. This assets-based approach, in alignment with Positive Youth Development (PYD), helps young people focus on what they have rather than dwelling on what they lack or need. An effectuation-based training model also offers an alternative to the traditional, causal approach to entrepreneurship² upon which many existing youth EE&T programs are based. Instead of guiding youth to analyze and plan for only one business goal, effectuation encourages youth to engage in the marketplace and explore what is possible given their available resources. This approach has a bias towards action aligned with “learning by doing” approaches and helps young people get their ventures off the ground quickly, even in resource-limited cases. In training settings, effectuation has proved to be applicable and useful across sectors, and simple and easy to understand across contexts.

However, the approach is not without its challenges in a training setting. Practitioners note that some youth can find it challenging to fully adopt the effectual mindset, which requires flexibility, a comfort with uncertainty, and a willingness to test ideas, especially youth more comfortable following a straightforward, step-by-step process. And it can also be difficult to identify capable trainers who embrace the approach. Furthermore, the entrepreneurial ecosystems within which youth entrepreneurs function are still causal in nature, so programs need to find a balance between training on the effectual approach while also equipping youth to navigate these environments.

FROM THEORY TO PROJECT DESIGN

For practitioners looking to develop an effectuation-based youth EE&T program, it is critical to start at the program design stage. At this point, practitioners should ensure that the effectual approach influences the program timeline, training curriculum, and program components.

¹ Society for Effectual Action. 2018. “Effectuation 101.” Accessed December 3, 2019. https://www.effectuation.org/?page_id=207.

² In this model, youth typically decide on a business idea, then conduct various analyses (market research, feasibility study, financial modeling) and develop a business plan, and finally access funding for implementation.

Set the Intervention Timeline

Effectuation theory recognizes that the path to business start-up is not linear. Rather, the theory hypothesizes that entrepreneurs undertake a journey, often cyclical, that begins with exploring the resources at one's disposal, based on "who I am," "what I know," and "whom I know." Then, entrepreneurs identify possible business goals based on their resources and use commitments from stakeholders to expand their available resources. As entrepreneurs expand their resources through partnerships, their business goals may shift, often in ways they had not expected. This is a journey that takes time and includes an element of flexibility. Given this, practitioners looking to integrate effectuation theory into their youth EE&T programs should ensure activities provide youth a sufficient amount of time to undergo this iterative, evolving process. Six-month to one-year programs consisting of entrepreneurship training complemented by other entrepreneurship support services are ideal for offering youth a platform for exploration and discovery within the entrepreneurial process.

Develop an Effectuation-based Training Curriculum

Training curricula can be designed to incorporate aspects of effectuation theory and its principles.

Effectuation-based training programs can also leverage other entrepreneurial methodologies, such as lean start-up, design thinking, and the Business Model Canvas (BMC), to provide youth with additional tools and resources to help them navigate their entrepreneurial journey. The BMC in particular is a helpful alternative to the formal business plan (most closely associated with the causal entrepreneurial model), as a method to prepare young people to begin testing out their ideas in practice. The practical application is also a critical aspect of effectuation-based youth EE&T programs; during the training, youth should be instructed to:

- engage in the market,
- reach out to stakeholders, and
- elaborate new goals in line with expanded means.

Practitioners implementing effectuation-based youth EE&T programs vary in how they use the principles. Some mention the principles by name, while others infuse the meaning of the principles into curricular topics. Either approach can work, but what is key is that program sessions and activities are structured in alignment with the five principles of effectuation. The table below offers some examples for program designers of activities that align with each principle.



Table 1: How to Integrate Effectuation Principles into Training Sessions

	Key Contribution in Training Setting	Recommended Activities for Training Sessions
Affordable Loss	Supports youth to think realistically about what they can afford to lose in the entrepreneurship process	<ul style="list-style-type: none"> • Youth can identify potential costs associated with their idea rather than potential gains • Youth can assess the feasibility of their business idea based on if they are willing to fail (lose their invested resources)
Crazy Quilt	Helps youth identify potential partners inside and outside the classroom	<ul style="list-style-type: none"> • Trainer can facilitate small and large-group activities that lead to interaction and discussion between participants • Youth can share feedback on each other's business ideas • Youth can look for partners in the training group based on what they have to offer (their means) and what they seek • Youth are provided opportunities to engage with external stakeholders (through networking events and guest speakers)
Lemonade	Supports youth to leverage unexpected moments to their advantage	<ul style="list-style-type: none"> • Trainer can facilitate debriefs during which youth can analyze any obstacles they have encountered • Trainer can lead group brainstorming activities lead to joint problem-solving related to unexpected challenges • Trainer can lead one-on-one coaching on how youth can take advantage of contingencies
Pilot-in-the-Plane	Enforces the idea that youth are in control during their entrepreneurial process	<ul style="list-style-type: none"> • Youth have the opportunity to apply training concepts to their own businesses • Trainer can continuously frame activities and sessions that put youth in the lead role in the business start-up process • Trainer can use a facilitative approach during all sessions and activities
Bird-in-Hand	Offers youth an opportunity to explore their means (based on "who I am," "what I know," "who I know")	<ul style="list-style-type: none"> • Youth can reflect on one's life journey and how it has shaped the person they have become • Youth can visualize or dream of one's future • Youth can develop holistic CVs (incorporating one's interests, knowledge, skills, and experiences) • Trainer can facilitate social network mapping activities

