

A systematic literature review on the relation between entrepreneurial orientation and decision-making logics of social SME's

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ABSTRACT

The thesis studies the relation between decision-making logics and entrepreneurial orientation in social SME's using a systematic literature review approach. The study begins with defining key concepts such as decision-making logics, specifically effectuation and causation, social entrepreneurship, and entrepreneurial orientation. The methodology involved a selection of 15 articles focused on different entrepreneurial sectors and countries. The findings indicate a hybrid usage of both causation and effectuation in enhancing entrepreneurial orientation and thus firm performance in different environmental contexts. The thesis ends with practical implications to social entrepreneurs, such as developing a dynamic strategic mindset, strong leadership skills and a focus on multi-dimensional business aspects, such as social and financial impacts. Additionally, the study builds on existing theories that validate the synergistic use of decision-making approaches in increasing entrepreneurial orientation. Acknowledged limitations include the reliance on secondary data and a non-specific focus on social SMEs within Europe.

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Keywords

Decision-making, social entrepreneurship, SME, effectuation, causation, social entrepreneurship orientation, entrepreneurial orientation, systematic literature review, uncertainty, firm performance

1. INTRODUCTION

In today's uncertain world, social entrepreneurs face many challenges when deciding what the most optimal strategies are for their enterprises (Murillo-Luna et al., 2021, p. 195-216). Social entrepreneurs apply different business tactics to address people's problems while also maintaining focus on the environmental aspect. However, early-stage entrepreneurs, particularly those managing Small and Medium Enterprises (SMEs), often face the risk of failing to achieve a positive societal impact. To manage these risks, entrepreneurs must assess the threats and opportunities of the environment they operate in (Krueger, 2000). After studying the effects of the environment on firms' performance, entrepreneurs employ different orientations to enhance this performance and adapt to the changes in the environment (Naman and Slevin, 1993; Zahra and Covin, 1995).

David Collingridge (1980) formulated a dilemma that argues that a technology's impact can be easily changed in the early stages, but as time passes, the harder it is to change. Applying this logic, correct decision-making in the early stages of an entrepreneurship journey is the most critical of all stages to highly increase the chances of business success. This is why the research done in this paper is analysing SME's. The academic space distinguishes two decision-making approaches widely used. The first one is the planning-based approach to decision-making. This approach argues that if the future is predictable, planning, and structured foresight approaches can best influence the outcome. Causation is pursuing the same planning-based logic (Sarvasathy, 2001). The second approach to decision-making is the flexible one. This approach is guided by non-linear, incremental decision-making that relies on the flexibility of adaptation to new information. Effectuation (Read and Sarvasathy, 2005), for example, is following the flexible approach. To ensure output growth, Slevin and Covin (1995) argue that SME's must be pro-active and respond to environmental instability (Grewal and Tansuhaj, 2001; Lin and Carley, 2001).

Despite the known impact of tactics or entrepreneurial orientations on the success of enterprises in the Netherlands (Kraus, 2012), there is a gap in empirical research on how social entrepreneurs determine at early stages when it is most optimal to use causation or effectuation to enhance entrepreneurial orientation at its peak effectiveness. This lack of evidence could lead to confusion in decision-making and, thus, decrease the chances of developing business opportunities.

This thesis aims to provide a clear understanding of what decision-making styles are most appropriate for developing a high entrepreneurial orientation while also studying possible mediators. An objective will be to accurately inform social entrepreneurs that operate in early stages, with the backing of a systematic literature review, of tactics they can use in order to better succeed (financially and socially) in the early stages of their business journey.

The research question that is aimed to be answered in this thesis is: "Is there a relation between the entrepreneurial orientation and the decision-making logics of social SME's?" This aspect will be explored in-depth throughout the thesis.

Firstly, the paper will highlight the importance of social entrepreneurship in creating sustainable practices while discussing the evolution of sustainable social entrepreneurship and its commonly used practices. The definition and importance of both causation and effectuation strategies and their best use in a business context will be provided. Afterwards, the term entrepreneurial orientation will be defined and its use in helping SME's navigate uncertainties. The next section will consist of the research, specifically the Systematic Literature Review to analyze articles. A comprehensive discussion about the essential components of a Systematic Literature Review will be conducted. This will be followed by a detailed presentation of the findings derived from the Systematic Literature Review. In the last section, practical advice will be offered to social entrepreneurs that face challenges in the first stages of their entrepreneurial journey. This advice will encompass insights from prior studies on effective entrepreneurial orientation and will provide recommendations on the optimal application of causation or effectuation strategies to mitigate business pressures. The thesis will end with a conclusion. The ultimate objective is to offer guidance on mitigating the risks of bankruptcy during the early stages of a social enterprise of an SME. These contributions are important for the survival of the social entrepreneurship space, which is gaining more attention decade by decade (Saebi et al., 2019).

