

# Navigating Social Entrepreneurship: An Exploration of Causation and Effectuation in Decision-Making

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## **Abstract.**

Social entrepreneurship has emerged as a reaction to social problems, these entrepreneurs focus on solving social problems and combining this with doing business. This thesis investigates the decision-making processes of social entrepreneurs through the lenses of causation and effectuation. Utilizing a qualitative research design, interviews were analysed with six social entrepreneurs. By using the following research question: to which extent social entrepreneurs employ causation and effectuation approaches in their decision-making? This study aims to give a better and deeper insight to the decision-making of social entrepreneurs. After analysing and coding of the transcripts the results of this exercise have been studied and researched. The outcome of this exercise and research is that following the five principles of effectuation and their counterpart causation, social entrepreneurs use both of these approaches but use effectuation more than the causation approach. Furthermore, this thesis explores the term social entrepreneur and what this term actually means in practice.

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# 1. Introduction

## 1.1 Social entrepreneurs

As companies themselves become more and more socially responsible and want to pursue more than just profits but also make a positive impact in the world. A new kind of entrepreneur has emerged in the recent years, the social entrepreneur.

Social entrepreneurship has been gaining ground as a distinctive approach to solving social crises. According to various sources, social entrepreneurs are individuals or organizations that seek innovative solutions to social problems (Bacq & Janssen, 2011). These entrepreneurs are driven by a mission to create positive social change and improve the lives of marginalized individuals or communities (Gupta et al., 2020). As Urbano et al. (2010) says social enterprises merge the pursuit of public social goods with the market-aligned tools and techniques of for-profit organisations, as cited by Gupta et al. (2020) Furthermore, as Newbert and Hill (2014) states overall, SE (Social Entrepreneurship) may be considered a novel activity that intends to create producer surplus by reducing negative externalities and/or creating positive externalities via the integration of the essence of social as well as entrepreneurship constructs as cited by Gupta et al (2020). While they take risks and are as innovative as any other entrepreneur, these social entrepreneurs have a strong moral compass and so much determination that they cannot imagine giving up on their dreams of change. They are keen on sustainability and large-scale changes which they have brought about through their innovative ideas. Eventually this has resulted in collaboration with governments, non-profit and profit-making organizations.

According to the article of Yusuf & Sloan (2013) social entrepreneurs are the ones who understand the social concerns and look for innovative solutions to them in the same way businesspersons do. Their motivations are underpinned by a quest for social betterment and to solve the problem of poverty, education, health, and environmental degradation. Social entrepreneurs designate business principles that blends with social responsibility, and they achieve their goals by forming organizations to tackle societal issues either with or without making profit. Such people portray characteristics like inventiveness, ethical leadership, and a firm idea about their vision (of changing the status quo) (Yusuf & Sloan, 2013).

## 1.2 Social entrepreneurs and decision-making

For my thesis I am interested in the decision-making of social entrepreneurs. According to Manolopoulos et al. (2022) Social entrepreneurs, are often distinguished by a unique ability to envisage, predict, engage, and enact strategic transformational changes in the face of scarce resources, risks, and diverse contexts; with the overall purpose to create a meaningful impact on their environments (Thompson et al., 2000).

According to Yusuf and Sloan (2013), social entrepreneurs in the start-up phase of their company use

both effectuation and causation methods. However, according to the article effectuation is more predominantly used by social entrepreneurs.

## 1.3 Planned versus emergent decision-making styles

In the last decades, there has been a lot of research into what effectuation and causation. For instance, by Arend et al. (2015) and Perry et al. (2012) It has been researched how they interact relate and contrast to each other Grégoire and Cherchem (2019) has given an overview of the literature, for that in their opinion the research into the topic of effectuation usage is limited. Effectuation and causation have been given a lot of scholarly attention in the emerging entrepreneurial field as two decision-making approaches. The planning school argues that a systematic, prediction-oriented, and formal approach leads to superior venture performance. An opposing group of researchers challenges the value of prediction-oriented strategic approaches for an organization's performance. These researchers propose instead to focus on learning, strategic flexibility, and controlling resources, especially when facing high degrees of uncertainty. (Brinckmann et al., 2010)

Causation being the more traditional approach, focuses mostly on setting goals and developing a plan to achieve them, so it is more like a “means-to-end” way of thinking (Sarasvathy, 2001). Furthermore, in the casual approach it is assumed that markets are already there and are rarely created and is more about exploiting opportunities in existing markets (Fisher, 2012)

The counterpart, effectuation, on the other hand, focuses on leveraging existing means like resources, partnerships, and expertise to create feasible outcomes. (Sarasvathy, 2001) This approach suggests that under conditions of uncertainty, entrepreneurs adopt a decision logic that is different to that explicated by a traditional, more rational model of entrepreneurship (Fisher, 2012). According to Sarasvathy (2008) effectuation can be broken down into five principles which I will explain more in-depth in the literature review.