Design a Suite of Entrepreneurship Support Services

Entrepreneurship training itself is not sufficient to help youth start businesses. Rather, practitioners should integrate effectuation-based training into a wider suite of programming that includes other complementary interventions necessary for success. Initiatives such as one-on-one mentoring and linkages to the broader entrepreneurship ecosystem (e.g., networking with other entrepreneurs and business owners, access to markets and industry events) are also critical. These activities can help youth expand their available resources and identify stakeholders with whom to partner, and align closely with the PYD approach.

However, practitioners knowledgeable about effectuation-based training recommend not including an access to formal finance component (e.g., grants, access to financing via investors or banks) in programs. Effectuation, at its core, invites entrepreneurs to start their entrepreneurial journeys based upon their available resources, increasing their resources through partnerships with stakeholders. This approach—starting small with what you have—takes into account the evolution of business goals over time while formal finance generally does not allow for this flexibility. However, recognizing that youth, particularly those living in LMICs, may have few resources, at least initially, at their disposal, some practitioners have integrated asset-building interventions into their programs. For example, one Ghanaian organization has incorporated a youth savings group component into their effectuation-based youth EE&T program, as this mechanism both aligns with the effectual approach (supporting youth to mobilize their own resources) while also addressing the lack of financial resources common among youth populations.

EFFECTUATION THEORY IN PROJECT IMPLEMENTATION

To ensure the successful implementation of an effectuation-based youth EE&T program, it is of the utmost importance that programs carefully select the right training facilitators to lead the program and ensure they are properly trained and able to implement the approach.

Select the Right Trainers

Existing entrepreneurship training experience is not a prerequisite for trainers using an effectual training approach. In fact, in some cases, this may be a disqualifying factor. Many experienced trainers are

likely used to training only on the traditional, causal approach to entrepreneurship, and it may be difficult for those trainers to adopt both an effectual mindset and approach. The ideal trainer profile for an effectuation-based training is an entrepreneur who has started a business him/herself and is comfortable helping guide youth participants on their own entrepreneurial journeys. Inexperienced trainers who have a basic understanding of the entrepreneurial process and are open to new approaches can also be well-suited to the training role, provided they receive additional capacity-building support.

Build Trainer's Capacity

Regardless of trainer experience, all should first participate in a thorough Training of Trainers (TOT) in order to grasp the logic of effectuation theory, to practice the facilitative approach required to support youth to apply the theory, and most importantly, to fully adopt an effectual mindset. During the TOT, trainers should be taught to guide and mentor youth through the entrepreneurial process, rather than “teach.” Though they should be taught to follow a standardized curriculum, much of the trainer's role should be devoted to asking youth questions, facilitating activities, and leading debriefs rather than teaching on the theory itself.

Effectuation-based EE&T programs are most successful when youth spend more time applying entrepreneurial skills to their own business idea rather than solely gaining knowledge. However, some profiles of youth may require more hands-on support from trainers during the effectuation process, depending on youth's level of education or familiarity with a facilitative approach.

Another critical aspect to normalize during the TOT process is failure. Successful adoption of the effectual mindset is not directly correlated with venture creation. No matter the methodology, there is no silver bullet for entrepreneurial success and globally. Start-up failure rates remain high. However, one advantage of using an effectual approach in youth EE&T programs is that it supports youth to build the knowledge and skills of the entrepreneurial process that they can apply not only to their current business idea, but their next idea as well.

Furthermore, aspects of effectuation theory also overlap with the core soft skills³, such as critical thinking, problem-solving, positive self-concept, and resilience, that youth can apply to domains outside

3 Gates, Sarah, Laura Lippman, Noel Shadowen, Holly Burke, Obed Diener, and Morrisa Malkin. 2016. Key Soft Skills for Cross-Sectoral Youth Outcomes. Washington, DC: USAID's YouthPower: Implementation, YouthPower Action.

of entrepreneurship as well. Though failure is likely in the entrepreneurial process, the effectual mindset can be instilled for lifelong application. Trainers need to be comfortable helping youth navigate failure in their entrepreneurial journeys and find new opportunities to pursue. Similarly, facilitators should learn to foster flexibility in the training; youth should be allowed to consider multiple business ideas at the start, and facilitators should be prepared for a youth's business idea to evolve over time.