LITERATURE REVIEW

1.1 Sustainable social entrepreneurship

The application of social entrepreneurship began in the late 1990s in the United States and the United Kingdom. Since then, it has gained recognition as an effective approach to addressing social and environmental challenges (Daddi et al., 2020). According to Kamaludin et al. (2024, p. 4), the goal of social entrepreneurship is to "create sustainable change in the lives of people," which is most effectively achieved at the community level through the establishment of social enterprises (Ebrashi, 2023). Sustainability is closely linked to social entrepreneurial practices. Research papers defining social entrepreneurial sustainability were centered on the incorporation of social accountability, environmental sustainability, and economic stability (Seelos and Mair, 2005; Harris, 2003; Javed et al., 2019). These facets of social entrepreneurship are inspired from the triple bottom line concept developed by Elkington in 1998. The triple bottom line framework concerns people, planet, and profit (known as the 3P's). Positive relations can be observed between social entrepreneurship and sustainability, as the primary purpose of social enterprises is to achieve sustainability by contributing to both economic and social gains (Zhang and Swanson, 2014). Kamaludin's et. al, 2024 new research developed a framework for how social entrepreneurs achieve sustainability in their practices (Figure 1):

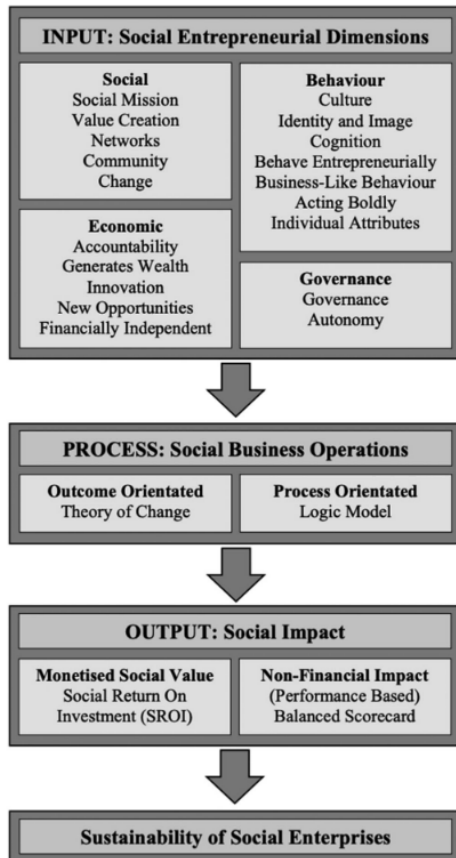


Figure 1 - A link between social entrepreneurship and sustainability (Kamaludin et. al 2024, p. 24)

The framework also discusses two choices a social entrepreneur can follow to achieve social impact. The first choice can be categorised as outcome oriented. This approach's purpose aligns with the causation logic of decision-making. The second choice remains represented by the process oriented one, a similar approach to the effectuation logic of decision-making. On the one hand, social impact can be measured through the monetized social value represented by the social return on investment performance measurement technique. On the other hand, social impact can be measured through the balanced scorecard approach, focused on business efficiency and operational effectiveness. The output measured will reveal the gravity of the impact the business exerts on sustainability practices. The framework Kamaludin developed in 2024 provides insight into internal practices forging sustainable practices, while external factors are overlooked. Further literature review will analyse how Kamaludin's framework can be improved by also integrating external factors influencing internal operational processes.

1.2 Decision making in SMEs

Decision-making is a crucial aspect of running an SME (Curran & Blackburn, 2001). Bhav, 1994 states that entrepreneurs are individuals who aim to achieve pre-defined goals by exploiting opportunities they recognize. This definition underlines the proactive nature of entrepreneurship, highlighting the importance of goal setting and opportunity recognition. Following this definition, Sarasvathy, 2001 developed a similar decision-making logic, namely causation. Causation is following a structured approach where entrepreneurs begin with a specific business goal, such as a 5 percent increase in revenue for the current quarter, and then develop a strategy to achieve that goal. This strategy acknowledges the fact that the future can be