## 1.4 Research Question and Objectives

As said before there is a lack of research into the use of effectuation in general, nevertheless it is said that social entrepreneurs in general are more likely to use effectuation over causation but also use both (Yusuf and Sloan 2013).As stated by Yusuf and Sloan (2013) while these limitations do not reduce the contributions of our study, future research may want to examine effectuation across the broader spectrum of nonprofit development, and across different types of social ventures. There are several existing and emerging trends in the current public service landscape that point to the need for further study of effectuation in social entrepreneurship So, following this research gap and assumption, this thesis will aim to address the following research question:

*To which extent do social entrepreneurs employ causation and effectuation approaches in their decision-making processes?*

This question is mainly used to outline the main decision styles (causation vs. effectuation) for social entrepreneurs. This thesis aims to provide more information on the assumption that social entrepreneurs are more likely to use the effectuation approach over the causation approach. Furthermore, this thesis attempts to reject or accept propositions made by me which can be seen at 2.2. To answer my research question and accept or reject my propositions, I will conduct semi structured interviews to get information on the decision-making process of social entrepreneurs.

## 2. Literature Review

### 2.1 Effectuation versus Causation

As said before, in Sarasvathy (2008) effectuation is broken down into five principles: bird-in-hand, affordable loss, crazy quilt, lemonade, and pilot-in-the-plan. These five principles refer to a logic action, effectuation. (Sarasvathy 2008). Effectuation is the opposite of causation; I will use these five principles and explain them and show how they differ from the causation approach below.

#### 2.1.1 Bird-in-Hand

The first principle is the bird-in-hand principle, which focuses on encouraging the entrepreneurs to begin with their existing means, including personal skills, experience, and network (Sarasvathy 2008). The most important questions the entrepreneurs should ask according to this principle is “*who am I, what I know and who do I know*” (Sarasvathy 2001). Following these questions, you can find out your means as an entrepreneur, so they use their competencies, knowledge, and social network (Sarasvathy 2008). Competencies or who am I relates to personality and preferences, what I know relates to the knowledge the entrepreneur already has and lastly who do I know relates to the network the entrepreneur has, so can he or she utilize their network for their business.

The causation counterpart of this is a more goal-oriented approach, where the entrepreneur sets certain goals and an end goal and starts to work towards that end goal. So, the significant difference between the approaches is that with bird-in-hand the entrepreneur looks at their means first and with causation approach the entrepreneur looks at what he/she desires first and then assembles the resources (Sarasvathy 2008). Goals determine actions, including which individuals to bring on board (Dew et al., 2009)

#### 2.1.2 Affordable loss

The second principle, affordable loss, relates to the fact that according to the effectuation approach to navigate the uncertainty of being an entrepreneur they should minimize risks by using the affordable loss principle (Sarasvathy 2001). Affordable loss refers to the

maximum amount of money an entrepreneur is willing to lose on a venture without jeopardizing their overall goals. Effectual logic frames the problem as one of pursuing adequately satisfactory opportunities without investing more resources than stakeholders can afford to lose. (Read et al., 2009) Furthermore, it focuses on experimenting with as many strategies as possible with the given limited means, the effectuation approach prefers options that create more options in the future over those that maximize returns in the present (Sarasvathy 2001).

Causation focuses more on the expected return, so the options with the highest expected return are chosen. Therefore, focusing more on the upside potential than the downside potential (Sarasvathy 2008). Entrepreneurs using this approach make resource allocations decisions based on probabilities and expected return (Latané, 1959)

#### 2.1.3 Crazy quilt

The crazy quilt principle focuses on making strategic alliances and commitments of stakeholders (Sarasvathy 2001). So, this principle aims to reduce risks and uncertainty by making alliances and working together. Furthermore, by using the crazy quilt principal expert entrepreneurs cocreate the market with interested participants (Grégoire and Cherchem 2019). Furthermore, under effectual logic, initial customers are seen as partners and vice versa (Sarasvathy, 2008) So this approach focuses on spreading the risks and rewards over a larger group by including more people in the decision making.

In contrast the causation method focuses more on a detailed competitive analysis (Sarasvathy 2001). For instance, the Porter model (Porter 1980) is an example of a method of competitive analysis and therefore a causation method. So, the causation approach focuses more on entering a new market. Furthermore, it relates to researching the market and segmentation of the market and utilizing the best segment. Protect what you have and maximize your share of the opportunity (Read et al 2009)

#### 2.1.4 Lemonade

The lemonade principle, based on the saying when life gives you lemons, relates to the fact that according to this theory entrepreneurs should acknowledge and appropriate contingency by leveraging surprises (Sarasvathy 2008). So, the effectual entrepreneur must stand ready to make do with what comes her way and to learn to transform both positive and negative contingencies into useful components of new opportunities. (Dew et al 2009). As Sarasvathy and Dew (2005) state prevent from predictions, imaginative rethinking of possibilities and continual transformations of targets characterize effectual frames. Contingencies, therefore, are seen as opportunities for novelty creation— and hence to be leveraged.

On the other hand, with causation model there is an explicit effort to avoid unpleasant surprises — even, as Denrell and March (2001) argued, to avoid all surprises,

positive and negative (Dew et al 2009). No change when confronted with new information, means or surprises. (Read, Song and Smit, 2009). There is a relationship between past and future (Dew et al., 2009) So, it relates to not only making sure that there is an effort into avoiding contingencies but also when they do appear to not change.

