
Culture and its influence on the entrepreneurial process

Bachelor thesis

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Preface

At the beginning of April 2011, Mr. Stienstra, a professor and researcher at the University of Twente, introduced me to the book *“Effectuation: elements of entrepreneurial expertise”* by Sarasvathy (2008). While reading the book, I got very enthusiastic about entrepreneurship and especially about the “effectual logic” that Sarasvathy so passionately and elaborately describes. At the time, Mr. Stienstra was undertaking a research effort to assess the impact of culture on the entrepreneurial process, partly based on Sarasvathy’s work. This research effort was called the EPICC project: Entrepreneurial Processes in a Cultural Context.

Although I had always been interested in culture and the effects it has on people and businesses, a course in “Cross Cultural Management” that I took up while I was studying at the University of Sydney had further sparked my interest in the topic. By assisting Mr. Stienstra’s research, I would have the chance to apply my passion for the effects of culture to an exciting new field of study. Therefore, I decided to take on the challenge. This thesis is the result of research that I undertook in Berlin, Germany, and in Enschede, the Netherlands, where I collected data from a number of student entrepreneurs.

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1. Introduction and background

1.1 Introduction

Entrepreneurial processes are a “hot topic”. A search for documents about entrepreneurial processes on Scopus yields nearly 2.000 results, of which over 1.000 were added in last five years. (SciVerse, 2011)

In 2008, Sarasvathy introduced a new approach to the entrepreneurial process: *effectuation*.

Effectuation can be seen as being the opposite of causal thinking. Sarasvathy suggests that successful entrepreneurs prefer an effectual logic over a causal one. (Sarasvathy, 2008) I will describe this research in more detail in the next chapter, but for now it is sufficient to note that these results provide ample opportunities to keep research into the field of entrepreneurial processes “hot”.

1.2 Research question

There is a relatively large body of research in the fields of both culture and entrepreneurial processes. (Cohen, 2009; Venkataraman, 1997) However, little research has been conducted into the effects of culture on entrepreneurial processes; whether entrepreneurs in different cultures use the same approach to this process or not. One of the results from Sarasvathy’s 2008 research is that in the U.S., successful entrepreneurs strongly prefer an effectual logic over a causal one. This is an interesting result, but its cross-cultural applicability is limited by the sample used in the research: entrepreneurs from the U.S.

The question that arises from a first look at the available research on this topic is the one that the EPICC¹ project is seeking to answer in its research; to what extent culture influences the entrepreneurial process. The goal of this study is to contribute to this study by researching this influence in Germany and in the Netherlands. In order to be consistent with the sample used in the other research for the EPICC project, I will use nascent entrepreneurs as my sample. I will also look at how potential entrepreneurs differ from nascent entrepreneurs in their approach to the entrepreneurial process, to give my thesis an extra dimension. This brings me to the following research question for this study:

“In what way does the national culture of Germany and the Netherlands influence the way potential and nascent entrepreneurs in these countries approach the entrepreneurial process?”

In order to be able to answer this question, I have formulated the following sub-questions:

1. *What elements of the German and Dutch national cultures are relevant to answering our research question?*
2. *How do nascent entrepreneurs in Germany and the Netherlands approach the entrepreneurial process?*
3. *How do potential entrepreneurs in Germany and the Netherlands differ from nascent entrepreneurs in their approach to the entrepreneurial process?*

I will answer these questions by researching existing literature and by analyzing think-aloud verbal protocols of entrepreneurs working through a case (as described in chapter 3).

¹ EPICC: Entrepreneurial Processes in a Cultural Context; see preface

1.3 Scope, context and limitations

The data for use in this thesis will be collected in Germany and in the Netherlands. Therefore, these countries and their national cultures form the context for my research. I will use a representative sample of entrepreneurs from one location in each country in this research.

The aim of this thesis is to contribute to a larger research effort (the EPICC project). Therefore, I will use a standardized research instrument, so my results can be compared to other studies. The data collected in this research will later be used for further cross-cultural comparison of entrepreneurial processes.

2. Theoretical background

2.1 Culture

2.1.1 What is culture?

There are a multitude of definitions of the concept of culture. As Cohen (2009) points out, even after decades of research in the field, it is difficult to define culture because of its many forms and elements. Hofstede (2001), in his extensive research into differences and commonalities among national cultures, defines culture as *“the collective programming of the mind that distinguishes the members of one group or category of people from another”*. (Hofstede, 2001, p. 9) Examples of how culture manifests itself include the way that people greet each other, which behavior is acceptable at the workplace, and what is considered to be art.

Culture exists on several levels; Schein (1990), for example, defines three levels: observable artifacts, values, and basic underlying assumptions. While there are various names and definitions for the different levels of culture, a distinction can be made between cultural aspects that are observable (such as behaviors and artifacts), and aspects that are not observable (such as values and beliefs). Hofstede (2001) used an “Onion Diagram” (figure 2) to illustrate this distinction. While ‘practices’ (such as rituals, heroes and symbols) are visible to an outside observer, the ‘values’ that are at the core of a culture are not readily visible from the outside. The diagram also illustrates the view that the outside layers of the ‘onion’ (the ‘practices’) are based upon the ‘values’ that lie in its core.

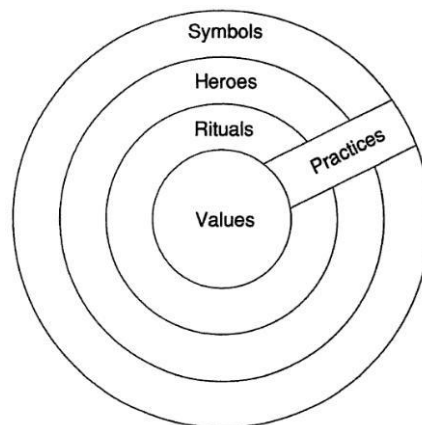


Figure 2: Hofstede's “Onion Diagram”, symbolizing several levels of depth in culture (Hofstede, 2001, p. 11)

2.1.2 Frameworks for describing and comparing cultures

There are a number of frameworks that can be used to describe and compare cultures. These frameworks are based upon an analysis of several cultures and provide information on how cultures differ from one another. Kluckhohn and Strodtbeck (1961) proposed a framework of 'values orientations', based on the various ways societies deal with certain issues or problems. This framework contains elements such as a culture's relation to nature or its time orientation. Kluckhohn and Strodtbeck based their framework on research that they conducted in several small communities in the United States. Several decades later, Trompenaars (1993) developed a framework for comparing cultural differences based on a large amount of data gathered from managers in over 40 different cultures. Hofstede (1980, 2001), carried out extensive research among IBM employees in several different countries. The data that was used in this research had been collected from over 100,000 IBM employees working in various positions throughout the organization. Based on this data, Hofstede developed his framework of cultural dimensions, which has frequently been used after it was published. More recently, House et al (2004), collected data from thousands of managers in 62 different cultures in their "GLOBE" study. This study attempted to replicate and extend Hofstede's research and led to the development of another framework for comparing cultures.

When we evaluate the abovementioned frameworks for use in this study, several advantages and disadvantages come to light. As the framework proposed by Kluckhohn and Strodtbeck is based on research in a very specific geographic area in the United States, its ability to accurately explain national cultures might be limited. Hence, we will not use this framework, as we want to evaluate German and Dutch national cultures. In contrast, the frameworks proposed by Trompenaars and House et al are based upon data collected from many different countries and might therefore be more accurate in evaluating national cultures. However, these frameworks are based upon data collected solely from managers in professional organizations. Because not all entrepreneurs are or have been managers, these frameworks may not be the best choice for application to entrepreneurs. Hofstede's framework is based on data collected from many different cultures. Also, the data, on which the dimensions in this framework are based, were collected from employees in various positions in many countries around the world. Hofstede's sample is diverse, as are entrepreneurs. Therefore, we choose Hofstede's framework for use in this study.

2.1.3 Hofstede's framework of cultural dimensions

Hofstede (1980) identified four *cultural dimensions* that can be used to explain differences among cultures. Later, based on the results of research conducted by the Chinese Culture Connection (1987), Hofstede added a fifth dimension (Long-term / Short-term Orientation) to his framework. He argued that this fifth dimension had been overlooked in the original research because of the "Western mindset" that the designers of the original research instrument had. Indeed, Western and Eastern cultures score very differently on this dimension. (Hofstede, 2001) Below, I list the five dimensions and provide a short explanation of what they entail.

Individualism / Collectivism describes the relationship between an individual member and groups he is a member of. In individualistic cultures, people care most about themselves and their family, and less about others. The bonds between members are often loose and people are expected to take care of

themselves and their family. In collectivistic cultures, the benefit of the group is often more important than the personal (individual) interests of its members. The bonds between group members are often strong and people from the same group help and support each other extensively.

Power Distance is the degree to which an unequal distribution of power is accepted in a society. In cultures that score low on power distance, people do not perceive a large difference in power between lower and higher ranking members. In large power distance cultures, this difference is clearer.

Uncertainty Avoidance describes how much structure is preferred in society. Cultures with low uncertainty avoidance are flexible, strict rules of behavior are uncommon and entrepreneurship is common. Conversely, cultures with high uncertainty avoidance have more structure, stricter rules about what is acceptable behavior, and entrepreneurship is less common.

Masculinity / Femininity measures if a culture puts more emphasis on 'tough' (masculine) values such as competition, money and success, or on 'tender' (feminine) values such as relationships, cooperation and a friendly atmosphere.

Long-term / Short-term Orientation describes the time orientation of a culture. Long-term oriented cultures are more concerned with the future, while short-term oriented cultures tend to put more emphasis on the present and the past.

All of the countries that Hofstede collected data from were scored on these five dimensions. After all the countries had been given a score, it was possible to compare the culture of each country to the culture of another. Also, it was possible to see which countries are culturally close and which are not. Of course, the countries scores are averages and do not necessarily reflect the preferences of each individual member of that country's culture. (Hofstede, 2001)

2.2 Entrepreneurial processes

2.2.1 The entrepreneurial process

Although there is no widely accepted definition of entrepreneurship, it is generally agreed upon that entrepreneurship is concerned with both *the opportunities to start profitable ventures, and with the people that perceive and act upon these opportunities*. (Venkataraman, 1997) At the heart of entrepreneurship is the entrepreneurial process, which can be described as involving: *"...all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organizations to pursue them."* (Bygrave & Hofer, 1991, p. 14)

Several models and frameworks for explaining the entrepreneurial process have been developed over time. Gartner (1985) proposed a framework consisting of four 'dimensions' that interact to create a new venture; the individual, the process, the organization and the environment. Some scholars base their model mainly on the individual who starts a new venture. (Shook, Priem, & McGee, 2003) Others, such as Bhawe (1994), seek to create a generally applicable process model for explaining the process of creating a new venture. Bygrave & Hofer (1991) suggest that population-ecology and modern mathematics could be used to model the entrepreneurial process. Recently, Sarasvathy (2008) found

that expert entrepreneurs mostly prefer an 'effectual' logic. This 'effectual' logic is the opposite of the causal logic that is inherent to most models of entrepreneurial processes. In the next paragraph, I will compare and evaluate these models for use in this thesis.

We want to evaluate how entrepreneurs in Germany and the Netherlands approach the entrepreneurial process. To achieve this goal, we could use a model based on individuals, such as the one mentioned above. However, such a model focuses mostly on the characteristics or psychological traits of the individual, rather than on the way that this individual approaches the entrepreneurial process. In the 'dimensions' model, as described above, the 'individual' dimension also focuses on the personality traits of the entrepreneur. Instead of using a model based on the entrepreneurial individual, we could use a process based model to achieve our goal. However, process models focus on the process instead of on the entrepreneur. Therefore, these models might also not be useful for evaluating the entrepreneur's approach to the process. Sarasvathy's model, in contrast, does seem to be useful for this purpose. By looking at the kind of logic (causal or 'effectual') that an entrepreneur prefers, we can evaluate the way he² approaches the entrepreneurial process. Therefore, we will use Sarasvathy's model in this thesis.

2.2.2 Effectuation: a new approach to the entrepreneurial process

There are two alternative approaches to the entrepreneurial process: a causal and an effectual approach. The results of research among expert entrepreneurs in the United States show that these entrepreneurs often prefer an effectual approach over a causal one. (Sarasvathy, 2008)

The causal approach involves an entrepreneur deciding upon a specific objective or effect that he wants to create, for example setting up an online bookstore. The 'causal entrepreneur' then searches for ways of achieving this goal, using his knowledge and resources. The selection of the best way to accomplish the entrepreneur's goal is based on planning, analysis and predictions about the future, as the entrepreneur seeks to maximize expected return. (Chandler, DeTienne, McKelvie, & Mumford, 2011) For example, our entrepreneur seeking to set up an online bookstore might decide, based on the results of market research and utilizing his experience in the field, to focus on selling academic books. The causal approach attempts to predict the future and to act optimally based on these predictions. Sarasvathy (2001, p. 252) described the underlying logic of the causal approach as follows: *"To the extent that we can predict the future, we can control it."*

The effectual approach, as described by Sarasvathy (2008), on the other hand, does not start with a specific objective or a specific effect to create. Rather, it starts with means – who the entrepreneur is, what he knows, whom he knows – and seeks to create future effects ('ends') with these means. The effectual approach is, in this sense, the opposite of the causal approach. The 'effectual entrepreneur' employs a strategy of non-predictive control; instead of relying on predictions of the future, the entrepreneur attempts to control the future through his own actions. (Sarasvathy, 2008: 16) In her book

² Throughout this report, I refer to an entrepreneur as being a 'he' for the sake of convenience. Of course, wherever I use 'he', I mean 'he or she'.