anticipated and predicted. The literature studying causation in entrepreneurship emphasises planning techniques such as financial forecasting, market research, and competitive analysis. These techniques help entrepreneurs predict market trends, understand competitive movements, and allocate resources efficiently critical skills for SME survival (Dew et al., 2009; Chandler et al., 2011; Sardeshmukh and Smith-Nelson, 2011). Based on Vanderstraeten et al., 2020, this planning allows companies to achieve higher resource efficiency, achievement control, and better anticipation of information gaps. But decision-making in SME's is not only based on causation (Devi et al., 2020). However, the literature arguments that expert entrepreneurs combine beforehand planning with effectual decision-making, a strategy named emergent (Mintzberg and Waters 1985). These entrepreneurs use whatever resources they have at hand and make business decisions based on their risk appetite (Sarasvathy, 2001). Effectuation explains why entrepreneurs engage in new business markets or activities, even if that was not their initial goal. They risk only to the extent that they are prepared to accept losses, pursue opportunities that arise, adapt to environmental movements, and learn by doing (Sarasvathy, 2001, 2008). Effectuation is best used in unpredictable environments, where it allows entrepreneurs to adapt rapidly to changes. Conversely, causation is more suited to stable, predictable environments. Causation's systematic approach is least effective in turbulent and unpredictable environments (Sarasvathy, 2001, 2008; Sarasvathy and Dew, 2005). Vorontsova, 2016 created a comparison table (Figure 2) of the two decision-making logics, adapted from Read and Sarasvathy, 2005:

Table 2 - Contrasting Causation and Effectuation processes.

Issue	Causal or Predictive Position	Effectual Position
View of the Future	Prediction. The causal approach views the future as a continuation of the past that can be acceptably and usefully predicted.	Creation. The effectual approach views the future as contingent on actions by willful agents, largely nonexistent and a residual of actions taken. Prediction is unimportant as a result.
Basis for Commitment	Should. Commit as a course of maximizing, analysis, and what should be done.	Can. The effectual approach is to do what you can (what you are able to do) rather than what your prediction says you should.
Basis for Taking Action and Acquiring Stakeholders	Goals. The causal approach is to let goals determine sub-goals. Commitment to particular sub-goals determined by larger goal constrained by means. Goals determine actions, including individuals brought on board.	Means. Actions emerge from means and imagination. Stakeholder commitments and actions lead to specific sub-goals. Feedback from achievement/non-achievement of sub goals leads to design of major goals.
Planning	Commitment. Path selection is limited to those that support a commitment to an existing goal.	Contingency. Paths are chosen that allow more possible options later in the process, enabling strategy shift as necessary
Predisposition Toward Risk	Expected Return. The causal approach is to pursue the (risk adjusted) maximum opportunity, but not focus on downside risk.	Affordable Loss. The effectual approach is not to risk more than can afford to be lost. Here, the calculation is focused on the downside potential
Attitude Toward Outside Firms	Competition. The causal approach is to be concerned with competition and constrain task relationships with customers and suppliers to just what is necessary	Partnership (pre-set engagements). The effectual approach is to create a market jointly, building your market together with customers, suppliers and even prospective competitors.

Figure 2 - Contrasting Causation and Effectuation process (Vorontsova 2016, p. 8)

Recent research has identified the fact that causation and effectuation should not only be used as opposite components (Kerr & Coviello, 2020), but as an application of both simultaneously. This interaction leads to a positive effect on business performance (Smolka et al., 2018).

1.3 Entrepreneurial orientation

1.3.1 Entrepreneurial orientation on firm level

SMEs nowadays face constant pressure to cope with global instabilities like globalisation, climate change, and wars, but also with business instabilities like new megatrends emerging and

high competition. Moreover, SMEs are often regarded as having more limited resources compared to larger competitors. This scarcity of resources makes SMEs particularly susceptible to environmental challenges, which is why foresight and innovation are crucial for their future success (Anderson and Eshima, 2013). A proactive approach that requires SMEs to make best use of their limited resources is entrepreneurial orientation. According to Rauch et al., 2009, the concept of EO (entrepreneurial orientation) is extensively employed in strategic literature to effectively analyse firm competitiveness, stimulate growth, increase profitability, and enhance overall performance. Entrepreneurial orientation theory can often be traced back to Mintzberg, 1973 who described entrepreneurial organisations as being characterised by actively seeking new opportunities to achieve substantial progress in the face of uncertainty. Covin and Slevin (1989) developed an entrepreneurial orientation (EO) scale and developed three subdimensions: innovativeness, initiative, and risk-taking. Initiative is as crucial as innovativeness in a business context. Initiatives involve the creation of new products and services, enabling businesses to secure a first-mover advantage. This strategic approach can benefit firms by gaining competitive advantages over their rivals, often starting with opportunity forecasting (Wales et al., 2016). Innovation, on the other hand, refers to a firm's ability to generate creative ideas and conduct experiments that lead to the development of new products, and services (Lumpkin & Dess, 1996). Risk-taking implies the firm's likelihood of committing significant resources to developing opportunities with the risk of failure (Altinay & Wang, 2011). Firms implementing high levels of entrepreneurial orientation tend to outperform others, achieving higher growth, profitability, market share, and competitive advantages. (Barney, 1991; Lumpkin & Dess, 2001). Li et al., 2009 analysed Taiwan's service, high-tech, and manufacturing sectors and found that EO is improving SME performance. Similarly, Zhang et al., 2012 identified a positive relationship between EO and business performance in the online sector. Recent research has discovered a positive impact of entrepreneurial orientation on SME performance in the beverage, food, and electronic industries (Amin 2015; Asad et al., 2016).