### 2.1.5 Pilot-in-the-plane

This last principle relates to the fact that according to the effectuation approach it is more important to control the future than to predict the future. As Sarasvathy (2001) said: *To the extent that we can control the future, we do not need to predict it.* So, they focus more on the activities that are in their control, these entrepreneurs know that their actions will result in the desired outcomes (Dew et al 2009).

Where the effectual worldview is rooted in the belief that neither found nor predicted, but rather made (Dew et al 2009), the causation approach focuses more on the predictable aspects of an uncertain future (Sarasvathy 2001). The future can be acceptably predicted on the basis of past experiences (Read et al., 2009). To summarize the difference best is to compare the quote said before to this one: *To the extent that we can predict the future, we can control it.* (Sarasvathy 2001). Here you can see the causation focuses on predicting the future and effectuation to reacting to the future.

## 2.2 Propositions

### 2.2.1 Proposition 1

For my first proposition, which relates to the bird-in-hand principle, I believe that since the social entrepreneurs have certain social goal/cause in mind they will have a clear goal and will gather the means to reach this goal. Therefore, my first proposition is:

Social entrepreneurs will use a more causation approach for that they will have a social goal in mind and that is their primary goal.

### 2.2.2 Proposition 2

This proposition relates to the affordable loss principle. I believe that given the fact that these social entrepreneurs have a social cause in mind while doing business they will not prioritize expected return but will focus on what are they willing to spend/lose on the social goal. Therefore, my second proposition is:

Social entrepreneurs will use the affordable loss principle with the social goal in mind they will not prioritize expected returns.

### 2.2.3 Proposition 3

Proposition 3 relates to crazy quilt principle; I believe that social entrepreneurs will be more likely to work to gather to achieve their goal. Besides the social aspect is in most cases their main priority so working together is

more impactful than doing competitive analysis or market research. Therefore, my third proposition is:

Social entrepreneurs will use the crazy quilt principle because social entrepreneurs want to make an impact in the world and by making alliances and working together the impact can be bigger.

### 2.2.4 Proposition 4

This proposition relates to the lemonade principle, where it is about leveraging or avoiding contingencies. I believe that social entrepreneurs will be more open to leveraging contingencies because if they see new opportunities to help achieve their social goal, they will be likely to use these opportunities and will be less inclined to stick to the preset plan. Therefore, my fourth proposition is:

Social entrepreneurs will be open to leveraging contingencies in useful new opportunities.

### 2.2.5 Proposition 5

The fifth and last proposition relates to the pilot-in-the-plane principle. So, controlling or predicting the future. I believe that social entrepreneurs are more interested in controlling the future because they want to achieve a social goal therefore, they have less need for predicting the future than for controlling/creating the future. Therefore, my fifth proposition is:

Social entrepreneurs will be more interested in controlling the future than predicting it. They want to change the world therefore controlling the future over predicting it is important.

## 3. Research Methodology

### 3.1 Interviews

To answer my research question "To which extent do social entrepreneurs employ causation and effectuation approaches in their decision-making processes?" I am going to conduct qualitative research. This is best suited for my research question because of the niche group I am going to research and the limited time I have for my research. Also, because it would be hard to find a lot of social entrepreneurs to conduct quantitative research.

Furthermore, to get an insight into decision-making approaches open-ended question give more explanation on how and why they choose to take decision a certain way. The type of qualitative research I am going to do is analysing interviews of social entrepreneurs done in the past by a former UT student. These interviews are semi-structured to make sure I can analyse the answers adequately, however the questions are not standardized. For that, semi-structured interviews are a suitable data collection method for small-scale research, as they often result in information rich empirical data (Drever, 1995; Eisenhardt & Graebner, 2007)

Lastly, these questions are asked and answered in Dutch, for that the native speaking language is of the entrepreneurs is Dutch. So, this improves the response of the entrepreneurs. If needed the original Dutch transcripts can be requested to be looked at.

### 3.2 Sample and Method

The sample I am using for my research is a dataset of interviews provided by my tutor Dr. Stienstra. This dataset consists of six interviews with social entrepreneurs done in the past by a former student, Tim Salomons. These interviews focus on the friction between local government and social entrepreneurs in the way they work, with the focus on the effectuation or causation approach. These social entrepreneurs are all the initiators of a certain organization/business focusing on delivering some sort of social value. So that is the sample I am focusing on.

These interviews are semi structured, they do not follow a standardized question list but do however follow a certain pattern. In the first part the questions are focused on the idea phase and the second part of the questions focus more on the phase where they have already started their company. Both parts are used for my analysis.

### 3.3 Analysis

Using the answers the interviews provided I will code the answers as causation approach or effectuation approach. This will be done by using the five principles of effectuation and their counterpart of causation. Using these results, I will either reject or accept my propositions and draw some conclusions on effectuation and causation use by social entrepreneurs.