“Effectuation: elements of entrepreneurial expertise”, Sarasvathy (2008) describes five principles that are part of an effectual logic. These principles are listed in table 1, including a short explanation, which is based on Sarasvathy’s book.

Principle	Short explanation
‘Bird-in-hand’ – principle	Action is means-driven, as opposed to goal-driven
‘Affordable-loss’ – principle	Only commit to the venture, what you are willing to lose
‘Crazy-quilt’ – principle	Negotiate with all stakeholders and let them make commitments to the venture, thereby allowing them to determine the goals of the venture
‘Lemonade’ – principle	Leverage contingencies instead of trying to avoid, overcome or adapt to them
‘Pilot-in-the-plane’ – principle	Rely on and work with humans as the main driver for opportunity

Table 1: Principles of an effectual logic (Sarasvathy, 2008)

At the first glance, the ‘Bird-in-hand’-principle seems to conflict with the ‘Crazy-quilt’-principle. As described in table 1, the first principle states that effectuation is not goal-driven, while the second principle explains that stakeholders who make commitments determine the goals of the venture. However, both principles agree in that there is no pre-determined or definite goal for the venture. The ‘Bird-in-hand’-principle says that the entrepreneur does not pursue one specific goal, but instead uses the means available to him to create a venture that might not have seemed likely at the start. The ‘Crazy-quilt’-principle is consistent with this in that by letting others commit to the venture, new means become available. The more stakeholders commit to the venture, the more likely it is that the venture will go in a certain direction. Later in the process, the venture might set certain goals (such as being a profitable restaurant). Therefore, the fact that the effectual logic is not goal-driven does not mean that a venture will never have certain goals.

An example of effectuation would be an entrepreneur who starts an online bookshop, based on his experience selling academic books. After a while, following up on feedback from customers, the entrepreneur decides to offer online tutoring to students with the help of one of his friends, who is a university professor. The entrepreneur here has formed relationships with stakeholders and has leveraged contingencies to create an ‘end’ that he might not have imagined at the start of his venture. Indeed, Sarasvathy (2001, p. 252) describes the underlying logic of the effectual process as follows: *“To the extent that we can control the future, we do not need to predict it.”* In figure 1, below, is a graphical representation of the effectual process. The inputs to this process are the means of the entrepreneur, and the outcomes are new firms, products or markets.

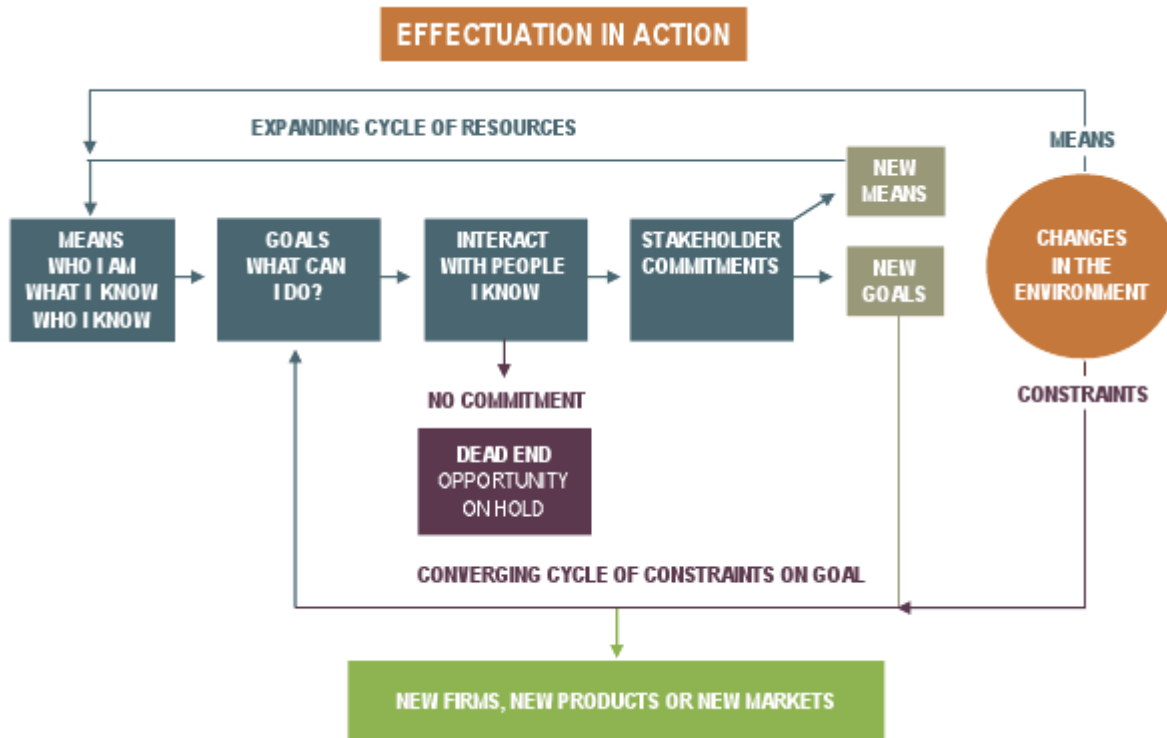


Figure 1: The effectual process (Society for Effectual Action, 2010)

2.3 The impact of culture on the entrepreneurial process

There has been some research into the influence of culture on entrepreneurship. As Thomas and Mueller (2000) pointed out, there are several reasons to suspect that U.S.-based theories on entrepreneurship might not be readily applicable to other cultural environments such as Europe or Asia. For example, they found that there is systematic variation among cultures in entrepreneurs' inherent willingness to take risks. They also stress that there has only been a limited number of studies that sought to compare entrepreneurship internationally. Furthermore, they researched the influence of national culture on personal traits of entrepreneurs, and found that there are significant differences between the traits of entrepreneurs in different cultures. (Thomas & Mueller, 2000) In 2002, scholars reviewed several studies that touched upon the relation between national culture and entrepreneurship. The majority of these studies showed that elements of national culture do influence entrepreneurship. (Hayton, George, & Zahra, 2002) Findings from these studies include, for example, that a country's innovation rate is positively correlated with this country's score on the cultural dimensions of individualism and power distance. (Shane, 1992). However, most of the studies mentioned in this review researched either the effect of culture on the reasons why people behave entrepreneurially or the relationship between culture and some personal traits of entrepreneurs.

There was no research examining the link between culture and the entrepreneurial process. However, we can speculate how culture could influence the entrepreneurial process by looking at extant theory on the relation between entrepreneurship and culture. As said before, a country's innovation rate is positively associated with high scores on individualism and high power distance. (Shane, 1992) Therefore, we would expect entrepreneurs from cultures that score high on these dimensions to be

especially creative in building a company and eager to use any contingencies to their advantage. We would expect these entrepreneurs to be flexible the way they approach the entrepreneurial process, and we would expect them to be open for new directions for their company. These entrepreneurs can be expected to be especially strongly involved in the first part of the entrepreneurial process, which is the most 'innovative' part of the process. Mueller and Thomas (2000) found that cultures that score high on individualism and low on uncertainty avoidance generally support entrepreneurship. Therefore, we can expect entrepreneurs from these cultures to be more confident in the way they go about the entrepreneurial process. Also, entrepreneurs from cultures that score high on individualism and low on uncertainty avoidance tend to have an internal locus of control. (Mueller & Thomas, 2000) Therefore, we can expect entrepreneurs from these cultures go through the entrepreneurial process quickly, as they are comfortable with making their own decisions and with taking responsibility for their actions.

In general, our research question appears to touch upon an interesting area, in which there has not been much research yet. In the next chapter, I will discuss the method that we will use to answer our research question.

3. Methodology

3.1 Research method – think-aloud verbal protocols

3.1.1 Choosing a suitable method for answering the research question

There are several research methods that can be used to investigate how entrepreneurs go through the entrepreneurial process. Observing an entrepreneur while he is creating an actual new venture is too time-consuming and would severely limit the possible sample size, given the amount of time available for this study. Therefore, we choose to use a fictional case instead, in which the venture creation process is simulated. Entrepreneurs that participate in this study will work through the case.

It is possible to ask entrepreneurs to work through the case while writing down all their thoughts and decisions. Alternatively, entrepreneurs could be asked to work through a case, and, after completion, describe in writing the decision process that they have followed. However, both of these methods seem to have disadvantages related to the necessity for the entrepreneur to express his thoughts in writing. In the first case, the decision process itself might be hampered or changed as a result of the entrepreneur having to write down all his thoughts. This happens, because the entrepreneur will have to 'pause' his thinking from time to time, potentially affecting the decision process. In the second case, the entrepreneur might not remember all of the thoughts that he had while he worked through the case. Also, the final decision taken might affect the way the entrepreneur looks back on the thoughts he had while making the decision. This 'hindsight bias' is more likely to occur in situations where a subject is not familiar with the task he is asked to do. (Christensen-Szalanski & Willham, 1991) It is indeed probable that the entrepreneurs in our study are unfamiliar with the task of expressing the thoughts in writing after having worked through a case.

Given these potential disadvantages, it might be better to ask entrepreneurs to verbally express their thoughts instead of asking them to write these down. Indeed, the analysis of verbal protocols has been

used to successfully study the entrepreneurial decision process. (Sarasvathy et al, 1998; Sarasvathy, 2008)

3.1.2 What are think-aloud verbal protocols?

When researchers use the think-aloud verbal protocol method, they ask their subject to perform a task or assignment (such as solving a math problem or working through a business case). The subject is required to verbally express everything that he or she thinks. By analyzing everything the subject says, the researcher hopes to gain insight into the subject's thought patterns. Generally, verbal protocols give complete information about the subject's thought processes. (Ericsson & Simon, 1981; Van Someren, Barnard & Sandberg, 1994) Furthermore, the fact that the subject is thinking aloud does not interfere with these processes, although it may slow them down to some extent. (Ericsson & Simon, 1981) Because of this, verbal protocol analysis is a suitable method for gaining insight into mental processes.

There are two types of verbal protocols: concurrent and retrospective protocols. Think-aloud protocols are concurrent ones; they require the subject of the research to speak his thoughts while going through the problem solving- or decision process. Retrospective protocols, in contrast, involve the subject describing his thoughts after the problem has been solved or after the decision has been made. Comparing these two, Kuusela and Paul (2000) conclude that the steps of a decision making process can be better observed using a concurrent verbal protocol rather than using a retrospective protocol. Thus, 'Think-aloud' verbal protocols seem to be more useful than retrospective protocols in analyzing how entrepreneurs approach the entrepreneurial process. In this study, therefore, we will use concurrent verbal protocols to collect our data. We will draw on the work of Van Someren, Barnard & Sandberg to serve as a guide for obtaining, coding and analyzing these protocols.

3.2 Sample

The sample used in this research consists of nascent and potential entrepreneurs in both Germany and the Netherlands. For our sample of nascent entrepreneurs, we choose to work with student entrepreneurs. This sample was chosen because this study is a part of a larger research effort. Because of this, the sample needs to be consistent with the sample used in that research, so the results can be compared later on. Furthermore, by using only student entrepreneurs in our sample, it is possible to compare the entrepreneurs in this study with each other. If we were to use various different types of entrepreneurs as our sample, factors such as age, education and work experience could have an impact on the results of the study. Finally, this sample was chosen because this group is relatively easily accessible and well available. Our sample of potential entrepreneurs consists of students, who are currently enrolled in a study program in a field where entrepreneurship is common. These students could therefore potentially become student entrepreneurs during or after their study program. The advantage of choosing these students as our sample of potential entrepreneurs is that most of these students have a background (age, education, and environment) which is similar to the student entrepreneurs that we use as our sample of nascent entrepreneurs. This way, we can properly compare the way that the subjects in the two sample groups approach the entrepreneurial process.

3.3 Research instrument – the case

The case that we will use as our research instrument has been developed specifically for the EPICC project and is based on the case that Sarasvathy used in her original research. (Stienstra & Harms, 2011) The case that we will use is similar to Sarasvathy's case in that the subject is presented with a set of problems related to the start of a new venture. There are, however, some differences between the two cases. The entrepreneurs that Sarasvathy used for her research are expert entrepreneurs that have successfully set up companies, which sell over \$200 million per year. (Sarasvathy S. , 2008) Our sample, in contrast, consists of students, who may or may not have successfully set up a company and who are probably not familiar with taking decisions involving millions of dollars. Therefore, in the case that we use in this study, the subjects will be setting up a coffee corner at a university, and expanding this into a larger company. This way, the students in our sample are more familiar with the environment and the potential customers, and might therefore feel more comfortable with setting up a venture in this situation rather than in an environment that they are unfamiliar with. The decisions that the students are required to make are similar to the problems in Sarasvathy's case, although the decisions have been adapted to fit the situation. For example, in problem 2 in Sarasvathy's case, she describes market segments consisting of millions of people (Sarasvathy S. , 2008, p. 310). Problem 2 in the EPICC case is similar to problem 2 in Sarasvathy's case; however, the EPICC case describes the market segments at a university which consist of a limited number of students and staff members.