1.3.2 Entrepreneurial orientation on individual level

While entrepreneurial orientation at the firm level is crucial to understanding why some firms perform better than others, this thesis will also examine the psychological aspects of entrepreneurs, also called entrepreneurial mindset (Naumann, 2017; Kuratko, 2016). The entrepreneurial mindset stems from the need for innovation. Innovation is the primary factor for many firms to gain a competitive advantage (Baumol, 2002). The ability of an entrepreneur to enhance innovation activities lies in their intrinsic capabilities. This mindset empowers entrepreneurs to better solve problems, find opportunities, generate new ideas, and take correct action. These perspectives, based on Kuratko et al., 2020, can be plotted in three aspects, namely a triad (Figure 3).

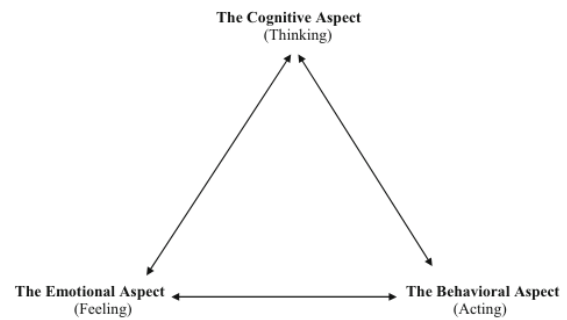


Figure 3 - The triad of the entrepreneurial mindset (Kuratko et al. 2020, p. 1682)

The first aspect of entrepreneurial mindset is cognition. Entrepreneurial cognition relates to the ability of entrepreneurs to make decisions in terms of opportunity evaluation, firm creation, and growth (Mitchell et al., 2002). The concept of cognitive ability is also correlated with changing environments in terms of the ability of entrepreneurs to be flexible and dynamic in their responses to these environments (Haynie and Shepherd, 2009). Research in this field suggests that entrepreneurs “think” about a task different from others. After “thinking” of a solution, entrepreneurs act to solve the problem.

The behavioural aspect of the triad was conceptually developed by McMullen and Shepherd (2006). This model concludes that entrepreneurial action is driven by prior knowledge and motivation. Sarasvathi (2001, 2008) combined entrepreneurial cognition with action and developed the effectuation theory. He stated that the effectuation concept itself is an action promoter in terms of developing opportunities, no matter how many resources the entrepreneur owns.

The third aspect of entrepreneurial mindset belongs to emotions. The study by Kets de Vries, 1985 acknowledges that entrepreneurs’ behaviour is driven by their negative emotions. These factors are risk, stress, and ego. The study acknowledges that negative factors make entrepreneurs aware of their destructive side much more effectively. Entrepreneurs encounter many types of risk: financial, career, psychic, and social risk (Janney & Dess, 2006; Caliendo et al., 2009). The financial risk comes from the possibility of losing all the money invested in the business in the event of bankruptcy. Career risk means trading a fixed time for the salary of a job with higher amounts of energy and time for improving their business. This trade comes at a social expense as well, in terms of losing friends and contact with close people. Then, if the entrepreneurs suffer from most of the aspects discussed, they might be dealing with psychological issues that are sometimes very severe and difficult to overcome (Caliendo et al., 2010). The second negative emotion is stress. Kuratko 2020 points out that stress is characterised by the perceived discrepancy between individuals’ expectations and their ability to meet them. The higher the discrepancy, the higher the chances that the individual experiences stress. The last negative factor for entrepreneurs can be their ego. Overconfidence (Salamouris, 2013) and the desire for success can be taken to extremes, and thus their initial optimistic roles can be reversed. These extreme behaviours can blur the reality of the business world, and problems can no longer be effectively handled (Haynes et al., 2015).

2. METHODOLOGY

The research methodology decided to fit best for this paper is the Systematic Literature Review, which involves a comprehensive analysis of available scientific papers, articles, and other relevant

data sources (Tranfield et al., 2003). This form of research synthesises existing literature to address the research question. The structure of the methodology chapter will follow Kraus et al.'s 2020 suggestions. The first subsection will cover the planning of the review. In the next subsection, relevant studies will be identified and evaluated. The third subsection will consist of the extraction and synthesis of data, followed by the last subsection, which will disseminate the review findings.