In these interviews the questions are not totally focused on the decision-making approach effectuation and causation, but also on the friction between local government and these social entrepreneurs. For the analysis it is important to keep this in mind when analysing the transcripts.

Furthermore, to make sure that the coding is done objectively and in the most complete way, my tutor Dr. Stienstra and I have both discussed and worked on the coding of the interviews.

#### 3.3.1 Coding

For the coding of the data, I will analyse the answers given in the interviews using deductive coding. This coding is most applicable for my research because deductive analysis can be used to organize data or sort data into predetermined categories created from literature or theory. (Bingham, 2023) So, by using the literature described in chapter 2, where five principles were discussed, the categories can be made. In total there are ten categories, five are for the effectuation principles and another five are for the causation principles.

As said before both me and my tutor Dr. Stienstra have discussed and worked on the coding of the interview. This provides some kind of interrater reliability, as Lombard et al. (2002) states IRR or intercoder agreement can be defined as “the extent to which independent coders evaluate a characteristic of a message or artefact and reach the same conclusions” as cited by Belur et al. (2018). So, by both coding and discussing the transcripts the coding is likely to be more reliable.

Furthermore, because of the fact that the interviews are not standardized a method like inductive coding would be less efficient for that this coding is more based on seeing patterns (Bingham,2023).

For this deductive coding I will be using a codebook. This codebook is based on a code sheet provided by my tutor Dr. Stienstra. As said before this codebook will be mainly based of literature and theory used in the literature review, where the five principles of Sarasvathy (2008) and Sarasvathy (2001) will be the main theory the coding is based on. So according to this code sheet and the information provided in chapter 2 I will code the transcripts.

Furthermore, it should be noted that not only the five principles are used there also two codes relating to Causal or Effectual which do not necessarily fit in one of these categories. When coming across this kind of answer it will be coded as X for causal and N as Effectual. This code will be given to answers when Dr. Stienstra or I will see an answer which does not really fit in the subcategory but has some link to effectuation or causation. So, in total there are twelve codes, where six relate to the causal approach and six relate to the effectual approach.

To code the text with these codes I will mainly focus on the literature I provided in chapter 2. So, for instance as stated in chapter 2.1.1 the effectual approach relates to who I know. So, if in the transcripts a social entrepreneur gives an answer relating to them utilizing their network first without having an already clear goal in mind it will be coded as M. On the other hand, when the social entrepreneur indicates that they first have a goal and then utilize a more plan-based approach it will be coded as G.

As said before, given the fact that it is not my data and my questions I will be looking more at the context of their answers. So, for instance the mere mentioning of the who I know principle does not necessarily mean it will be coded as such, there must be an indication that the entrepreneurs actually use the principles described in chapter 2. This goes for all principles/codes. Below you can see an overview of the codes and the theory used per code, however the coding is not limited to just this theory there is room for interpretation and other theory that is mentioned in this thesis or input from my tutor Dr. Stienstra

Table 1 Overview Code and Theory

Code	
P-Prediction of the future	<p>To the extent that we can predict the future, we can control it. (Sarasvathy 2001).</p> <p>Focusing more on the predictable aspects of an uncertain future (Sarasvathy 2001).</p> <p>No change when confronted with new information, means or surprises.</p>
C- Pilot-int-the-plane/ Control the future	<p>As Sarasvathy (2001) said: To the extent that we can control the future, we do not need to predict it</p> <p>These entrepreneurs know that their actions will result in the desired outcomes (Dew et al 2009); future is made</p>
G- Goal-driven	<p>With causation approach the entrepreneur look at what he/she desires first and then assembles the resources (Sarasvathy 2008)</p> <p>Goals determine actions, including which individuals to bring on board (Dew et al., 2009)</p>
M-Bird-in-hand/Means-based	<p>The most important questions the entrepreneurs should ask according to this principle is “who am I, what I know and who do I know” (Sarasvathy 2001). Following these questions, you can find out your means as an entrepreneur, so they use their competencies, knowledge, and social network (Sarasvathy 2008).</p> <p>Competencies or who am I relates to personality and preferences, what I know relates to the knowledge the entrepreneur already has and lastly who do I know relates to the network the entrepreneur has, so can he or she utilize their network for their business.</p> <p>Goals emerge by imagining courses of action based on given means (Read et al., 2009)</p>
R-Expected returns	<p>Focusing more on the upside potential than the downside potential (Sarasvathy 2008)</p> <p>Making resource allocations decisions based on probabilities and expected return (Latané, 1959)</p>
L-Affordable loss	<p>Effectual logic frames the problem as one of pursuing adequately satisfactory opportunities without investing more resources than stakeholders can afford to lose. (Read et al., 2009)</p>