3.4 Coding scheme

As we attempt to measure if entrepreneurs in Germany prefer an effectual logic over a causal one, we need a coding scheme that helps us to determine how the things that entrepreneurs say can be classified as stemming from either an effectual or a causal logic. We will use the coding scheme in table 2 for this purpose. This coding scheme is inspired by Sarasvathy's "mirror plot" of causal and effectual reasoning that she used in her book. (Sarasvathy S. , 2008, p. 55) In addition to the categories of causal and effectual reasoning that are used in Sarasvathy's plot, I have added two more categories to the coding scheme that I will use: 'emphasis on analysis of data', and 'distrusting or opposing (marketing) research'. I did this, because while I was analyzing the think-aloud verbal protocols from the students that participated in this study, it turned out that the students regularly use reasoning which falls into one of these categories. By adding the two categories to my coding scheme, I can describe the subject's thoughts more accurately.

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Table 2: Principles signaling an effectual or a causal underlying logic

3.5 Procedure for collecting and processing data

First, a group of entrepreneurs will be selected and invited to partake in the research. Each of these entrepreneurs will then be asked to work through the case described above. The entrepreneur will be asked not only to think aloud, but also to read the case and the questions presented in the case aloud. This will ensure that the subject gets used to saying everything that has to do with the case aloud. It might also help the entrepreneur to get used to thinking aloud more easily than if he were not asked to read aloud. After the entrepreneur has finished working through the case, and he has made all of his decisions, we will conduct a short interview, giving the entrepreneur the chance to go over everything once more. Any additions or changes will be noted. We use this interview to make sure that the things that the student has said while he worked through the case accurately reflect what he meant to say. During the interview, the subject will also be asked to evaluate the experience he had while working through the case. The recordings of the student working through the case will then be transcribed. See appendix D for an example of a transcript; this transcript is from S3, a German student entrepreneur.

Once all of the students have worked through the case, and all the transcriptions have been worked out, the transcripts will be coded based on the abovementioned principles. For each entrepreneur, it will then be determined how often he uses a causal logic and how often he uses an effectual logic. Furthermore, we will make a visualization of the student's reasoning, by plotting all the coded instances of causal and effectual reasoning along a 'timeline', that mirrors the sequence of the problems in the case. This plot will then be used to gain insight into how the subject's reasoning develops over time, as he works through the case. All this information will be recorded on a separate data sheet per student, which can be used in the EPICC project later on. Finally, we will determine if the entrepreneurs show a significant preference for either a causal logic or an effectual one, so we can answer our research questions.

3.6 The influence of the level of proficiency in English

The case is written entirely in English, and the subjects are asked to speak English while working through the case. When the subject is not a native speaker of English, this could potentially have an impact on the ability to express himself and therefore on the results of the study. However, as we only use entrepreneurs who are either studying at a university or have recently graduated from a university, we assume that their proficiency in English is sufficient for them to be able to express themselves effectively. We therefore assume that there are no negative influences on the results of the study caused by language proficiency issues.

4. Elements of German and Dutch culture

In this chapter, we will look at what elements of the Dutch and German cultures are likely to have an impact on the way entrepreneurs in these countries approach the entrepreneurial process. As we concluded in chapter 2, we will use Hofstede's framework of *cultural dimensions* for this purpose. We will look at the scores for both countries on each of the five dimensions, and comment on how this could affect the entrepreneurial process. By doing this, we will address sub-question 1 of our research question.

Table 3, below, lists how the German and the Dutch cultures score on each of the cultural dimensions. The rows named *lowest* and *highest* list the lowest and highest scores among all the cultures that were evaluated in Hofstede's study. By evaluating the German and Dutch cultures' scores relative to the extremes of the scale, we can better interpret the scores. It is important to note, however, that we do not aim to compare German and Dutch culture to the extremes of the scale. Indeed, the extreme values correspond with different cultures for each dimension, so this comparison would not be useful for our research. Instead, we aim to evaluate German and Dutch culture, and to compare them, in the context of the range of all possible scores on each dimension. Figure 2 is a visualization of the data in table 3.

	Power Distance	Uncertainty Avoidance	Individualism / Collectivism	Masculinity / Femininity	Long-term / Short-term Orientation
<i>Lowest</i>	11	8	6	5	0
Germany	35	65	67	66	31
Netherlands	38	53	80	14	44
<i>Highest</i>	104	112	91	110	118

Table 3: Cultural dimensions scores for German and Dutch cultures (Hofstede, 2001, pp. 500, 502)

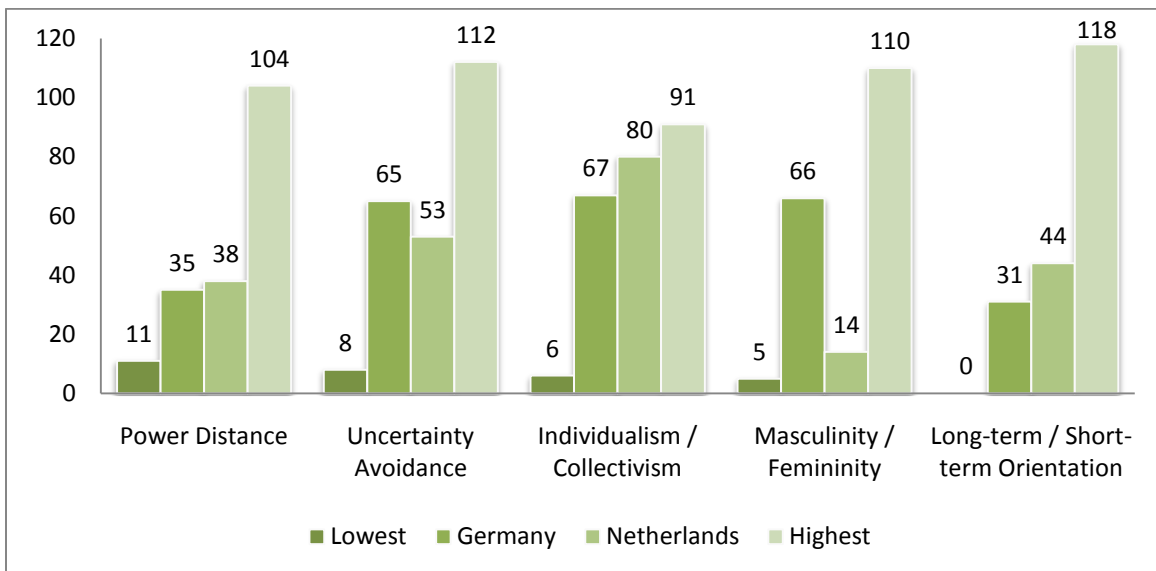


Figure 2: Chart for the data from table 1

Both German and Dutch culture score relatively low on *Power Distance*. This means that people do not perceive a large difference in power between lower and higher ranking members in society. Also, people that have a higher rank are likely to treat lower ranking people as equals and value their opinions. In terms of the entrepreneurial process, this could mean that entrepreneurs are open to the input and opinions of others, regardless of the rank of that person. This means that German and Dutch entrepreneurs are more open to partnerships and cooperation compared to entrepreneurs from cultures with high power distance. Furthermore, as the power distance is relatively low, German and Dutch entrepreneurs could foster a more participative decision making style in their ventures. Also, their leadership style could be affected by the low power distance culture.

Scoring near the center of the scale on *Uncertainty Avoidance* shows that the German culture is balanced on the amount of structure that is preferred in society. There is no clear preference for either strict or flexible rules. For the entrepreneurial process, this implies that the individual entrepreneur's preferences on these topics are crucial, as the cultural context does not provide a clear description of what is preferred. In Dutch culture, scoring somewhat lower than German culture on this dimension, there might be a slight preference for flexibility over strict rules. This could mean that Dutch entrepreneurs are less concerned with legal issues and might be prone to consider more alternatives and possibilities than German entrepreneurs. However, since the score is only slightly lower, these effects are probably small.

German and Dutch culture score high on *Individualism* (and therefore, low on *Collectivism*). This indicates that people care most about themselves and their family and that they are expected to take care of themselves. This is relevant to the entrepreneurial process in that there is an emphasis on individual achievement and individual success. As hypothesized in paragraph 2.3, I therefore expect that members of an individualistic society such as Germany or the Netherlands are likely to be more comfortable with making decisions on their own and taking responsibility for their actions. This could mean that German and Dutch entrepreneurs go through the process of creating a new venture more quickly than their peers in collectivistic societies. Also, entrepreneurs are likely to see the failure of their venture as their own fault. Therefore, they may not be willing to take large risks with their venture.

In Germany, being slightly more *Masculine*- than *Feminine*-oriented, more emphasis is put on "tough" values such as competition, money and success. Independent decision making is often valued over group decision making. As said before, independent decision making could lead to a quick venture creation process. Emphasis on money and success could also lead to entrepreneurs having a strong desire to grow their venture rapidly. Furthermore, combining this with the fact that competition is valued, German entrepreneurs may also be strongly driven to outperform other entrepreneurs or companies. In contrast, Dutch culture is more *Feminine*- than *Masculine*-oriented. This means that more emphasis is put on "tender" values, such as relationships, cooperation and a friendly atmosphere, rather than on the "tough" values on which are emphasized in German culture. This might lead to a slower venture creation process, as more time is spent on discussing ideas and building relationships. Dutch entrepreneurs' desire to grow their venture rapidly might be lower, while they focus more on relationships and fostering a pleasant atmosphere in their companies.

Being *Short-term oriented* rather than *Long-term oriented*, both the German and the Dutch cultures are more concerned with the present and the past rather than with the future. Concerning the entrepreneurial process, this could mean that people are more inclined to start a venture based on the present situation (such as a rise in demand or a recent innovation) and put less emphasis on assessing the long-term feasibility of the venture. German and Dutch entrepreneurs and their ventures will have short-term goals rather than long-term goals, for example in the areas of sales and growth. These effects might be slightly stronger in the Netherlands, as Dutch culture scores somewhat higher than German culture on this dimension. However, again, the difference is quite small.

Dutch and German culture score quite similarly on most dimensions, showing only slight differences in their scores. However, on the *Masculinity / Femininity* dimension, the two cultures show a significant

difference. Therefore, I expect to see Dutch subjects in this research focusing more on relationships and cooperation in building their venture than the German subjects. Since the other differences are only slight, I don't expect that these disparities between the two cultures cause much differences in the way subjects from both countries approach the entrepreneurial process.

Concluding this discussion, it can be inferred from the previous analysis that the following elements of German culture are likely to have an effect on the way the German subjects approach the entrepreneurial process:

- Having a low *Power Distance*
- Being highly *Individualistic*
- Being somewhat *Masculine*-oriented
- Being *Short-term* oriented

For the Dutch subjects, the following aspects of the national culture are likely to have an effect on the way the Dutch subjects approach the entrepreneurial process in working through the case:

- Having a low *Power Distance*
- Being highly *Individualistic*
- Being slightly *Feminine*-oriented
- Being *Short-term* oriented

We will now relate these findings back to our speculations on the link between culture and the entrepreneurial process in paragraph 2.3. Both German and Dutch culture score high on individualism, but the scores on uncertainty avoidance differ somewhat; Dutch culture scores lower than German culture on this dimension. This is relevant to the hypothesis that we derived from the conclusions of the work of Mueller and Thomas (2000); that cultures that score high on individualism and low on uncertainty avoidance generally support entrepreneurship. In paragraph 2.3, we speculated that this causes entrepreneurs from these cultures to go through the entrepreneurial process more quickly, and that they are more comfortable with independent decision making and with taking responsibility for their actions. Because Dutch culture scores high on individualism and relatively low on uncertainty avoidance, we can expect to see some of these effects in the way the Dutch subjects in our research approach the entrepreneurial process.

5. Results

This chapter will describe the results from the analysis of the think-aloud verbal protocols collected from students. These results will then be used to answer our two other sub-questions.

5.1 Nascent entrepreneurs

In total, our sample consists of four student entrepreneurs; two from Germany and two from the Netherlands. The data sheets for these entrepreneurs can be found in appendix C; the German entrepreneurs are S3 and S6, and the Dutch entrepreneurs are S1 and S2. For all students that have

participated in the research, background information was recorded. An overview of this information can be found in appendix A.

In order to evaluate whether the nascent entrepreneurs prefer a causal or an effectual logic, we will look at how often both causal and effectual reasoning occurs in their think-aloud protocols. Table 4, below, contains the relevant information from the data sheets for this evaluation.