2.1 Research planning

Firstly, Kraus et al., 2020 suggested identifying the actual need for a Systematic Literature Review. To collect literature, this study will utilise Google Scholar as the primary search engine. Only English-written papers are taken into consideration. The aim of this research is to explore the potential relation between entrepreneurial orientation within Small and Medium-Sized Enterprises (SMEs) and their decision-making processes. If some papers also discuss this relation in the social business context, they will be taken into consideration for the analysis. Otherwise, only social business papers that relate to the research question in one way or another will be analysed. The time span used to search for articles is 2014–present.

2.2 Identification and evaluation of studies

To identify relevant studies, I will conduct an inclusion and exclusion criteria analysis in the selection process based on the suggestions of Meline, 2006 (Table 1).

Inclusion criteria	Exclusion criteria
Keywords like entrepreneurship orientation, decision-making, effectuation, causation, social entrepreneurship or others that are relevant/similar answering the research question (opportunity recognition, market orientation, vision etc.)	Irrelevant Subjects or keywords can only be found in text
Up-to-date studies published within the last 10 years	Less than 5 citations
Availability of articles' full-text	Non-english articles
The more citations, the higher priority in the screening process	

Table 1 – Inclusion and exclusion criteria

The initial search across Google Scholar and the UT Library presented a high volume of 17,810 articles. By applying the inclusion and exclusion criteria, the number of relevant records was significantly reduced to 430. These records were reviewed based on their titles and citation counts. This led to 345 irrelevant articles being excluded for further review. The remaining 85 articles were analysed in more detail by their abstracts, leading to the exclusion of an additional 50 articles due to irrelevant content. Finally, 35 articles were thoroughly examined by reading the full texts, and the final selection consists of around 40% of them considered highly relevant to the research question and further discussed in the literature review. The steps undertaken can be visualised in the following Flow Chart (Figure 4) developed by Page et al., 2021.

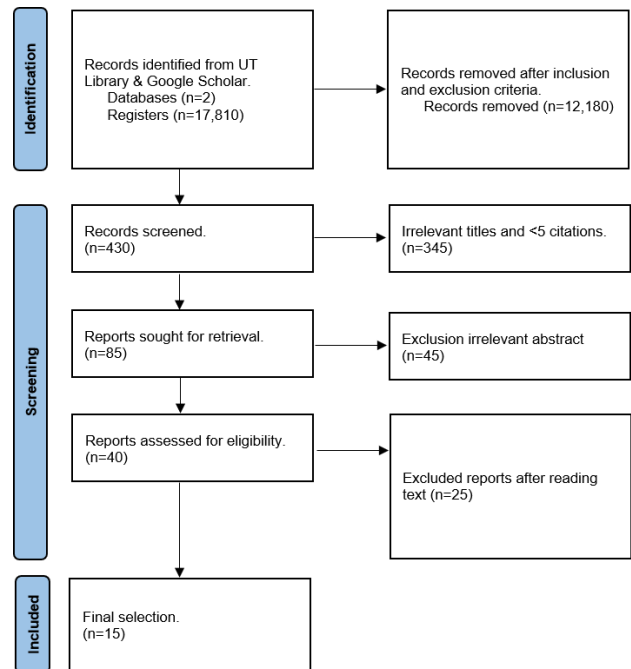


Figure 4 – Flow Chart

3. RESULTS

After conducting the Flow Chart analysis, the final 15 articles are being synthesised with a particular focus on the relationship between decision-making logics and entrepreneurial orientation in social SME's. The main body of the review is divided into three subsections based on new emerging trends in the literature. The sections will explore each decision-making logic in contrast to the entrepreneurial orientation. Interestingly, the third subsection, which relates both decision-making logics with entrepreneurial orientation, was created after a rigorous analysis of the articles. Not all the articles presented directly address the research question, but all of them contribute to a cumulative understanding, ensuring a robust and reliable discussion in the next section.

3.1 Effectuation and (Social) Entrepreneurial Orientation

One of the foundational studies included in this review is the work by Yusuf and Sloan (2015). This study distinguishes between causal and effectual decision-making processes and provides case studies from the USA to illustrate how effectuation can be particularly suited to the start-up phase of social ventures. The Centre for Rural Development (CRD) is a non-profit in Eastern Kentucky. It involves collaborating with local government officials, community leaders, and educational organizations. Initially, the scope of the organisation was to create a performance arts centre, but later they decided on other scopes: a convention centre, outreach programmes, and a technology suite. Local resources were used to implement the ideas of the executive committee to develop a telecommunications and entrepreneurial-driven youth camp. CRD shows flexibility in their decision-making and makes use of the resources and information at hand. The Innovation Centre in northern Indiana is a social entrepreneurial venture focused on supporting regional businesses. The initial vision of the Innovation Centre was to perform as a business incubator, but later it expanded its focus to conduct biomedical research and make decisions impacted by the feedback of their stakeholders and partnerships acquired. Based on the findings that both organisations use effectuation, Yusuf and Sloan believe that training social entrepreneurs in effectual decision-making can

better prepare them to confront the challenges imposed in real life. The authors argue that effectuation better represents reality in the social entrepreneurship context because of its unpredictability. Moreover, according to the authors' findings, social entrepreneurs often rely on social networks to obtain the required resources and further improvements, a crucial aspect of the effectuation logic.