	<p>The effectuation approach prefers options that create more options in the future over those that maximize returns in the present (Sarasvathy 2001).</p>
B-Competitive analysis	<p>Detailed competitive analysis (Sarasvathy 2001)</p> <p>Researching the market and segmentation of the market and utilizing the best segment.</p> <p>Protect what you have and maximize your share of the opportunity (Read et al 2009)</p>
A-Crazy quilt/ Use of alliances or partnerships	<p>Making strategic alliances and commitments of stakeholders (Sarasvathy 2001); to reduce risks and uncertainty by making alliances and working together.</p> <p>Cocreate the market with interested participants (Grégoire and Cherchem 2019)</p> <p>Customers are seen as partners and vice versa (Sarasvathy, 2008)</p>
K-Avoid contingencies	<p>As Denrell and March (2001) argued, to avoid all surprises, positive and negative (Dew et al 2009).</p> <p>No change when confronted with new information, means or surprises. (Read, Song and Smit, 2009).</p>
E-Lemonade/ Embrace contingencies	<p>Acknowledge and appropriate contingency by leveraging surprises (Sarasvathy 2008).</p> <p>Transform both positive and negative contingencies into useful components of new opportunities. (Dew et al 2009).</p> <p>Contingencies are seen as opportunities for novelty creation— and hence to be leveraged.</p>
X-Causal (no subcategory given)	
N-Effectual (no subcategory given)	

## 4. Results

### 4.1 Coded Result

This chapter focuses on the main findings of this research. As said before I have analysed the answers based on the five principles and I have coded them with the codes shown in table 1. Below I have given an overview of the number of times the codes were applicable per interview.

Table 2 Overview Causation

Entrepreneur	P	G	R	B	K	X	Total
E1	3	5	1	1	4	-	14
E2	-	4	-	-	5	-	9
E3	1	1	-	1	6	-	9
E4	-	-	-	-	2	-	2
E5	-	-	-	-	-	-	-
E6	-	-	1	-	-	-	1
Total	4	10	2	2	17	0	35

Table 3 Overview Effectuation

Entrepreneur	C	M	L	A	E	N	Total
E1	1	9	3	8	2	1	24
E2	1	9	6	6	8	1	31
E3	1	5	1	8	4	-	19
E4	1	6	-	9	3	-	19
E5	2	4	1	3	5	1	16
E6	2	8	1	4	2	-	17
Total	8	41	12	38	24	0	123

As shown in the tables above, both effectuation and causation approaches were used by these social entrepreneurs. To give a more in-depth analysis I will now go by each principle and give some more explanation for why this is the result, using the answers of the interview. As said before these interviews were done in Dutch so when I support or refer to something that was said in the interview, I will translate it to English.

### 4.2 Results and the five principles

#### 4.2.1 Prediction VS Control of the future

As shown in table 3, only for entrepreneur 1 predicting the future was more applicable than controlling it. Although they indicate that they use both, same goes for entrepreneur 3. Entrepreneur 1 indicates when talking about the government. *"They want to develop several hundred million worth of this type of real estate over the coming years. And that does align quite well with the calculations I did with someone else. We think, based on the demand, that about 7 billion worth of this type of real estate needs to be built."* So, in this case the entrepreneur

predicts the future and uses his knowledge to his advantage.

Still the controlling of the future is more applicable to social entrepreneurs according to the results. Four out of six indicate that they only use the effectual approach of controlling the future rather than predicting it. For instance, entrepreneur 6 states *"We are also going to create a different concept for that. Because in 1999 the world was really very different than in 2018, so we are going to work on that. And we have to work on that, because the business model is faltering, and it's not working this way anymore."* Here you can see that the social entrepreneur recognizes the past, however instead of using the past to predict the future, they state that it is not working anymore, and we are going to create/control the future ourselves.

#### 4.2.2 Goals vs Means

Looking at the results relating to this principle you can see that three out of the six entrepreneurs use both approaches, however, even though three of them use both the causation and the means or bird-in-hand approach, the latter has the upper hand in the results. One clear example where the goal approach is used, is in the interview with entrepreneur 3 where they state: *"And as we always say, it does not matter how we get there, one way or another, if we want something we will make it happen."* Here you can see that in this case the entrepreneur states that when they have a clear goal in mind, they will do everything in their power to make it happen. So first they indicate what they want and then they will locate the resources and try to make it happen.

The bird-in-hand or means approach was quite significant in all the interviews, especially the who do I know part was applicable for all six entrepreneurs. For instance, for entrepreneur 2, they state: *"I already had a lot of contacts there in the political environment, and there was a lot of support from them."* Not only the who do I know part but also the what I know part was applicable to every entrepreneur interviewed. For instance, entrepreneur 4 states: *"Of course, we also saw that seniors kept on living at home for a longer period of time, and so on."* So, this indicates that the entrepreneur had some kind of knowledge of the field that they wanted to operate in.

#### 4.2.3 Expected return vs Affordable loss.

Moving on to the third principle, the results show that four out of six entrepreneurs indicate that they use the affordable loss more than the expected return. For entrepreneur 4 there was no clear indication of them using either of these principles, entrepreneur 6 on the other hand indicates that they use both equally. Entrepreneur 6 states that: *"Those are all qualitative results that you mention, and not even so much quantitative or indicated in terms of impact. We always translated it into societal value: how much value do you assign to a match that you achieve?"* Here you can see

that this entrepreneur indicates that they look at the impact and how much value add to a certain match.