	German student entrepreneurs		Dutch student entrepreneurs	
	S3	S6	S1	S2
Instances of causal reasoning	20	7	28	25
Instances of effectual reasoning	41	22	55	26
Total number of coded instances	61	29	83	51
% causal	33%	24%	34%	49%
% effectual	67%	76%	66%	51%

Table 4: relevant information from the data sheets of the student entrepreneurs

We can use a two-sided t-test for unpaired samples to evaluate if there is a significant difference between German and Dutch student entrepreneurs, based on the information in table 4. (Huizingh, 2006) We execute this test in Excel, with a level of significance of 95%. The t-value for our data is 1.4836 (2 degrees of freedom) and the resulting p-value equals 0.2755. This result is statistically not significant, which means that there is no reason to assume that there is a difference between German and Dutch student entrepreneurs in this respect. It should be noted that, as the amount of observations for each category is limited (2 per category), the results of this test alone do not carry much strength. Therefore, we will look at our data in other ways as well in the rest of this paragraph.

We will use the percentages from the table to look at the entrepreneurs' preference for either logic. At first glance, we see that all student entrepreneurs prefer an effectual logic over a causal one. However, this effect is not equally strong among all the subjects. While both German student entrepreneurs show a rather strong preference (over two thirds of their reasoning being coded as effectual), the Dutch student entrepreneurs show a weaker preference. S1 signals the use of an effectual logic over two thirds of the time, but S2 does not show a strong preference for the use of either logic. By just looking at the numbers in table 4, it is not clear where these differences come from. In order to be able to gain more insight into how the entrepreneurs' reasoning develops over time, we will now look at the plots from the data sheet. Figure 3 shows these plots for S3, S6, S1 and S2. The letters in the plots correspond to the coding scheme in table 2. As the total number of coded instances is different for every subject (and therefore for every plot), the absolute height of the plots in either the causal or the effectual direction is not relevant for our analysis. Rather, we will look at the general pattern that these plots show.

The plots show some interesting differences and commonalities among the subjects. All the plots show that effectual reasoning is quite 'constant', compared to causal reasoning. While the number of instances of causal reasoning fluctuates strongly, there always seems to be an effectual 'backbone' in the student entrepreneur's reasoning. The only exception to this is problem 1 for S2, where no effectual remarks have been coded. Furthermore, causal reasoning seems to occur strongest in the beginning of the case (which is about starting the company) for most students, while the amount effectual reasoning fluctuates during the execution of the case. In table 4, S2 did not show a clear preference for a causal or

an effectual reasoning. The plot allows more insight in the reasoning of S2, and shows that some strong 'bursts' of causality in the reasoning cause the more constant effectual background to be hidden in table 4. The plots for S3, S6 and S2 show that the subjects do not use any causal reasoning at all in problems 3, 4 and 5. This could be caused by the fact that these problems revolve around 'effectual' topics, such as partnerships, alliances and entrepreneurial vision.

As described in chapter 4, we expect that German and Dutch entrepreneurs are open to partnerships and cooperation. Indeed, we see that for problems 4 and 5, questions which are related to forming partnerships and alliances, all four subjects show predominantly effectual reasoning. This preference for effectual reasoning for these problems could therefore partially be caused by the cultural background of the subjects. Based on our literature review, we expected Dutch subjects to be more comfortable with making decisions and with taking responsibility for their actions than the German subjects. However, since these characteristics are not specific to either any causal or effectual coding category that we used, we cannot use our data to evaluate this expectation.

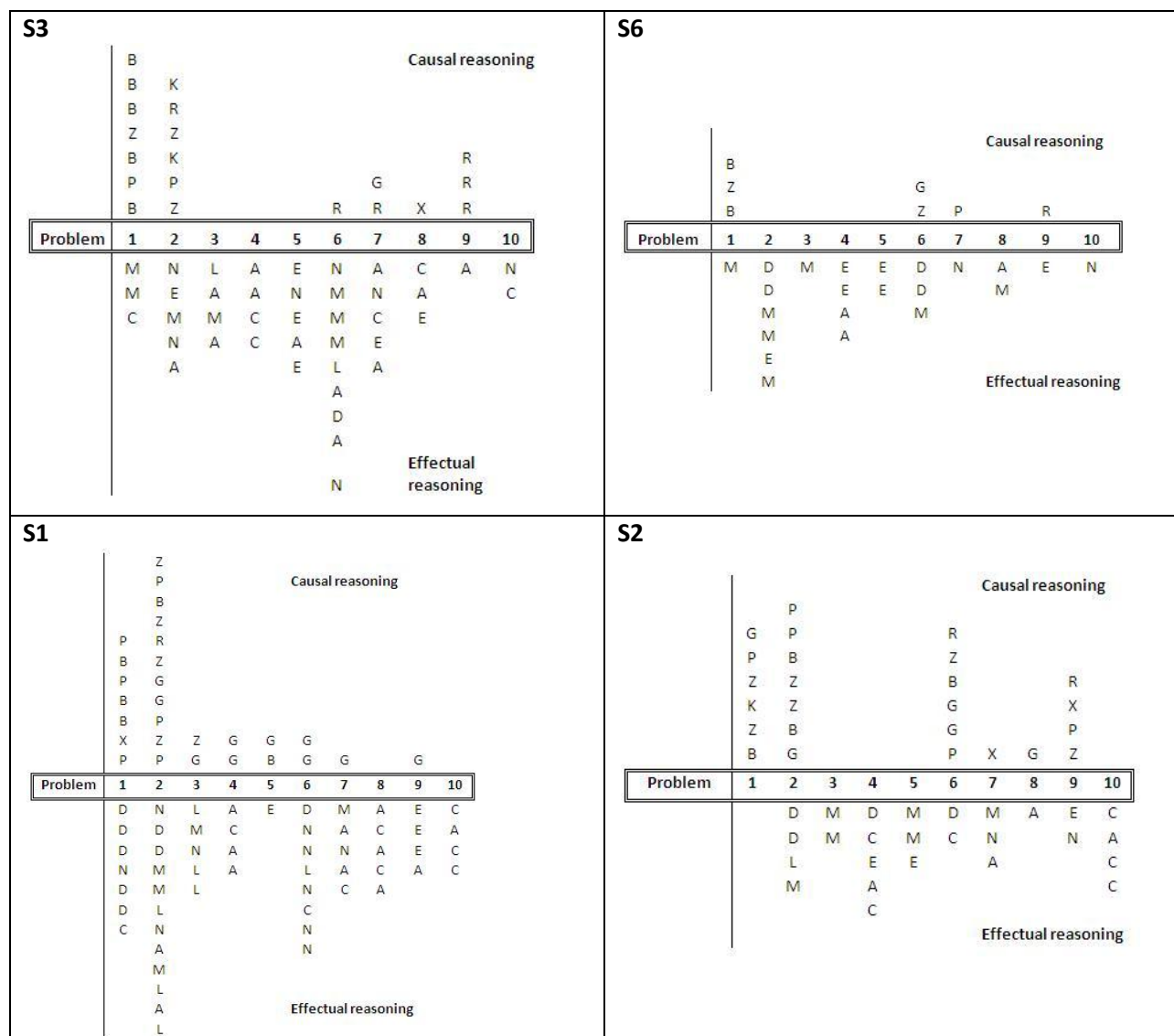


Figure 3: plots of causal and effectual reasoning for S3, S6, S1 and S2

Overall, it seems that the student entrepreneurs that we have studied in this research generally show a preference for an effectual logic over a causal one. This effect is stronger for some entrepreneurs than it is for others, but all subjects show a quite constant effectual component in their reasoning. Although it should be noted that our sample is only small and that further research is required to gain more insight into this topic, these results suggest that nascent entrepreneurs seem to prefer an effectual logic in their approach to the entrepreneurial process.

5.2 Potential entrepreneurs

In order to be able to answer sub-question 3, we will analyze the think aloud verbal protocols that we collected from the potential entrepreneurs in the same way as we did with the nascent entrepreneurs. In total, our sample consists of four students; two from Germany and two from the Netherlands. The data sheets for these entrepreneurs can be found in appendix C; the German students are S5 and S7, and the Dutch students are S4 and S8. For all students that have participated in the research, background information was recorded. An overview of this information can be found in appendix A. Table 5 contains relevant information from the data sheets.

	German students		Dutch students	
	S5	S7	S4	S8
Instances of causal reasoning	23	8	20	21
Instances of effectual reasoning	24	7	16	19
Total number of coded instances	47	15	36	40
% causal	49%	53%	56%	53%
% effectual	51%	47%	44%	48%

Table 5: relevant information from the data sheets of the students

Again, we can use a two-sided t-test for unpaired samples to evaluate if there are any significant differences between German and Dutch students to be found in our data. We execute this test in Excel, with a level of significance of 95%. The t-value for our data is 1.0607 (2 degrees of freedom) and the resulting p-value equals 0.4. This result is statistically not significant, which means that there is no reason to assume that there is a difference between German and Dutch student entrepreneurs in this respect. As in the previous paragraph, we will now look at our data in other ways as well.

Looking at the information in table 5, we immediately see a significant difference with the information from the student entrepreneurs in the previous chapter: while the student entrepreneurs showed a preference for an effectual reasoning, the subjects in table 5 show a very slight preference for causal reasoning over effectual reasoning. We will now look at the plots for these subjects, to see how the students' reasoning develops over time. See table 4 for these plots.

In contrast with the plots from the student entrepreneurs' reasoning, there are no clear commonalities among the plots in figure 4. Causal and effectual reasoning appear to alternate throughout the case. There is no clear 'backbone' of either causal or effectual reasoning. In general, these plots also do not show a preference for either types of reasoning at a specific question in the case. Comparing the plots from table 4 with the plots from table 3 seems to confirm what was already inferred from table 4 and

table 5; that students show a very slight preference for causal reasoning over effectual reasoning. There do not seem to be a pattern that is common to all plots; students seem to be diverse in their reasoning.

If we assume that culture does not significantly influence the way subjects in our sample approach the entrepreneurial process, we can execute a statistical test on our dataset to analyze if student entrepreneurs and students differ in their approach to the entrepreneurial process. This assumption seems justifiable, as we did not find evidence for any significant differences between German and Dutch subjects, both in this paragraph and in the previous one. We cannot use the chi-square test in this case, as both our samples consist of only 4 observations; we would need at minimum of 5 observations per category (sample) to be able to perform a reliable chi-square test. (Huizingh, 2006) Instead, we use a two-sided t-test for unpaired samples to evaluate if there is a significant difference between student entrepreneurs and students for our entire sample (8 subjects). We execute this test in Excel, with a level of significance of 95%. The t-value for our data is 3.2543 (6 degrees of freedom) and the resulting p-value equals 0.0174. This result is statistically significant, which means that student entrepreneurs and students do differ in the way they approach the entrepreneurial process. This result is in agreement with our above analysis of the information in tables 4 and 5 and the plots in figures 3 and 4.

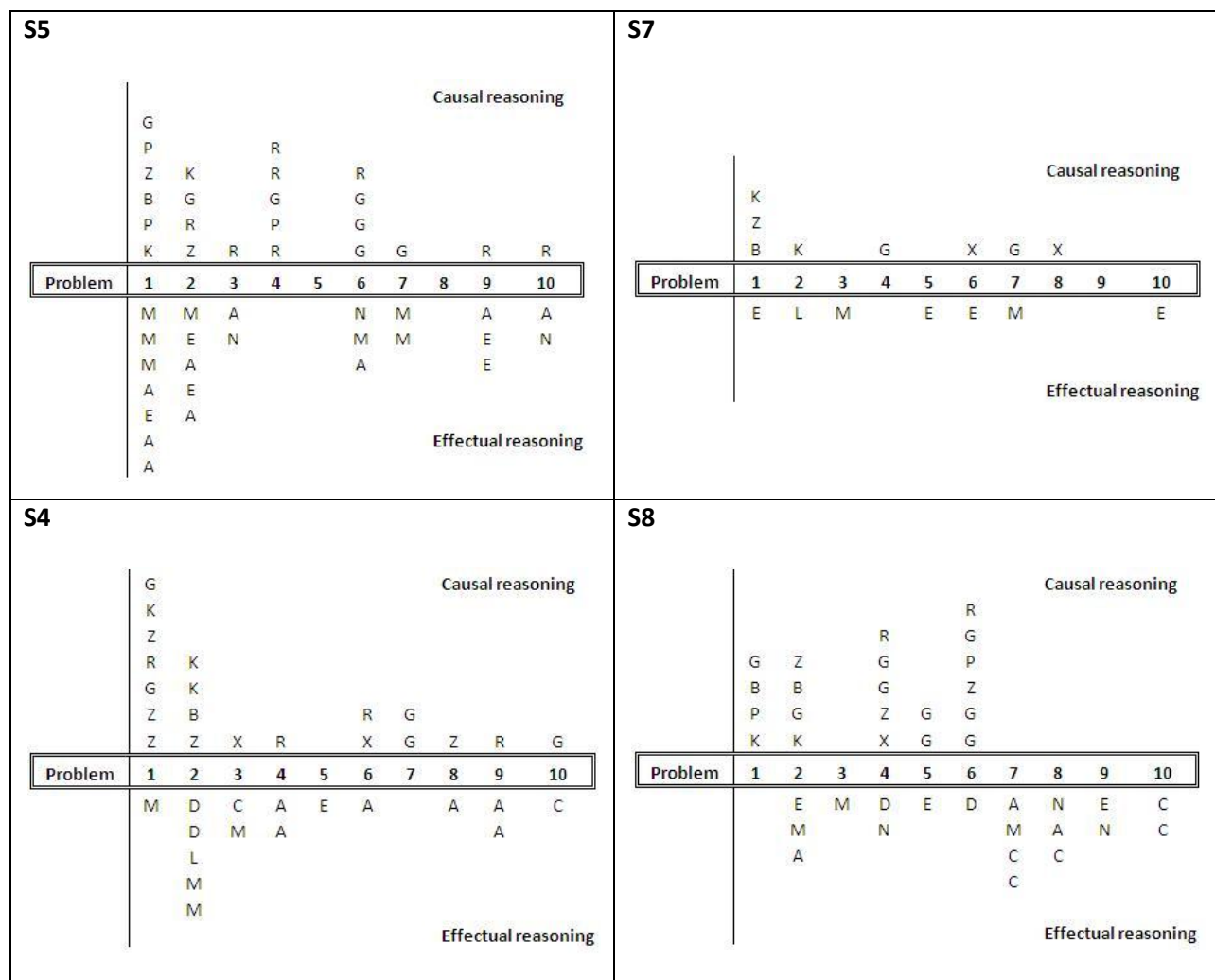


Figure 4: plots of causal and effectual reasoning for S5, S7, S4 and S8

Concluding the above, it appears that the students that we have studied in this research differ from student entrepreneurs in that they do not prefer an effectual logic over a causal one, but tend to (slightly) prefer a causal logic over an effectual one. Also, students seem to be less uniform in their reasoning than student entrepreneurs. Again, it should be noted that the sample size is small, but the difference that we have found between the two groups is quite clear; this justifies a further research effort into this matter. However, our results suggest that potential entrepreneurs differ from nascent entrepreneurs in their approach to the entrepreneurial process.