Adding to the social venture world, Xiaobao et al., 2023, change the focus on intuition and its role in social entrepreneurship. Intuition is like the effectuation concept in terms of actively finding possibilities for improvement by using clues or other signals in unfamiliar ways (Olson, 1985). The study employs a survey of 276 certified social enterprises in China to validate the relationship between entrepreneurs' intuition and Social Entrepreneurship Orientation (SEO). The study finds a positive association between social entrepreneurs' intuition and SEO. Moreover, the study discovered that exploratory and exploitative learning mediate this relationship. Also, a factor that strengthens the effects of intuition on SEO is personal identity. These findings discover the significant role of intuition in enhancing social entrepreneurial orientation. Both concepts (effectuation and intuition) support adaptive thinking and flexible approaches that are not characterised by a rigorous plan.

In terms of general businesses, Anwar, 2021 investigates any mediation between entrepreneurial orientation (EO) and firm performance in emerging economies. The data collection used was a survey of 316 SMEs in Pakistan. The study highlights a positive correlation between entrepreneurial orientation and firm performance. Interestingly, Anwar found that opportunity recognition partially mediates the relationship between EO and new venture performance. Opportunity recognition, like effectuation, supports firm adaptation in dynamic environments (Sambasivan et al., 2009). Thus, the study finds the following linear approach to increasing firm performance in dynamic markets: high entrepreneurial orientation drives better opportunity recognition, which in turn enhances firm performance.

Like Anwar's research, Karami et al. 2020 investigate the correlation between entrepreneurial orientation (EO) and international opportunity development in SME's, with a focus on the decision-making logic as a mediator. This study examines how EO influences SMEs to identify and exploit international opportunities. The research utilises survey data from 164 SMEs in New Zealand to establish the nature and extent of mediation and the relationship between EO and international opportunity development. According to Karami et al., 2020, effectual decision-making logic suits uncertain environments exceptionally well, typical of international markets. Such effectual logic would occur more in high rather than in low EO firms, and it would enhance the ability of firms to identify and develop international opportunities. However, among low EO firms, decision-making is more causal and predictable.

Another study expanding the term of orientation in entrepreneurship was conducted by Karami et al. in 2023, studying the relation of effectuation, market-oriented behaviours (Kohli and Jaworski, 1990; Narver and Slater, 1990), and the performance of SME's. Market orientation enhances opportunity recognition, while entrepreneurial orientation innovates the market orientation approaches, featuring an interdependence of these two approaches (Webb et al., 2010). His data was obtained from 184 SMEs in New Zealand's tourism and hospitality industry, one of the most seasonal and volatile environments. Key findings of this study are that, under uncertainty, effectual logic managers are more capable of undertaking market orientation practices, a subcategory of entrepreneurial

orientation. These include generating, spreading, and responding to market intelligence—activities required for adaptability to changing conditions in the market. These results in this study indicate that effectual logics positively influence firm performance and the correct use of market orientations. This means that firms with more ease in executing this marketing-oriented strategy are more likely to convert the effectual ability of their decisions into better performance. The study demonstrates that market orientation mediates the relationship between effectual logic and firm performance, suggesting that firms that effectively implement market-oriented strategies can enhance the use of effectual logic, which in turn will lead to improved performance.

Additionally, Cowden et al., 2022 investigate the relation between environmental uncertainty, effectuation and entrepreneurial orientation using a sample of 990 SMEs in Bangladesh, Vietnam, Ghana, and New Zealand. The study confirms the use of effectuation in navigating uncertain environments effectively, but they find U-shaped relationships. Effectuation is less effective at low to moderate levels of uncertainty but increasingly effective at extreme levels of uncertainty. Moreover, the study finds that EO negatively moderates this relationship. High EO firms use effectuation at any level of perceived uncertainty, while low EO firms tend to not use effectuation at low or moderate levels of uncertainty but start to use it under high uncertainty to ensure firm survival.

In contrast, Mthanti and Urban, 2014 investigate the influence of effectuation on entrepreneurial orientation (EO) and firm performance within high-technology firms, utilising environmental uncertainty as a moderating factor. They studied a sample of 94 African high-technology firms, utilising a survey methodology. The study finds a positive relationship between effectuation and entrepreneurial orientation. They particularly find that the effectuation's characteristic, experimentation, strongly correlates with the innovation characteristic of entrepreneurial orientation. They also find that environmental uncertainty as a moderating factor for this relationship was not significantly altering the relationship. The research contributes to the importance of effectuation usage in high-technology firms no matter the level of environmental uncertainty, contrary to the findings of Yoo & Kim, 2019.