Engage Others from the Entrepreneurial Ecosystem

To supplement the experience of trainers, programs should also consider ways to engage outside stakeholders in training activities. Individuals from the entrepreneurial ecosystem who have experience starting their own businesses can serve as role models and mentors to youth participants and can be engaged as guest speakers during classroom activities. Youth can also shadow these experienced entrepreneurs to learn more about how to apply an effectual mindset in the business' day-to-day operations. This engagement provides youth with an opportunity to build their social networks and learn from a mentor. And it closely aligns with the PYD approach as well.

MONITORING AND EVALUATING EFFECTUATION TRAINING PROGRAMS

When measuring and evaluating the results and impact of effectuation-based youth EE&T programs, practitioners should carefully consider the appropriate indicators of success to align with their training design. As noted earlier, effectuation theory is best described as an approach and process that supports but does not necessarily lead to venture creation. The business development process is iterative and evolving and may involve failure at some point.

While practitioners may need to assign targets to measures associated with venture creation, such as business income generation and employees hired, they may also want to consider alternative ways to measure success of effectuation-based youth EE&T programs too. For example, some programs look for a mindset shift, assessing the extent to which young people have internalized the core principles of effectuation and

applied this approach over the course of a training program. A subset of soft skills, including interpersonal skills, high-order thinking skills, positive identity, and self-efficacy, relates closely to the effectuation mindset and can be used as proxy measures to assess the changes youth experience over the course of a program. For specific indicators and measurement tools associated with these soft skills, practitioners can refer to the Positive Youth Development Measurement Toolkit⁴ developed by YouthPower Learning as well as USAID's "Measuring Skills for Youth Workforce Development: A How To Note".⁵

Though there is no one standard method currently available to measure the effectiveness of effectuation-based youth entrepreneurship training programs, there are a number of practitioner and academic-led attempts that others may find useful to consider when designing monitoring and evaluation tools. Commonly, indicators focus on venture creation or similar outcomes as a measure of success, but monitoring can also focus on indicators such as well-being and social capital. More information on these efforts can be found in the full Study on the Use of Effectuation Theory in Youth Entrepreneurship Education and Training Programs.

CONCLUSION

Evidence regarding the impact of effectuation-based training approaches is still limited. However, this approach does show promise and is compatible with both youth populations in LMICs and a PYD approach. Practitioners interested in incorporating aspects of effectuation theory into their youth EE&T programming should be prepared to discard the elements of the traditional, causal approach to entrepreneurship (e.g., business plans, access to finance) and instead embrace the holistic and non-linear effectual approach.

Youth participants should be guided by skilled facilitators through a process of introspection, exploration, and experimentation to imagine how their available resources can be applied to a variety of possible ends. Participants should also be given the opportunity to interact with stakeholders both to learn but also to secure commitments to move their business ideas forward. In addition to effectuation-based training, programs should provide youth with other complementary services such as mentoring and market linkages in order to further support the application of effectuation theory.

4 Hinson, Laura, Chisina Kapungu, Cassandra Jessee, Martie Skinner, Mark Bardini, and Tracy Evans-Whipp. 2017. Positive Youth Development Measurement Toolkit. Washington, DC: YouthPower Learning, Making Cents International.

5 USAID, 2019. Measuring Skills for Youth Workforce Development: A How to Note. <https://www.edu-links.org/index.php/resources/guidance-note-measuring-skills-youth-workforce-development>

Finally, programs should not assess impact of effectuation-based youth EE&T programs using business start-up as the sole measure of success. Since effectuation is also a learned mindset and set of skills that can be applied

across many facets of a youth's life, evaluations should measure impact more holistically, incorporating personal domains as well.



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This training guidance note accompanies the full USAID/Africa-commissioned Study on the Use of Effectuation Theory in Youth Entrepreneurship Education and Training Programs, which can be found in full at:

<https://www.youthpower.org/africa-bureau-effectuation-study>

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USAID YouthPower Learning generates and disseminates knowledge about the implementation and impact of positive youth development (PYD) and cross-sectoral approaches in international development. The project leads research, evaluations, and events designed to build the evidence base related to PYD. Concurrently, YouthPower Learning employs expertise in learning and knowledge sharing to promote engagement and inform the global community about how to successfully help transition young people into productive, healthy adults. YouthPower Learning supports the implementation of the 2012 USAID Youth in Development Policy to improve capacity and enable the aspirations of youth so that they can contribute to, and benefit from, more stable, democratic, and prosperous communities.

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