5.3 Culture

We will now look at how culture has influenced the subjects' approach to the entrepreneurial process. Statistical tests for both samples, executed in the previous paragraphs, do not show any significant differences between German and Dutch subjects. Also, looking at the percentages in tables 4 and 5, there do not seem to be large differences in the total scores for causal and effectual thinking between the Dutch and the German subjects. An exception is S2, a Dutch student entrepreneur, who scores quite differently from the German student entrepreneurs. However, since this is only one entrepreneur, we cannot assume that this difference is caused by cultural differences. Our sample is too small to come to reliable conclusions based on the total scores for the subjects. Rather, we will focus on the subjects' scores on the questions that relate to parts of the entrepreneurial process where we would expect a difference. In chapter 4, we have compared Dutch and German culture and came to the conclusion that the two cultures are much alike. However, we did find a significant difference on the *Masculinity / Femininity* dimension and expected this to influence the entrepreneurial process. We expected Dutch entrepreneurs to focus more on relationships and cooperation in building their venture than the German students.

To compare the subjects, we will look at the number of instances of reasoning coded 'A' (for 'use of alliances or partnerships'). When a subject's reasoning is coded 'A', this means the subject is emphasizing working together with other people. S6, for example, says in problem 4: *"I would probably go for, go for option 2 anyway, because there is another person which is very experienced, which is worth a lot..."* (S6, lines 174-176, coded 'A'). It is here where we expect to see a difference between German and Dutch cultures. The results of our comparison can be found in table 6. A distinction has been made between student entrepreneurs and students, as our previous discussions in chapter 5.1 and 5.2 indicate that there are differences in the way both groups approach the entrepreneurial process, and we do not want these differences to influence our analysis of the effects of culture.

	Student entrepreneurs				Students			
	Dutch student entrepreneurs		German student entrepreneurs		Dutch students		German students	
	S1	S2	S3	S6	S4	S8	S5	S7
Coded 'A'	12	4	12	3	6	3	9	0
Total coded	83	51	61	29	36	40	47	15
Percentage 'A'	14%	8%	20%	10%	17%	8%	19%	0%

Table 6: amounts and percentages coded 'A'

There does not seem to be a significant difference in the number of remarks coded 'A' in our transcripts. However, this does not mean that there is no difference between the way Dutch and German subjects approach the entrepreneurial process. There could be differences that are hidden by the small size of our sample. Also, it could be possible that looking at the number of remarks coded 'A' is not a good indicator of *Masculinity / Femininity*. However, from all the categories in our coding scheme, 'A' is the most likely one to be assigned to an instance of reasoning about relationships and cooperation. It would be possible to re-analyze all the transcripts, using a different coding scheme focused on cultural dimensions. However, this is outside the scope of this thesis, due to time constraints. Hence, we cannot give any conclusive statement about the influence of culture in this perspective.

6. Conclusion and recommendations for further research

6.1 Conclusion – research question

In this thesis, we have used literature and have analyzed think-aloud verbal protocols obtained from students and student entrepreneurs in the Netherlands and in Germany to attempt to answer the following research question:

“In what way does the national culture of Germany and the Netherlands influence the way potential and nascent entrepreneurs in these countries approach the entrepreneurial process?”

Analysis of the think-aloud verbal protocols suggests that both German and Dutch nascent entrepreneurs prefer an effectual logic over a causal one. Furthermore, our results suggest that potential entrepreneurs in Germany and the Netherlands differ from nascent entrepreneurs in these countries in their approach to the entrepreneurial process. Also, we have found, by applying Hofstede's framework of cultural dimensions, that there is evidence that there might be a difference between the way German and Dutch entrepreneurs approach the entrepreneurial process, as a result of the Dutch culture being more *Feminine* than the German culture. This could potentially lead to more emphasis being put on relationships and cooperation by Dutch entrepreneurs, compared to their German counterparts. Nevertheless, after analyzing our data, we have not found any evidence of a difference between the ways entrepreneurs from the two cultures approach the entrepreneurial process. However, since our sample size is limited, these suggestions will have to be validated in further research.

6.2 Recommendations for further research

By combining the data used in this thesis with other data collected from student entrepreneurs in Germany and the Netherlands, a comparison can be made with how entrepreneurs in other cultures approach the entrepreneurial process. Only then can it be investigated how the influence of German and Dutch culture influences the way entrepreneurs in these countries approach the entrepreneurial process. The EPICC project provides an excellent opportunity for this.

If the sample sizes were to be expanded, it could be interesting to investigate if nascent entrepreneurs indeed prefer an effectual logic over a causal one. Also, by expanding the sample sizes, it would be possible to research if potential entrepreneurs indeed slightly prefer a causal logic over an effectual one.

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Appendices

Appendix A: Background information on subjects

Number	Date	Sex	Nationality	Entrepreneur (experience)	Industry	Student (started in)	Study program (level)
S1	27-06-2011	Male	Dutch	Yes (5 years)	Internet services	Yes (2007)	Industrial Engineering and Management (MSc)
S2	21-07-2011	Male	Dutch	Yes (2 months)	Internet services	Yes (2007)	Industrial Engineering and Management (BSc)
S3	02-08-2011	Male	German	Yes (2 years)	Architecture	Yes (2005)	Architecture (MSc)
S4	07-08-2011	Male	Dutch	No	-	Yes (2006)	International Business and Management Studies (BSc)
S5	09-08-2011	Male	German	No	-	Yes (2008)	Nordic Management Studies (BSc)
S6	09-08-2011	Female	German	Yes (starting)	-	Yes (2008)	Nordic Management Studies (BSc)
S7	10-08-2011	Female	German	No	-	Yes (2011)	Biology (BSc)
S8	12-08-2011	Male	Dutch	No	-	Yes (2007)	Industrial Engineering and Management (BSc)

Appendix B: Information on the recordings

Number	Length of recording	Number of lines of text in transcription	Number of coded remarks
S1	1:08:00	405	83
S2	0:54:53	269	51
S3	1:38:06	420	61
S4	1:17:39	210	36
S5	1:58:45	541	47
S6	1:34:05	317	29
S7	0:38:07	108	15
S8	0:43:50	219	40
TOTAL	8:59:25	2489	362

Appendix C: Data sheets

Coding of the Think-Aloud verbal protocol transcription: S1

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from June 27th, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. This transcription contains a total of **83** sections relevant to the analysis.

CAUSAL	EFFECTUAL
Problem 1 5-7: P 8-11: B 11-13: P 13-16: B 23-24: B 42-44: X 57-59: P	21-22: D 24-36: D 26-27: D 27-31: N 33-34: D 39-42: D 51-52: C
Problem 2 71-73: Z 93-94: P 94-95: B 100-101: Z 104-105: R 124-125: Z 129-130: G 136-138: G 138-141: P 148-149: Z 150: P	76: N 79-80: D 102: D 112-113: M 153: M 157-158: L 158-159: N 156-157: A 163-164: M 164-165: L 166: A 168-169: L
Problem 3 173-177: Z 197-199: G	179-181: L 188-190: M 195-196: N 204: L

	206: L
Problem 4 208-209: G 210-217: G	225-227: A 227: C 232-234: A 236-241: A
Problem 5 244-245: G 245-246: B	252-255: E
Problem 6 283: G 296-299: G	258-259: D 267-269: N 299-300: N 314-318: L 282: N 277-281: C 311-312: N 321-322: N
Problem 7 347: B	327-330: M 334: A 345-346: N 349-353: A 353-355: C
Problem 8	365-368: A 368-370: C 370-371: A 371-373: C 374-375: A
Problem 9 378-379: G	379-384: E 387-389: E 390-392: E 392: A
Problem 10	396-397: C 398-400: A 402-403: C 405: C

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Problem	1	2	3	4	5	6	7	8	9	10	Total
Causal	7	11	2	2	2	2	1	0	1	0	28
Effectual	7	12	5	4	1	8	5	5	4	4	55
Total	14	23	7	6	3	10	6	5	5	4	83

The above data is visualized in the following plot. On the horizontal axis are the 10 problems, and for each problem all the causal and effectual remarks are listed on the vertical axis. This plot might be useful for gaining insight in how the subject's reasoning develops as he works through the case.

		Z								
		P								
		B								
		Z								
	P	R								
	B	Z								
	P	G								
	B	G								
	B	P								
	X	Z	Z	G	G	G				
	P	P	G	G	B	G	G		G	
Problem	1	2	3	4	5	6	7	8	9	10
	D	N	L	A	E	D	M	A	E	C
	D	D	M	C		N	A	C	E	A
	D	D	N	A		N	N	A	E	C
	N	M	L	A		L	A	C	A	C
	D	M	L			N	C	A		
	D	L				C				
	C	N				N				
		A				N				
		M								
		L								
		A								
		L								

Coding of the Think-Aloud verbal protocol transcription: S2

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from July 21th, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **51** sections relevant to the analysis.

	CAUSAL	EFFECTUAL
Problem 1	5-6: B 9-11: Z 12-13: K 19-20: Z 24-27: P 28-30: G	
Problem 2	40-41: G 46-47: B 48-50: Z 52-54: Z 54-55: B 55-57: P 60-61: P	38-39: D 43-44: D 64-65: L 69-71: M
Problem 3		77-80: M 86-87: M
Problem 4		89-92: D 96-98: C 101-103: E 103-107: A 112-114: C
Problem 5		125-126: M 131: M 134-135: E
Problem 6	144-145: P 147-148: G 149-151: G 154-156: B	162: D 180-186: C

Coding of the Think-Aloud verbal protocol transcription: S3

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 2nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **61** sections relevant to the analysis.

	CAUSAL	EFFECTUAL
Problem 1	10-12: B 12-14: P 14-16: B 17-19: Z 19-22: B 33-34: B 390-391: B	28-30: M 46-50: M 52-53: C
Problem 2	67-69: Z 72-73: P 88-90: K 94-98: Z 120-121: R 143-144: K	99-102: N 130-133: E 137-140: M 146-150: N 151-153: A
Problem 3		161-162: L 164-166: A 169-170: M 171-175: A
Problem 4		182-183: A 187-189: A 189-191: C 195-197: C
Problem 5		200-202: E 206-208: N 392-393: E 397-398: A 400: E
Problem 6	260-265: R	225-228: N

		232-233: M 241-242: M 248-249: M 258-260: L 267-271: A 283: D 284-285: A 287-289: N
Problem 7	291-292: R 322-323: G	294-295: A 303-305: N 310-314: C 315-321: E 329-331: A
Problem 8	341-342: X	348-349: C 412-417: A 418-420: E
Problem 9	363-364: R 371-373: R 375-376: R	357-362: A
Problem 10		382-383: N 384-387: C

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Problem	1	2	3	4	5	6	7	8	9	10	Total
Causal	7	6	0	0	0	1	2	1	3	0	20
Effectual	3	5	4	4	5	9	5	3	1	2	41
Total	10	11	4	4	5	10	7	4	4	2	61

The above data is visualized in the following plot. On the horizontal axis are the 10 problems, and for each problem all the causal and effectual remarks are listed on the vertical axis. This plot might be useful for gaining insight in how the subject's reasoning develops as he works through the case.

