

EFFECTUATION VERSUS CAUSATION: EXPLORING FACTORS INFLUENCING ENTREPRENEURS' DECISION-MAKING LOGIC

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Abstract: *This study explores impacts of entrepreneurial experience, environmental uncertainty, organizational slack and centralization of decision making on entrepreneurial logic.*

Key words: effectuation, causation, entrepreneurship.

Research interest in entrepreneurship has intensified, as there is an anticipation, that entrepreneurial activities may provide viable solutions to current economic challenges imposed by rapidly changing business environment [1, 2]. Evolving institutional conditions and the associated uncertainty in emerging economies, present a unique opportunity to study how entrepreneurial resource-constrained firms can make the decisions and exploit such imperfections for their own benefits [3, 4]. A seminal work of Sarasvathy [5] revealed the distinction between entrepreneurial decision-making based on predictive and non-predictive logic and presented a shift from classical entrepreneurship 'opportunity discovery and exploitation' paradigm towards 'opportunity creation'. Predictive thinking called causation [5] requires from entrepreneur to conduct planning starting with the ends, analyze and make factual predictions of possible returns, consider alternative actions and select the one with the highest possible return [6]. Predictions form the basis for this logic, although the contextual complexity makes the former less accurate and useful [7]. Given limited resources and contextual ambiguity, forecasting becomes often challenging, therefore a departure from prediction reliance is welcomed by entrepreneurs. Effectuation decision-making logic became advantageous for entrepreneurs as possessing and controlling the resources at hand may provide better entrepreneurial opportunity than the pre-set goals approach. While theory explaining the reasons behind adoption of effectual decision-making approach is developing, studies focused on entrepreneurs' choice of causation or effectuation [8]. These two types of decision-making logic encapsulate different venture functioning and innovativeness [9]. Effectuation is not supposed to replace causation [9], however as argued by Sarasvathy [5], the use of effectuation or causation depends on the level of environmental uncertainty.

More recent research focusing on these two kinds of entrepreneurial logic also shows that the decision-making process would be also impacted by the external environment, organizational resources, social capital, personal characteristics, organizational culture and other constraints at different levels [10]. However, the gaps in the extant literature still exist as most scholars examine the influencing factors at different levels of entrepreneurial logic from a single perspective such as entrepreneurial characteristics, organization and environment. Few researchers attempt to consider the major factors in an empirical research model from an integrated perspective to take into account the interaction of three or more influencing factors. Given causation and effectuation are two distinct but interrelated concepts [5, 11], previous research focused on the antecedents of effectuation, while less attention was paid to constructive analysis of the two factors influencing entrepreneurial logic.

Entrepreneurs often face very complex situations with different internal resources, organization structures as well as the external environment. It is the combination and interaction of internal and external organizational conditions that constitute a variety of entrepreneurial situations, which eventually determine an entrepreneur's selection of logic model for decision-making. Thus, there is a need to examine the influence of complex situations on organizational behaviors and identify the configuration of factors affecting entrepreneurial logic from an integrated perspective.

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