These studies highlight that effectuation fits its usage in uncertain environments, typical of social ventures. Intuition was found to be a complementary concept for social entrepreneurship orientation (Xiaobao, 2023). Market orientation and opportunity recognition were validated to positively mediate the relationship between firm performance and effectuation (Karami et al., 2023; Anwar, 2021).

3.2 Causation and (Social) Entrepreneurial Orientation

Laskovaia et al., 2019 examine the relationship between entrepreneurial orientation, decision-making logics, and firm performance by analysing 447 Russian SME's from 2015 until 2016, a period of economic crisis and political instability. The study initially aims to find whether there is a relationship between a particular decision-making logic and firm performance in uncertain environmental conditions. Key findings reveal that there is no straight-forward linear relationship between causation or effectuation and firm performance. Laskovaia finds a U-shaped relationship between causation and firm performance, meaning that high levels of causation improve firm performance, whereas medium levels of causation used will reduce performance. Moreover, Laskovaia finds an inverted U-shaped relationship between firm performance and effectuation, suggesting that high levels of

effectuation do not particularly increase firm performance, but a more moderate approach would be more beneficial. The study acknowledges that entrepreneurial orientation moderates these relationships. High entrepreneurial orientation can enhance the effectiveness of causation and thus firm performance. Conversely, high entrepreneurial orientation exerts positive effects on firm performance in effectual logic firms up to a certain point, after diminishing returns set in and firm performance decreases. This study finds a positive relation between causation and entrepreneurial orientation in the context of uncertainty and an economic crisis.

3.3 Combination of effectuation and causation and (Social) Entrepreneurial Orientation

Pidduck et al., 2023 study in their recent article the entrepreneurial mindset and its link to entrepreneurial orientation. They create a model that splits entrepreneurial mindset into two categories: dispositional and opportunistic characteristics. Dispositional beliefs suggest an interaction between entrepreneurs' value beliefs and traits, similar to entrepreneurial orientations' value propositions, discussed by Leutner et al., 2014, that focus on individual traits. Opportunity beliefs are, on the other hand, situational and can be developed flexibly, thus a correlation to effectuation characteristics (Reymen et al., 2017). The interaction between these beliefs determines the level of entrepreneurial mindset and, thus, the decision to pursue entrepreneurial behaviours or not.

Adding to the foundational concepts of Pidduck et al., 2023 Waddock and Steckler, 2016 study vision in the social entrepreneurship space. Prior research assumed that vision precedes action. This approach is called the deliberate vision pathway, initially discovered by Bird in 1988. Social entrepreneurs that rely on vision, develop specific goals initially and then proceed to accomplish those goals. This approach is backed up by the causal decision-making logic of focusing on structure and pre-planning in social ventures (Yusuf & Sloan, 2015). Instead, Waddock and Steckler find that action can precede vision. This path is called emergent and can be divided into inadvertent and developmental emergences. Inadvertent emergence involves social entrepreneurs who create a vision through opportunity seeking or accidental action, while developmental emergence is characterised by a conscious step-by-step action process that, over time, leads to a clearer vision. The study argues that successful social entrepreneurship requires the use of both pathways to drive transformational change.

The research of Ariyesti et al., 2023 explores the impact of effectuation and causation on entrepreneurial orientation within 480 Chinese firms, methodologically conducted through surveys between December 2020 and March 2021. This timeframe suggests the COVID-19 pandemic, a period of high uncertainties and challenges for businesses worldwide. The study reveals that both causation and effectuation positively impact the level of entrepreneurial orientation, and firms employing both approaches were better at navigating the uncertain conditions. Moreover, they found that leader dominance and self-efficacy moderated this relationship. Leaders who exert dominance and have high self-efficacy strengthen relationships in risky environments, thereby improving firm performance.

In contrast, Palmié et al. (2018) also examined effectuation and causation principles in relation to entrepreneurial orientation, through a sample of 151 Swiss energy SME's. They introduce the distinction between two effectuation principles: promotion-focused and prevention-focused. Causation approaches are "concerned with ideals and strive to attain their wishes; they

exhibit a promotion focus" (Palmié et al., 2018, p. 97). The study finds that the combined use of promotion focus principles (causation) and flexibility (effectuation) exerts a higher level of entrepreneurial orientation. Prevention-focused principles used alone are negatively associated with entrepreneurial orientation.