[illegible]

Coding of the Think-Aloud verbal protocol transcription: S4

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

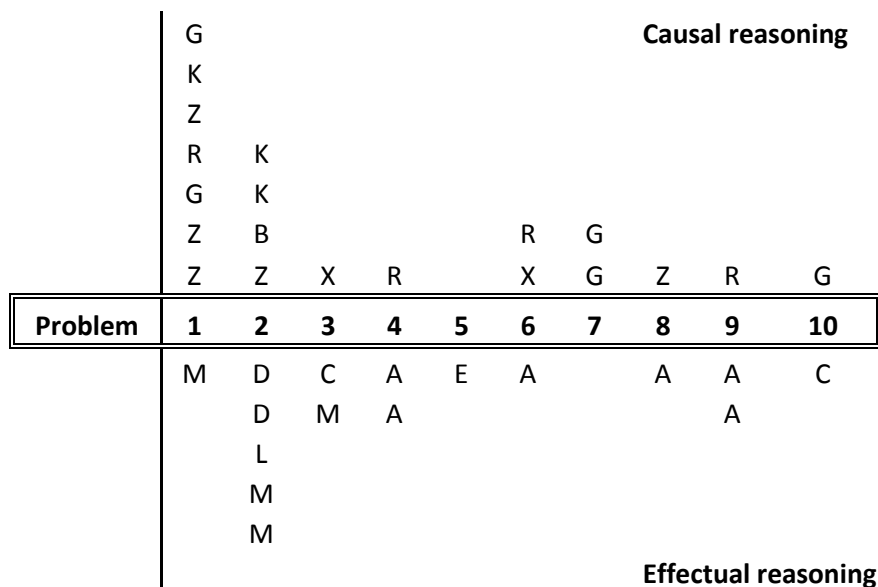
Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 7nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **36** sections relevant to the analysis.

	CAUSAL	EFFECTUAL
Problem 1	5-9: Z 15-18: Z 26-27: G 32-33: R 34-36: Z 38-40: K 40-42: G	24-25: M
Problem 2	43-45: Z 49-53: B 54-58: K 76-77: K	67-68: D 72-74: D 78-79: L 79-80: M 83-86: M
Problem 3	94-97: X	91-92: C 97-99: M
Problem 4	109-110: R	102-105: A 114-117: A
Problem 5		123-126: E
Problem 6	140-142: X 143-145: R	152-155: A
Problem 7	166-168: G 171-172: G	
Problem 8	186-190: Z	179: A
Problem 9	198-203: R	192-193: A 196-198: A
Problem 10	204-205: G	206-209: C

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Problem	1	2	3	4	5	6	7	8	9	10	Total
Causal	7	4	1	1	0	2	2	1	1	1	20
Effectual	1	5	2	2	1	1	0	1	2	1	16
Total	8	9	3	3	1	3	2	2	3	2	36

The above data is visualized in the following plot. On the horizontal axis are the 10 problems, and for each problem all the causal and effectual remarks are listed on the vertical axis. This plot might be useful for gaining insight in how the subject's reasoning develops as he works through the case.



Coding of the Think-Aloud verbal protocol transcription: S5

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 9nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **47** sections relevant to the analysis.

	CAUSAL	EFFECTUAL
Problem 1	3-6: K 13-14: P 23-25: B 28-31: Z 33-34: P 55-56: G	9: M 36-37: M 39-44: M 48-40: A 63-69: E 71-72: A 76-77: A
Problem 2	95-98: Z 113-114: R 131-133: G 203-205: K	120-123: M 161-168: E 169-170: A 179-183: E 185-187: A
Problem 3	245-246: R	219-220: A 239-241: N
Problem 4	257-258: R 261-262: P 267-269: G 280-282: R 284-285: R	
Problem 5		
Problem 6	332-333: G 340-342: G 351-353: G 361: R	355-356: N 365-369: M 374-379: A
Problem 7	416-418: G	393-395: M 434-437: M
Problem 8		

Coding of the Think-Aloud verbal protocol transcription: S6

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 9nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **29** sections relevant to the analysis.

	CAUSAL	EFFECTUAL
Problem 1	13-19: B 39-46: Z 49-51: B	57-59: M
Problem 2		75-76: D 94-95: D 113-115: M 124-125: M 131-136: E 137-138: M
Problem 3		146-147: M
Problem 4		163-164: E 166-170: E 174-176: A 181-184: A
Problem 5		190-191: E 194-196: E
Problem 6	237-239: Z 249-250: G	209-210: D 240: D 251-253: M
Problem 7	263: P	275-276: N
Problem 8		287-289: A 291-292: M
Problem 9	299-301: R	303-305: E
Problem 10		311-317: N

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Coding of the Think-Aloud verbal protocol transcription: S7

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 10nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **15** sections relevant to the analysis.

	<i>CAUSAL</i>	<i>EFFECTUAL</i>
Problem 1	2-8: B 11-12: Z 13-14: K	18-19: E
Problem 2	24-25: K	36-38: L
Problem 3		46-48: M
Problem 4	55: G	
Problem 5		60-63: E
Problem 6	69-71: X	72-75: E
Problem 7	90-93: G	85-89: M
Problem 8	94-98: X	
Problem 9		
Problem 10		105-108: E

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Problem	1	2	3	4	5	6	7	8	9	10	Total
Causal	3	1	0	1	0	1	1	1	0	0	8
Effectual	1	1	1	0	1	1	1	0	0	1	7
Total	4	2	1	1	1	2	2	1	0	1	15

The above data is visualized in the following plot. On the horizontal axis are the 10 problems, and for each problem all the causal and effectual remarks are listed on the vertical axis. This plot might be useful for gaining insight in how the subject's reasoning develops as he works through the case.

[illegible]

Coding of the Think-Aloud verbal protocol transcription: S8

The following table is used for identifying causal or effectual remarks in the transcription (based on Sarasvathy, 2008):

Causal	Effectual
G – Goal-driven	M – Means-based
R – Expected returns	L – Affordable loss
B – Competitive analysis	A – Use of alliances or partnerships
K – Existing market knowledge	E – Exploration of contingency
P – Predictions of the future	C – Non-predictive control
Z – Emphasis on analysis of data	D – Distrusting or opposing (marketing) research
X – Causal (no subcategory given)	N – Effectual (no subcategory given)

Below is the result of an analysis of the transcript of a Think-Aloud verbal protocol from August 12nd, 2011. The numbers in the table (for example 71-75) correspond with the line numbers in the transcription. The letters in the table correspond to the type of behavior that is coded (see the above table). This transcription contains a total of **40** sections relevant to the analysis.

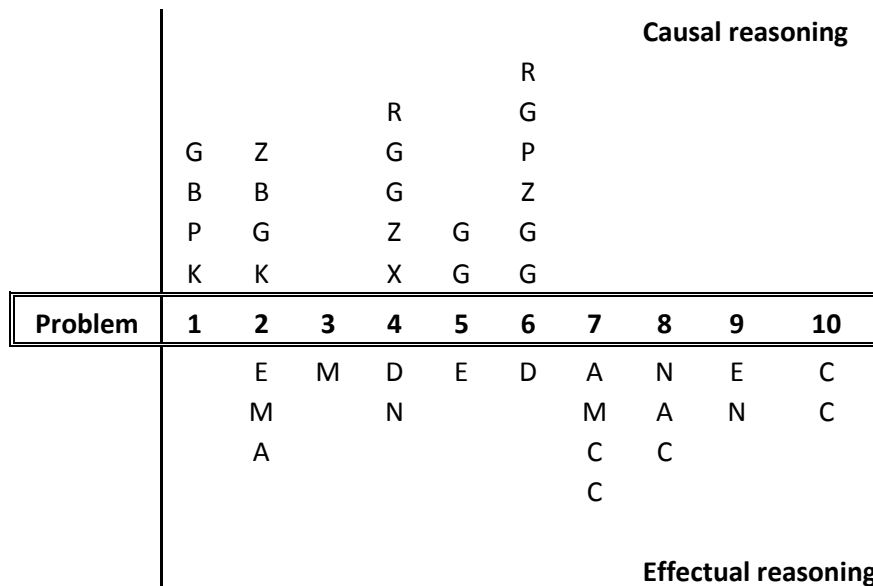
	CAUSAL	EFFECTUAL
Problem 1	3-4: K 6: P 7-9: B 13-15: G	
Problem 2	27-28: K 31-32: G 34-35: B 42-47: Z	24: E 30-31: M 51-53: A
Problem 3		62-65: M
Problem 4	67: X 72-73: Z 74-75: G 78: G 90-93: R	69: D 81-84: N
Problem 5	95-96: G 98-100: G	101-105: E
Problem 6	106: G 108-111: G 116-119: Z 124-126: P 127-128: G 146-151: R	138-139: D
Problem 7		155-156: A 163-166: M 168-171: C 173-175: C
Problem 8		177-180: N

		186-189: A 191-192: C
Problem 9		196-197: E 201-204: N
Problem 10		209-211: C 213-215: C

In the following table, the coded remarks are counted for the purpose of later statistical analysis.

Problem	1	2	3	4	5	6	7	8	9	10	Total
Causal	4	4	0	5	2	6	0	0	0	0	21
Effectual	0	3	1	2	1	1	4	3	2	2	19
Total	4	7	1	7	3	7	4	3	2	2	40

The above data is visualized in the following plot. On the horizontal axis are the 10 problems, and for each problem all the causal and effectual remarks are listed on the vertical axis. This plot might be useful for gaining insight in how the subject's reasoning develops as he works through the case.



Appendix D: Example of a transcript – S3

Think-Aloud verbal protocol - d.d. 2 August 2011 – EPICC Project

M.D. Huijsing - Protocol leader (in red) and subject (in black)

{CASE} stands for the subject reading the text in the case out loud

First I just want to have a quick look at it.

If you are reading, do that out loud as well.

Problem 1

{CASE} Ok, very little money is not difficult to imagine. {CASE} Also not hard to imagine [on not being able to find a fresh cup of coffee at the university]. {CASE} So, actually, what do you think, should I, shouldn't I go through everything first, or should I do it step by step? **Step by step is better.** So, I would say, it's the students from the university of course, it's the professors, it's the people visiting the university, also, like, external visitors. And maybe people who want to hang out with students, who want to feel like a student. Like, I mean, sometimes people, if they don't do something, they have always the romantic thought of doing it and so, just to, just to be part of it. I mean, yeah. So, those would be the potential customers, I would say. And of course people who, I mean, if the university is at the, at the very prominent spot, I would say lots of people passing by, but the core target group would definitely be the students. {CASE} Yeah, everybody who sells coffee, actually, so it's even the coffee machine, it's maybe, maybe there is something like, eh, there is something like a Mensa, they are kind of competitors, the coffee machines, they do bad coffee but there will be some... I mean we could never do it as cheap as the coffee machines, because we need to pay labor, so maybe some people who also just eat for one euro in the afternoon, they say, 'ok, I don't want to spend more, I'm a student'. Ok, so, everyone who is cheaper, and of course other coffee shops which are of famous brands, like, which, which are expensive, just franchise coffee shops. So first of all I would like to know how many student, how big is the university, actually, and, eh, I would like to find out, eh, like, yeah, actually, if I could, I would check how the people consume at the moment in, are they, the coffee machine, if it like, is it often used, I would, ehm, yeah, I would, I would check for that and also, ehm, competitors... Yeah, I mean, I think it's important if they are successful or not, yeah, I mean, even if it's not a good offer, there's some kind of offer, and if, eh, nobody is interested in coffee at my university, then I would not see the sense behind it, but since you said before, that there, there's a growing need, eh, ok, I could believe that what's at my university that people are looking for that so I would, I would check how they do at the moment. And maybe see what the customers of these competitors think, what they would like to have if they're satisfied or not, or whatever. Ehm, what else? I, I think, I mean, I think there's much more behind the question, actually. {CASE} Yeah, so, hmm, I would leave that, but I think this question is quite, this is quite the most relevant thing, because you need to know this, but, eh, I have to go to next question and maybe it comes to my mind, what I need to know as well, so this was... {CASE} First of all, I

would visit, observe, eh, what's going on around me, like, the people that are really next to me, eh, whether I have the feeling I, they would tell me everything correct, hopefully. Ehm, so, yeah, first of all would come from, from the inside, like I'm the core and I'm asking my friends and ask them to ask other people and then I would, if I, if I have the feeling, oh there is something is going on, then I would come from the other side, so maybe really, ehm, wait in front of this, eh, of the shops if possible, I think they would, should kill me if I do it, the competitors, but, so would, definitely I would check the, ehm, ehm, the internet as well but, I mean, I understand this question in a way that, how will I find the information about customers and competitors, right? So, ehm, maybe I would also look up in the internet how to do it, actually, how to, how to do a research in this case, because, I never had to do something like this, and, ehm, I'm sure I would find, in the internet how to do it. So, internet, I would also ask some people from the universities, ehm, like, ehm, mentors, because if I want to open it then the university, ehm, I'm sure that will, there would be someone behind it and, they would know some stuff. Ok, so this would be number 4. {CASE} Ehm... **What do you think?** Yeah, ok, now I'm, now I'm thinking, man I don't know anything about coffee, because I, I'm not, I never drink coffee, I drink, if I drink something I drink cacao from time to time, so I'm not a big coffee drinker, I, ehm, ok, so, I assume it should be a realistic case, I had the feeling that there is one coffee shop opening next to the other, and I think the possibilities of growth would be limited to the universities actually. So like, that you maybe have a concept which works at this university, and you can scale it up to other universities. Or, if you are really good, you really get, give this coffee shop this 'student touch' and you can bring this 'student touch' out of the university into the market like that the people go to this and they go to this coffee shop because they have books, and, ehm, like, I mean, you can find this in many coffee shops, but it's like, going to the university without being in the university. This, eh, eh, it really depends on many, many factors which I don't know, and my first thought will be, there are many coffee shops, and there are many good business concepts behind it, and I would say that this would be my first coffee shop and I, I collect experience, like, at the university and afterwards I, the next one, take it over there, I don't, eh, my first feeling is that, with that, you may be not go to the real open market. Ok, so.