However, according to the results it is clear that the affordable loss principle is more applicable for these social entrepreneurs than the expected return principle. Entrepreneur 3 states: *"If you mean financial, we did that out of our own pocket.... That's one thing, we financed it ourselves. We have no bank loans, nothing at all, no subsidies, and not even support from the UWV or the municipality, because we are not a reintegration agency."* Here you can see that they invested the money themselves and looked at what they were willing to invest instead of looking at the maximum return and investing based on this.

#### 4.2.4 Competitive analysis vs Alliances and partnership

The results of the fourth principle, relating to competitive analysis and alliances or partnerships show that all of the six social entrepreneurs use alliances and partnership more than competitive analysis. Furthermore, only entrepreneurs 1 and 3 indicate use of competitive analysis in their answers. As entrepreneur 1 states: *"Care brede means combining different target groups to achieve scale, including both the elderly and people with intellectual disabilities."* Here you can see that this entrepreneur makes use of market segmentation which relates to the principle of competitive analysis.

It is clear however, that the alliances principle is much more used by these social entrepreneurs. One of the examples given by the social entrepreneurs, specifically entrepreneur 1 states that: *"What we did especially in the beginning was to meet periodically with the key stakeholders. This way, we really involved them in the process, so they would adopt a collaborative and cooperative mindset. And that worked very well. In the end, I did notice that the more concrete it became, the harder the municipality found it to really give it meaning."* Here you can clearly see that this social entrepreneur involves their stakeholders a lot in his process of decision-making and wants them to actively participate in the business.

#### 4.2.5 Avoiding contingencies vs embracing contingencies

The last principle relates to avoiding contingencies and embracing contingencies, in the results it can be seen that both the principles are often used by these social entrepreneurs. Entrepreneur 1,2,3 and 4 use both principles where entrepreneurs 1 and 3 indicate that they use the avoiding principle more than their counterpart. Entrepreneur 3 for instance indicates that: *"That's where it went wrong. Then we said: Okay, we were very broad then, we are going to narrow it down."* Here you see that in the past something went wrong resulting in them narrowing down and therefore avoiding contingencies or risks like that in the future.

Entrepreneurs 2 and 4 on the other hand indicate that they use the embracing contingencies principle more.

Furthermore, entrepreneurs 5 and 6 on the other hand indicate that they only use the embracing contingencies principle. As entrepreneur 5 states for instances: *"Yes, but then we would just adjust it and move on. Either you conclude: Okay, it doesn't work. Or you adjust it, or you go with the next idea."* This is a response to a question about if they worked planned and if they stick to the plan no matter what, here you can see that this social entrepreneur embraces what comes their way and adjust accordingly.

#### 4.2.6 Effectual with no subcategory vs Causal with no subcategory

The last part of the results relates to answers given that indicate either effectual or causal decision-making approach but do not specifically fit in one of the principles. Entrepreneurs 1,2 and 5 have given an indication of this in their answers. These answers were quite similar in that they both relate to some kind of incremental growth of what kind of business they do. For instance, entrepreneur 2 states that: *"So we started very small, just with a piece of track and nothing else. In the meantime, a shed has been built, and seven rail bikes have been built for five people each."* I indicated this as a kind of effectual approach which does not really fit in the five principles.

### 4.3 Results and propositions

At the end of chapter 2 I made 5 propositions (P) based on the five principles explained in the literature review. For every social entrepreneur (E) I will state if they accept (A) or reject (R) the propositions made in chapter 2. If they neither accept nor reject them this will be marked by X. Furthermore, it is shown to which degree it is accepted or rejected in percentage. The results are shown below.

Table 4 Acceptation or rejection of the propositions

	E1	E2	E3	E4	E5	E6
P1	R (64,29%)	R (69,23%)	R (83,33%)	R (100%)	R (100%)	R (100%)
P2	A (75%)	A (100%)	A (100%)	X (n/a)	A (100%)	X (n/a)
P3	A (88,89%)	A (100%)	A (88,89%)	A (100%)	A (100%)	A (100%)
P4	R (66,67%)	A (61,54%)	R (60%)	A (60%)	A (100%)	A (100%)
P5	R (75%)	A (100%)	X (n/a)	A (100%)	A (100%)	A (100%)

## 5. Discussion and Conclusion

### 5.1 Discussion of Social Entrepreneurs

When looking at the definition of social entrepreneurs I gave in chapter 2, I can say that all social entrepreneurs interviewed had some kind of overlap with the definition given. In this dataset consists of different kinds of social



entrepreneurs some started alone, some worked together with a partner from the start. Not only that, but there were some social entrepreneurs who did it part-time and some did it full-time, this also meant that for the full-time social entrepreneurs some kind of revenue/profit was more needed because otherwise they would not have an income. So, some were more on the non-profit kind of the social entrepreneur spectrum and others were more on the profit but with a social goal social entrepreneur.

Given the fact that even in this small sample there are already big differences between the social entrepreneurs, I would argue that the social entrepreneur might be a too broad of a concept. Some work more on voluntary base as an extra activity and some are full-time entrepreneurs who might be closer to normal entrepreneurs than these more voluntary based entrepreneurs. Furthermore, after analysing the interviews I would argue that some of these social enterprises are more like a government organisation or an extension of it than a regular enterprise, for that they could not exist without some kind of subsidy of the government or an investment of someone which is more like charity than a real investment with a focus on a return of investment.