In the article by Kvitastein & Aarstad, 2019 the factors that influence market orientation are discussed. Market orientation is the organisational culture of supporting high value delivered to the customer, thus enhancing business profitability (Narver & Slater, 1990). Carayannopoulos, 2009 argues that small business owners need to leverage a new product or business in the marketplace to stand out from the reputation of established businesses. This logic is related with a high level of entrepreneurial orientation and the constant need to find new pathways for doing entrepreneurship in SME's (Avlonitis & Salavou, 2007). Kvitastein & Aarstad conducted surveys with 295 Norwegian firms, finding that self-efficacy is positively associated with market orientation and that both effectuation and causation mediate this relationship. The effect of causation on market orientation is stronger than the one of effectuation, but they suggest the use of both decision-making logics to improve firm performance. Moreover, they find that entrepreneurs with prior experience are characterised by higher levels of self-efficacy, thus achieving a higher market orientation.

Weerakoon et al., 2019 examine the pre-emergence stage of social enterprises in terms of how they face social and financial challenges effectively. What they find is that entrepreneurs start their entrepreneurial journey with a social mission and a certain vision (elements of causation); they then look for available means and a possible course to achieve that mission (elements of effectuation). Again, later in the process, a use of both logics, interacting with customers and other stakeholders, led to a bricolage application to form the solution for these stakeholders. Bricolage is a process that involves developing a stakeholder solution with the resources available at hand (Domenico, 2010). In conclusion, the findings of Weerakoon et al. suggest that effectuation, causation, and bricolage must be used in complementary ways to navigate the complexities of the early stages of a social enterprise. Similarly, Servantie & Rispol, 2018 acknowledge the overlap of these three approaches in social entrepreneurship. This hybrid approach is beneficial to social enterprises that extend beyond financial motives. They also suggest building a diverse entrepreneurial team to not only foster creativity but also enhance the strategic capabilities to navigate uncertainties.

The studies highlight the role of using both effectuation and causation to enhance entrepreneurial orientation and, thus, firm performance.

4. DISCUSSION

4.1 Theoretical implications

The study validates prior research on the hybrid use of effectuation and causation in SME's to enhance firm performance (Reymen et al., 2015; Smola et al., 2018). High entrepreneurial orientation, also characterised by opportunity development, used in synergy with effectuation and causation, drives firm performance in uncertain environments, a finding that corresponds with Galkina & Jack's 2021 recent research. The study also emphasises the idea of prioritising more dimensions in terms of strategic decisions. Such dimensions are economic, environmental, and social, as studied by Fischer et al., 2018, and play an important role in new social ventures.

4.2 Practical implications

A key practical implication of this research is the recommendation that social entrepreneurs should not rely

exclusively on a single decision-making approach. Instead, they should combine or alternate between causation and effectuation based on the context. A trend can be observed where effectuation is mostly used in unstable environments, where flexibility is most valued. This trend is in line with the idea of identifying and exploiting new opportunities. The social entrepreneurship literature suggests that firms should also build robust networks and develop as many collaborations as possible, a skill that can ensure long-term firm survivability. Cultivating strong leadership skills like self-efficacy can enhance firm performance, especially during difficult times. Thus, social enterprises are advised to invest in team management workshops or internal training sessions to develop leadership skills. Moreover, the research acknowledges that relying only on one measurement metric, such as social impact, is destabilising the social venture. As such, social entrepreneurs are advised to develop a multi-dimensional performance system that includes both financial and social metrics.

4.3 Limitations

The first limitation of my research is presented by the inclusion and exclusion criteria bias. By applying filters to data selection, highly relevant studies that can add valuable insights might already be excluded in the first steps of article selection. Moreover, the final selection of 15 articles acknowledges the fact that they were insignificant in addressing the relation of decision-making logics and entrepreneurial orientation in social SMEs, specifically. Articles, in terms of 70%, study findings placed in a general business context in different industries, a percentage provided by the low number of hits in the social entrepreneurship sector. The study also relies on secondary data, which limits delving deeply into specific contexts such as social SME's in Europe and the Netherlands.

4.4 Future research

Limitations acknowledged the future need for primary methodological approaches such as quantitative and qualitative analysis focused on social entrepreneurship SMEs in Europe and the Netherlands. Other mediating factors, such as local culture and regulatory environments, can test the relationship between decision-making logics and entrepreneurial orientation. These factors can be observed by applying longitudinal studies that provide trends on the evolution of the relationship mediated by other external factors.

5. CONCLUSION

The aim of this thesis was to study any relation in the literature between entrepreneurial orientation and the decision-making logics of social SMEs. To answer the research question, a systematic literature review was conducted. A sample of 15 articles from Google Scholar were identified by applying exclusion and inclusion criteria and a thorough text examination. The articles were synthesised, and the three main trends were highlighted: each decision-making logic and its complementary use in relation to entrepreneurial orientation. Different perspectives have been examined, and the review identified that there is no linear relationship between decision-making logics and entrepreneurial orientation, but rather a combination use of both can enhance firm performance, especially in uncertain environments.

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