Problem 2

{CASE} Wow, that's crazy! [on the number of staff members]. Staff members 20.000? So, like, on two students, one, one staff member... **Just assume it is correct.** Yeah, I mean, usually when, that's a thing actually, because when, usually when I think, I think in conversation, so I, I mean sometimes you just said to do this, or... **I can't actually give any comments on the case.** Ok, you're not allowed to. Ok, so yeah, staff members, 20.000, that's crazy, I mean, this must be one of the best universities in the world. {CASE} So this is like, specialized coffee sales would be like the, the franchise, and it's not, I mean it's like a really... ehm, specialized coffee sales, would this be, would it be Starbucks, specialized coffee sales? You cannot tell me, eh? So... **It will come later.** {CASE} That's pretty much, pretty much the energy price, eh [on expected growth rate]. {CASE} Good, so now I'm looking at the numbers, right? But maybe I take the numbers when I have a certain, a certain question? Or should I, should I read the numbers first and then... Ok, so I would first, I would, ok... {CASE} Ok, so now I try to think loud but I'm not thinking at all, that's why I don't say anything. Ok, so I guess I will have, like, I just want to see what the people are willing to pay. Ok, so the students, first of all, they don't really go over 1 euro 25 and actually it's clear that we can already say, we can only stay between 1 euro and 1 euro 25, and this will, I mean, you could

have some premium project over here, but it's kind of crazy, maybe. Ehm, ok, {CASE} Wait, I didn't get this one right. Ok, so, ok, this was the first questionnaire. Ok, so, so what's the difference between the first and the second one, I mean the, during lunch breaks and between lectures and the other one is what they're overall willing to pay. And I think the, the main business would happen during lunch breaks in between lectures and then again the students are even willing to pay less during lunch breaks and between lectures then they are willing to pay overall. That's weird, because actually, if you just have a short break, you don't have time to go to this franchise coffee shops or whatever, and I would assume that you're willing to pay more, yeah, that you are willing to pay more if it needs to be quick, ok. Maybe the people, maybe the students think 'ok, this quick coffee, I don't want to spend much money on it, only if I have time to relax, and sit there, on a nice chair, I want to spend more money'. Ok, could be possible. So, so they, it's actually the same, no, ok, with the staff members it's the other way around. Ok, so visitors and students... [calculating]. Ok, so we see that, ehm, during lunch breaks and between, in the segment of 1 to 1 euro 25 people are even willing to pay less than, than general. This is quite interesting to me, but, as I said before, I'm not really into coffee, so maybe that's the reason why. Ehm, ok, so, I will go to the next sheet and just see what, what's going on. {CASE} Is it still working? Ok. [comment on recording device]. {CASE} No, it's stupid. [on advertising in cinemas]. Unique selling point! [on being unique in selling cheap quality cups of coffee]. Wow. [on the 25% return on sales]. Ok, so first of all the prices the others take are far away from the people are willing to pay, but still maybe they don't go to these shops, and just go buy from the coffee machine? Or, they are, they are not willing to pay anyway. So this could be the... Ok, so students, typically they, I mean, I would think of you can get them with fair trade stuff, and you need to make it really different to the other shops, I mean they also say it's fair trade, but, ehm, ok, which market segments will you sell your product to? **What do you think now?** Ok, now, actually I'm thinking about this question: 'which market segment would you sell your product to', I mean like, market segment, would be, ehm, the target group? No. What would be market segment in this context? I should know, but for me it's not clear, which market segment would you sell your product to... **Students, professors...** So the target group. Ok, ehm, yeah, ok, so, I have 20.000 staff, ok, this is quite a big group. Ehm, so I have staff members which are willing to pay more. The students will either go for the coffee machines, so, I would make, I mean since the staff members have more money they are 50%... no, not 50%, but like, yeah, almost, more than 25%, like 30% of the total, which could come around, and the students, they will just spend it on, they will just, they will just go to the coffee machine, or go to the other shop. Maybe my business idea would be I would sell it to the staff members, but leave it open to the students so I, students want to meet a staff member, but I, so I would catch the students with that, but give the staff members like the feeling that the staff members meet over there, so I will, try to meet the interest of the staff members and then catch the students with that. And the visitors, maybe I would even leave them out, because then it's, it keeps the atmosphere. At a coffee corner you can't leave the visitors out, right? I cannot. Ok, and now, I mean, my core target group would be the staff members, and then all the others might come but what kind of staff members? Is it, is it everybody? Is it like, the technical guy who, ehm, who is repairing the toilet or, the professors? Ok, anyhow, ok, I go on. So they... [important phone call]. {CASE}. Obviously, I try to price it at highest possible. Ehm, but, ehm, ok, they would go up to 1.50, ehm, so I would say, ehm, I, of course there will not just be one product, and I might have a student offer, like for the students which is beneath, no, no, it's not beneath one euro. Because I don't want to have everybody in, I mean, we have, they can go to

the machine, I don't know how much it is in the machine, maybe it's 40 pence or something. Ehm, so I would say, I would price the cheapest coffee between 75 and one euro. I, I will still hint the students, but I will not hit the, like the, the big mass of them. And I don't need it, I mean, I have to see if I can even sell it for 75 to one euro because maybe I, I don't make money with it, actually. So, I have to see, maybe even 1 euro to 1 euro 25 would be the cheapest and then I would go, then I would, ehm, try for the staff, I mean, ok, this would be also the smallest size, so we would have different sizes, and then if they want to have a bigger size they will pay more, and, did it say for the big one? A cup of coffee... price level per cup of coffee is a little bit, eh, questionable, because, I mean, there are 'grande' and what else... ok, so anyhow, I would have different sizes definitely and I would start for the students between 75 and 1 euro and then I will see if I, if I get them into the 2 euro zone over there, I mean for me the most important think is that they spend the money, and if they get a little more coffee or less I don't care. Ehm, and for staff members I would, I would try to offer a range of different coffees but maybe also not too many different ones. And, ehm, ok, so yeah actually I'm not, since I'm not into coffee I don't really know what I can offer them what kind of different coffees, but I would say, ehm, I want them to buy other stuff as well there, not just coffee, maybe I can make money with small snacks as well, ok, but this is about coffee now. So yeah, I, I mean I don't want all the students and I would, I would try to make a cheap product for students where I have a target group of 25% and already the staff members would be forty, they would pay, no, 49% of the members would take it. And then, yeah, so I would limit, I could go up with the price, but I would always offer this cheap one which is also good for the visitors. If it's feasible. Ok, so, ehm, since it's in a university it's always nice to give them the feeling we are, this and that university, we belong together, look, I have this cups, I think, ehm, somewhere I read that, ehm, was there something about cups, somewhere? [looking back in the case] Ah, ok, so they, I mean they proposed it themselves, so I guess they would like it. And, ehm, so where would I, I mean newspaper, hmm, ok, cinema, nobody goes to the cinema today, the cinema is empty, I would not put it into the cinema. And I would also not put it on the commercial on local TV, because I think, those kind of people they don't consume it that much, that's my feeling. I mean, I never watch TV, I watch, watch some news, and you would not bring coffee for university store, not on the news. Cinema... Ok, so I would go for a student newspaper, maybe something where the students find their stuff, like, a newspaper for, I mean, they have these papers where you can find, I have this used furniture, I give it away for 50 Euros, or I, I have a flat, ehm, and you can rent my flat for one month, so would try to find these newspapers, and internet I don't know if internet is maybe too... ok, maybe internet, so internet marketing is also difficult, I think. Maybe if I could do the internet marketing on the university page, then I would do it, and, then I would look if there are other ways as well, but I think we are really resistant against this kind of commercials in the internet and students spend most of the time in the internet, I think you too, ehm, if you would look at all the commercials you would go crazy, so you would never, so internet in a limited way and newspaper I would go for but I definitely would go for printing advertisements on cups and maybe do some t-shirts and stuff like that, which is, like, connected to the, ehm, like, Hard Rock Café, they have like, this, they have this sign and then they have the name of the city beneath it if I had one I had, like, I have the sign or the logo of the university and beneath this, this coffee corner, or the other way around would be better actually. Ok, so, yeah, this is how I would do it. So I would try to give them the feeling of it's really, it's really a student think. I, I would not go into the big marketing, because then

they would not feel it's real, it should be more like, that friends say, yeah, this coffee corner, just check it out, or 'it's us', they should have the feeling 'it's us'.

Problem 3

{CASE} Wait, I have to read the other part again. {CASE} What does 'exposure' mean? **That people see you, visibility.** Ok, there is a competition 'where architecture meets catering' and for that, I have to have a certain amount of coffee in my stock, and the pricing is different to my pricing I said before, but I will go on with this now. Eh, ok, borrow from my girlfriend's parents, they are not... wealthy but could probably get their hand on, ok, those would be the stupid people if I would, I would definitely do it if I don't like my girlfriend. Ehm, borrow from some old friends from the university and your old student job. Convince your parents to take... no. Ok, so now I think no answer is really good. Convincing to wait... ok, I would convince my employees to wait out the period. Do or die. Because, ehm, well, the other, I mean, this would not be an option for me to take the money from close people, because, ok, so I, I would say option 2 can be considered, borrow from some old friends from the university and your old student job, but then I would make it a fair deal, in a way that they say, ok, look, if it works out you have this and that percentage and I would convince them and say, ok, this is your risk, and if you go for it, go for it, give me 5.000 and you have 5% or whatever, I don't know, I mean, it would not be good for me, but I think this is a question, this is, like, ehm, like from an ethical point of view this would not work for me. Eh, only because, I mean, parents of girlfriend, they have no clue, my parents: no clue, old friend from university, maybe have a clue, so I would, I would give them something to read, this is the risk, check it out. And, since the ship will sink anyway, if the, if I cannot pay, I would ask my employees to wait out the period, just say 'look, we had to do this, and, ehm either we lose our jobs now, or we make it or we don't make it, so it's your choice.' But I think that's just the situation because they priced it that way and not my way. So, yeah, I would go for, I would, if I couldn't convince them, old friends from the university, or from my old student job, and I, they want to take the risk, I would do it with them, that would be nice, otherwise I would go for the wait.

Problem 4

{CASE} National TV? Was Starbucks ever on national TV? I never say them on national TV. Well, maybe because I don't watch it... {CASE} Ok, when was break-even again? Ok, let me think... so break even is in the second year. Ok, so in the fourth quarter I, ok, let me think... Ok, so actually what he says, ok, so third and fourth quarter I make 20.000 and then the next year I make 40.000 for four quarters, so I have no, no, let me think... Why is there from year three to year four... Ehm, I just read through it again, maybe I missed something out. {CASE} Ok, but it doesn't say why in the fourth year it goes up like this. Ok, so I have three options, I go on, because I'm not really clear about the numbers now, so, ehm, maybe I just don't understand it, and I would need advice from someone. Ok, {CASE} Ok, so I need 150.000 euro to break even. So for the first one and half year, I need 150.000, ok. {CASE} Ok, so, actually, like I said before, I would go for option 3, but this is very special, because I really, I don't believe in this, in this, in this hype stuff, because I believe in the natural system in a way that, ehm, that if you could, you will make it in a way, of course you need help, maybe I will ask my friend to, I mean, 33% sounds good and if he's a really good party and I have the feeling that I want to work with him, I feel relieved because he is experienced, he knows a lot, then I might even do that. I would never go for the

venture capitalist, because I listened to venture capitalists, and I, no, I mean, this would not be my lifestyle in a way. Ok, so this would be option three, I think I would, I would go for the, for the slower pace. {CASE} Ok, so he's willing to take 33... Ok, then he is not really, ok, depending on the contract, it really depends on the contract, because venture capitalists are really good at making crazy contracts, so if they, if it's a normal contract... ok, this would be great for the company. And 48% is still not 50%, but, yeah, I, if the venture capitalist only takes 33% then this would also come into consideration, depending on the contract. I mean like, still that would be, a contract where I have to, if they want to get rid of me, they can get rid of me, and stuff like this.