In my opinion there could be made a distinction between social entrepreneurs to make it less broad. For instance, on the one side you have the more government/subsidy based social entrepreneurs and on the other hand the more entrepreneur based social entrepreneurs, who might be more like the normal entrepreneur than the government/subsidy based social entrepreneur.

## **5.2 Discussion and conclusion of the propositions**

In this part I will look back at the propositions made by me in chapter 2 and discuss the results of the research done by looking back at the five propositions. Furthermore, I will conclude if they are largely accepted or rejected.

### **5.2.1 Proposition 1**

The first proposition I made was about the bird-in-hand principle I stated that: "Social entrepreneurs will use a more causation approach for that they will have a social goal in mind and that is their primary goal." It is clear that this proposition was wrong according to this research as the results show that all of the social entrepreneurs rejected this proposition.

When making this proposition I believe I underestimated the network and the capabilities these social entrepreneurs already had. They of course had a social goal in mind, but they worked mean based in most situations. However still there were still some situations where the goal part was more important than the means part, this was especially clear when they needed to ask for a subsidy. They then needed to come up with a more goal-based approach.

### **5.2.2 Proposition 2**

The second proposition I made was about the affordable loss versus the expected return principle. I stated that: "Social entrepreneurs will use the affordable loss principle for that with the social goal in mind they will not prioritize expected returns." This proposition was accepted by four out of six social entrepreneurs and was neither accepted nor rejected by the other two.

I believe that in the case of this principle it is logical that the social entrepreneurs do not focus mostly on the maximization of expected return, because it is also not their most important goal maximize profits. So, they are more likely to look at what they are willing to spend on this less profitable investment. However, in some cases it was needed to satisfy other investors and at least make sure that the invested money was paid back with at least some profit.

Furthermore, given the fact these social entrepreneurs care more about the societal impact of value they bring, it should be stated that the expected return as explained by Sarasvathy (2001) and Dew et al (2009) does not fully cover the decision-making approaches these social entrepreneurs have in my opinion. For that the expected return is harder to define for these entrepreneurs, they also focus on societal impact which is harder to measure in terms of raw numbers than for instance financial return.

### **5.2.3 Proposition 3**

The third proposition I made was about the crazy quilt principle. The proposition I made was the following: "Social entrepreneurs will use the crazy quilt principle because social entrepreneurs want to make an impact in the world and by making alliances and working together the impact can be bigger." When looking at the results it can be seen that this proposition was clearly accepted by all of the social entrepreneurs.

In the case of the interviewed social entrepreneurs, it is logical that they work with alliances, for that all of these social entrepreneurs had some kind of relation with the municipality or a university. I believe that this is probably the case for most social entrepreneurs because when you are not solely working for profit and also want to make a societal impact it is a logical step to work together with the society you want to improve. Furthermore, in the interviews it became clear for me that as a social entrepreneur it is nearly impossible to not work with another party. Not working with another party could only be achieved when the social entrepreneur had a reserve or did the "social entrepreneuring" part-time with another paid job on the side. It also should be noted that the crazy quilt principle relates to the bird-in-hand principle for that the who I know part of this principle directly relates to if you can form the alliances.

Furthermore, competitive analysis in most cases is not necessarily in my opinion because companies who just want to maximize profit will most likely outperform social entrepreneurs in the market. That is why social entrepreneurs have more need for working together. Entrepreneur 3 also stated in his interview that social

entrepreneurs are more open than normal entrepreneurs when talking about their business case/plan, as he interacted with normal entrepreneurs before becoming a social entrepreneur. So, this shows that social entrepreneurs work different and will be outperformed by normal entrepreneurs in most cases when it comes to maximizing profit.

#### **5.2.4 Proposition 4**

In the fourth propositions relating to avoiding or leveraging/embracing contingencies I formulated that: "Social entrepreneurs will be open to leveraging contingencies in useful new opportunities." Four out of 6 of the social entrepreneurs interviewed accepted this proposition, the other two rejected it. Although it should be noted that four out of 6 used both. So, this proposition was also accepted, however it was not as black and white as for instance proposition 3.

I think this principle and proposition shows the duality of a social entrepreneur the best. In this instance, most of the social entrepreneurs indicated some kind of avoiding risks because their companies/organizations do not always have the best financial position because of their social goal. However, they are still entrepreneurs who will see an opportunity and will take it every time they get and will make sure to embrace and leverage this opportunity.

Most of them indicate that they have some kind of planned approach but that they do not necessarily always stick to it when confronted with new information. So, I believe that this principle might be too black and white and most social entrepreneurs will use both approaches. This also again relates to the fact that they have to work with the local governments, they have to give them some kind of insurance that they have a responsible way to spend their money.

#### **5.2.5 Proposition 5**

The last proposition I made was regarding the principle of predicting or controlling the future. The proposition I formulated was the following: "Social entrepreneurs will be more interested in controlling the future than predicting it. They want to change the world therefore controlling the future over predicting it is important." This proposition was accepted by four out of the six social entrepreneurs, rejected by one, and neither rejected nor accepted by one. So, it can be argued that this proposition is true.

I believe that it is logical that social entrepreneurs would rather control the future than predict it. However, the two are not necessarily mutually exclusive. I think that these social entrepreneurs want "do" something about the future and therefore control it by the actions they perform. Although I think that their motivation is more likely based on the prediction of the future and when they see something that can be changed for the better of society, they will then do something about it and go against what was done in the past.

So, if you look at the casual approach: *To the extent that we can predict the future, we can control it.* (Sarasvathy 2001). And then the effectual approach: *"To the extent that we can control the future, we do not need to predict it"* (Sarasvathy 2001). I think that they look at the prediction of the future and then conclude they do not agree with the view of it then they will start to control the future and have no need for predicting it anymore because they believe that they will shape the future.

### **5.3 Implications, Limitations and Future research**

#### **5.3.1 Academic implication**

The outcome of this research has several academic implications. Firstly, it builds upon the theory of Yusuf and Sloan (2013) that social entrepreneurs are more likely to use effectual approaches in their decision-making but will use both approaches. Given the results it can be said that this research supports the theory made by Yusuf and Sloan (2013). On top of that it gives a better insight into what extend they use both or if they use one approach significantly more than the other.

Furthermore, another academic implication can be drawn based on this research. The research of Reymen et al. (2015) already indicated that the use of effectual and causal approaches is not mutually exclusive. This research implicates a support of this theory, as most social entrepreneurs interviewed indicate a use of both approaches. So, there is synergy between the two approaches.

#### **5.3.2 Practical implication**

This research aimed to look at the decision-making approach of a social entrepreneur. This research has given a better insight of the decision-making logic of a social entrepreneur, by using the causal and effectual approaches. This research can help local governments but also other entrepreneurs to see how social entrepreneurs are most likely to behave, furthermore they might get a better understanding of why a social entrepreneur makes their decisions.

#### **5.3.3 Limitations and future research**

Firstly, one of the limitations that is most relevant for this research is that the interviews were not conducted by me. This is limitation because I could not use more direct questions about the decision-making approaches, which might have led to a better insight into to the decision-making mind of social entrepreneurs. Now I was limited to using the interviews of a former student which meant that there was more other content which was not that relevant for my research. Future research should try to focus more solely on the decision-making approach of social entrepreneurs, to get even better results.

Furthermore, only six interviews were provided. Although due to the time frame for my thesis I would likely not have had much more interviews if I had done it myself, this is still not that big of a sample, for future it

research it might be more appropriate to try to collect a better sample than the one I used for this research.

## 5.4 Conclusion

This research was done to analyse the decision-making approaches of social entrepreneurs, by using the causal and effectual approach. The research was done to answer the following research question.

*To which extent do social entrepreneurs employ causation and effectuation approaches in their decision-making processes?*

This research question has been answered by following the five principles of effectuation. By making propositions it has given greater insight into the decision-making approaches. The only proposition that was largely rejected was proposition 1, all the other propositions were largely accepted and where proposition 4 is the only one which was rejected by two out of the six entrepreneurs. Furthermore, in the table below you can see that propositions 1,2 and 3 were largely accepted, proposition 4 was accepted but not with a significant overhand and lastly proposition 5 was rejected by a more significant overhand than proposition 4 but not as largely rejected as the first three propositions were accepted.

Table 5 Overview Acceptance and Rejection

Propositions	Accepted in Percentage	Rejected in Percentage
P1	80,39%	19,61%
P2	85,71%	14,29%
P3	95%	5%
P4	58,54%	41,46%
P5	33,33%	66,67%

Given the result the research question can be answered by saying that social entrepreneurs are more likely to use effectuation principles when making their decisions, however they also use causation principles an overview of the results can be seen below.

Table 6 Overview of Effectuation vs Causation

	Causation	Effectuation	Total	Causal (%)	Effectual (%)
E1	14	24	38	36,84%	63,16%
E2	9	31	40	22,5%	77,5%
E3	9	19	28	32,14%	67,86%
E4	2	19	21	9,52%	90,84%
E5	0	16	16	0%	100%
E6	1	17	18	5,56%	94,44%
Average	5.83	21	26.83	17,76%	82,24%

So given the results shown in the table above a conclusion can be drawn on the extent to which social entrepreneurs use causation and effectuation approaches in their decision-making. Based on the six social entrepreneurs interviewed I have calculated the average.

This shows that, based on this sample, social entrepreneurs have a decision-making approach that consist for 17,76% of causation approaches and for 82,24% out of effectuation approaches.

Furthermore, as stated in the discussion, it can be concluded that social entrepreneurship might be too broad of term for that within social entrepreneurs there is a lot of difference between social entrepreneurs. This difference might be too big to consider them part of the same group and consider them all the same as well.

So, to conclude and answer the research question, according to this research social entrepreneurs use both causation and effectuation approaches in their decision-making, however it should be noted that they use the effectuation approach significantly more.

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