Problem 5

{CASE} Hm, sounds good. [on 'we aim to create at least 1.000 entrepreneurs by the year 2014']. {CASE} The fastest growing coffee caterer... not interesting. {CASE} Of course... ehm, 'enjoy the Dutch tradition', I wouldn't go for that. Ok, 'we aim to create at least 1.000 entrepreneurs by the year 2014', ok, I don't really like those options, but I have to go for one of them? {CASE} Ok, this is, this sounds interesting, but it's not like that I can come up in one minute, but I will try. Ehm... **What are you thinking?** Ah, yeah, ok, now I'm thinking, ok, now I really have stupid thoughts, like, ehm, because, like I said in the beginning, Coffee Inc is coffee from, from us for us, in a way, you know? And I was, because we are from the, we are, we sell at the university level, and of course I like the thought of the, of the first one, 'Starbucks is the past, Coffee Inc is the future', like, we are different, yeah, we are the, we have this new, we are this new company which is different because it's, we are you and you are us, so, ehm, but coffee, 'Coffee Inc, from us to us' would not work. Ok, I, because it's, it's not really, it's not really a commercial one-liner so I have to think about, I like 'we aim to create at least 1.000 entrepreneur by the year 2014', sounds like its 'from us', because there will be other entrepreneurs like me, and, so the people got the feeling it's good for them as well and not just for me, and, ehm, even if I'm still head of everything. 'We aim to create at least...', ok, ehm, ok, I would go for 2, and maybe I come back to this one if I, ehm... problem 5... I will check it in the end. So yeah, I think I explained why I would take it, right? Ok, the other ones are not really interesting. 'Invest in Coffee Inc', ehm, 'invest in Coffee Inc, enjoy coffee student style' or whatever, something, just to give them the feeling...

Problem 6 – part 1

{CASE} Am I too slow? **No...** Will I take, will I make it in two hours time? **Take your time!** Oh, what a pity [on breaking even later than projected]. {CASE} Which seems straightforward. [on the division of opinion about specialized coffees]. {CASE} Like I said, they should have started with the 'elite stuff', eh, because then they would have started, like, for staff, if it would have been coffee for staff then it would have been clear why it's a little more expensive from the beginning and the students go over there because the staff is there. And if you turn it around, if you try to be cheap in the beginning and then higher the price, you have the problem that the students do exactly this, because students will, I mean, 'elite stuff' never sounds good. {CASE}. Ok, so, there is one side, ehm, they think it's 'elite stuff', who, the participants who regular, drink regular coffee and those who... ok. Ok, so how would I respond to this feedback? I mean, like I said, I would have started in another way, I would have started with the, with the staff, because then the students know it's a little more expensive, it's not as expensive as the franchise coffee shops around but a little more expensive, but I can meet my professors there, I can

meet my tutors, like, on a private basis, so, ehm, I don't know if in this situation you can say 'ok, so f**k you all, I do elite stuff', oh sorry, we have to beep that one. Ehm, 'we just do elite stuff', hmm, so I guess I have to find the answer now based on what we have now and, ehm, yeah, this is quite difficult because now you cannot say 'we go for the staff', because then the staff would say 'no, we don't go to a coffee shop that throws out all of our students. Ehm, since I studied architecture I would look into the, maybe into the lay-out of the coffee shops, maybe you can divide it in a way that you have, like, that you have a part, like, when you step in, which is kind of a fast, quick coffee to go area, and that people with the cheap coffee can only go to this area, and maybe they even just want to stay there but they are also not allowed to go with their cheap coffee which is also sold in a different kind of cup, maybe a paper cup or whatever, so they will stay in this area, and then I would, then I would have the area which the people can go to that has the more expensive coffee, because I think that at that point it would be difficult to go for one side, because you already have both there, and they kind of like each other, so it's not like that the staff would say 'ok, yeah, throw the students out, that's a good idea', and the students would also not say, yeah, 'we don't need the 'elite stuff', let's get rid of the staff'. So I would go for, for a layout, for a different layout.

Problem 6 – part 2

{CASE} So, yeah, ok, basically, that's a good thought, I think. But the, I would maybe not, I would not really separate them, maybe, but anyhow. [on separating the two shops]. Ok, yeah, this sounds good to me, I would not make it, I don't know if I would make it two shops. Maybe it even makes sense, but that's how I would have done it from the beginning, maybe, because, ehm, since they're, these two target groups you have, they are kind of different. So, when you decide for a target group, I would go for staff, and hope that the, the students come as well. If the, if I take both, I have to see how I give both a good feeling and I, I think it's the layout, it's a solution to do it that way. {CASE} I, I like that idea, I mean, this is, of course you have to do stuff like this free newspapers, free wireless internet when you're in the university, because, this is your target group, and the will, they will read exactly this, and they, maybe they cannot afford their own newspaper, or whatever. {CASE} Ok, so, ehm, I would go for one of the two concepts, I would go for the concept with the staff again, so that's it, because, yeah, because I think that's the right way, the, the staff, I mean, the staff would also go to a student coffee maybe but not as much as it is at it is a staff coffee and then the student coffee, I would make as much money, and, ehm, so, yeah. Ok, so I would go for, I would not do this big, big thing, I would go for the staff think, but then I still have books and newspapers and free wireless internet included, or not? Ok, so, I'm not sure if I get this right now, but, ehm, if I get it right then I would go, I would not risk too much now, because I already tried something and if didn't work out the way I wanted it, so maybe I'm also not the smartest when I comes to coffee, so I should take it slow. Ehm, ok, so those are my, just, ok, so I, in the first year, my sales are higher than estimated, and then it gets lower and lower and lower. And this really happened eh? Ehm, yeah, I guess it's really because when you sell cheap coffee, and maybe you have a profit of 4% or whatever, or maybe not even 4%, yeah, then you have to sell a lot, a lot, a lot, I mean, if you sell it expensive coffee and you have like 50%, yeah you, or, then you, you have to sell 12 coffees less to get to the same result so, yeah, there's still this coffee machine and you don't... {CASE} I want to read this anyway, even if I didn't... [on the extension] {CASE} Ah I, I did go for the extension. {CASE} Ok, why is undertaking the redesign effort in-house the most expensive version? Because I think if I'm at the

university I will find some architecture student who would be willing to do a great design for me and they will eh, so I, in this case I would really say, this is a nice question, but I would say in-house and for 20.000, something like that, I mean, because, I would find some architecture students and I would again go for the idea 'we did it, we are students, we did this shop, and we, we do also the design', because, ok, outsource this to another country... no. Outsource the redesign to the new company outside your home country, I don't know how... **What do you think now?** I eh, now, ok, now I think I got the question wrong, that's it, because it's not about design and architecture think, it's like, it's like I, I get a consultant or something, or not, I mean, it's the redesign, it's not the redesign that's also the concept, or it's basically the concept, and now the question is why, from which countries can they make it cheaper, these are not the most stylish countries, I guess, with the, hmm, ok, now why I'm struggling with this question is, I mean, if, I mean, cheaper countries, I thought it's that way, because the other countries are cheaper when it comes to, eh, to technical things, you know, building everything up, I mean like, in Germany we sometimes have guys from Poland, working on the construction site, so that's why I thought this was, so I was really thinking about the architecture, about the design, and, ehm, maybe it's about design. It's about the extension of this, ok, eh, no it's about, ok, it's about something completely different, it's about the marketing and everything, ehm, but I, I would still doubt that it's 250.000, and I would say, ok, it's a student, it's a student think and if we want to stick to this idea we have to go, we have to find some smart students at our university and they will work on that concept, on the marketing, and we will, we, say, we have some advertisement which say, 'don't let our student coffee shop die', or whatever, and then the people, because if there's someone coming from outside, I mean, it can be good, but I, I would say that this might not be the right solution, even if you will suggest it in the next... ehm, in the next problem, I guess.

Problem 7 – part 1

{CASE} Did someone knock the wall? Maybe I'm too loud... {CASE} Ok, now I'm thinking about the word 'Exquisite', this means like, extraordinary, something, right. {CASE} Ok, so, that's how the sales go, ok, now the sales are higher than, than estimated [on the table]. And he, he did not, he did not participate, he did participate from the beginning but he did not participate in growing... {CASE} Ok, who's Greg again? So depends who Greg is, one of... so yeah, that's a person, I mean, if he's a friend of mine and if he's, if I was always satisfied, it is an ethical thing, then you cannot just fire him, I mean, actually I had to fire in my life, a few times, and it was always bad. And, what will I do? Ok, so I think I could explain it to him, if he's not the right one, I think I, I got the capability to be that, and I think if, if like, it's like on a sports team, if you're on a sports team and there's on guy who's always, you play basketball and he never hits the, the basket but he's really strong you say, 'look, maybe you're not on the right position, you go to this and that position and then we will, we will make it as a team, but as you can imagine on this position you would not be the right person', and then he would not do it, and then, ehm, so, if I don't have the competence, I will definitely look for someone who has it. So maybe it's the new sales manager. But I, I would always try to look for a kind of communication, because I, I'm pretty sure that people also feel if they're good or if they're not good, as well, and they, nobody's happy if he's doing a job not good.

Problem 7 – part 2

So now I have problem 7 and problem 7 again? Ah, part 2, ok. {CASE} Ehm, ok. So now I'm thinking 'corporate', what does it mean in this context, I'm, ehm, corporate, ehm, ambience, that means that, eh, ok, eh, so he tries to act like if we were, would be a really big business, no, so we are, and we are not. That's what, ok, so, ehm, do you think it's time for Coffee Inc to go corporate? I mean, I want to try to keep the entrepreneurial culture of the company alive, that's what they tell me, that's, and, ehm, he wants to give it a 'corporate' ambience, what I don't like. And, ehm, I think maybe the, it depends, I mean, it's always good, I mean, he is the more structured guy, and I'm more the entrepreneurial guy, and I, maybe something, so I want to keep the company slim, and he wants to blow it up. No, I don't like it. Hm, so now we are there since 8 years, and we make a lot of money already, I mean, it's not that small any more, we make 27.5 million sales. Eh, yeah. What will I do with him? Hm, OK, first of all I would see if there's a solution like, that you have this corporate thing as a backbone of the company and keep it slim to the front, I don't know how to say, I mean like that you have, I mean that he steps a step back with his corporate thing, not to, I mean, that, like, when you look at the core of our company, maybe it's cool to have a corporate thing, and maybe it can grow a little but and doesn't need to be that slim, but when it goes out, like, to, to the shops and whatever, that they still have the, the system that they can still move in a way, fast, so, ehm, I would, I would again communicate and I would try to convince him with my arguments, that our basic idea, our original idea was to have this entrepreneurial company, coffee, and I would, I would, demand that if we, try to get on the same level, like, those franchise companies that we might lose our customers again because then they cannot feel a difference, I will stress the point that we, that this is maybe one of our USP's, that maybe this is why we are different to the others, we, that you can still, that our customers still have the feeling when they come to our place that, that it's not everywhere the same, and that everywhere is like, so well-structured, I don't know, I would go and, I would discuss it, and I, I'm, I, I, I will try to convince him to keep it slim. But also I would understand that he, I mean, I would also, as a backbone of the company, like, if he's doing a good job with his corporate thing, and I think, ok, he's, he's great and I don't want to lose him then I would encourage him and say, ok, go for this and don't do it all over, just keep it...

Problem 8

{CASE} All right! [on 25% growth projections]. {CASE} Ok, 27.5 million, I have three candidates and they all want to become the COO, ehm, ok, so now what I, ehm, and now I try to find out who's the best. Hm, so, ok, so maybe, hm, I would, like, if I have an interview with them, I would do at first, just one by one, a short one, and then maybe all together, because I want to see, I want to see how they react when they are more people, cause I want to know if they, they could communicate, because I think the main problem we have sometimes, five people speaking the same language, sitting at the same table, but everybody thinks the other persons want something completely different, they want, and in the end it's not like this, they all want the same but they still argue. So, ehm, so I would, I would try to observe the way they communicate and of course I want to, I want to, ehm, so my question would definitely be, what they did before of course, and, I would really want to see if they, I really want to test if they, have a consistent knowledge, I mean I would try to test this in a way, with, what kind of question would I ask? I mean, because I'm not too much into coffee, I would ask, I mean, they don't need to know too much

about coffee, they just need to know about management, so, now the question is, ehm, what kind of management will it be, I mean, with this I would go into the corporate direction in a way, maybe. Or, not, I'm thinking. Have a new manager, and he would be the COO. Yeah, I would go for that, I don't know, I mean like, who, who had, good results, so far, and, is experienced, the most experienced one, I mean now, now I'm at the level that I don't want to play anymore, in a way. I now want to have a guy who, who knows what he's doing even if he's a little bit older, and he would be in the background, yeah, yeah that's it, I don't know, I mean, should I list some questions now? Or is it, I mean, I mean this would, yeah, maybe I come back to this, this question.

Problem 9

Problem 9, goodwill. {CASE} Ah, ok, so Exquise, it is called, to, would you spell, would you pronounce Exquise, or how would you do? **It's just the brand name.** {CASE} Ok, so what would I get out of it? {CASE} Ok, so she wants, this is good for my concept? {CASE} Ok, so a 100.000, and my growth is 25%, so, ehm, the year after, I would have more than 5.5 million, is the growth rate. What will I do? I can advertise, I mean, I didn't really get what my benefit, I mean, I'm reading, ok, so I, ok, yeah I mean, what's cool about that is that you're close to the source, I mean, when you grow you need good people to work with, I mean, people selling your coffee, and, I mean, it seems like a high investment, and it's again a kind of risk, but since this paper tells me they are enthusiastic teachers, and, the students hopefully as well, I mean, there's nothing better than people who really want to do it, I mean, if they really want to go for it, and then I'm, at the source, and they are connected to 10 other schools, so I would have some kind of, eh, insurance on good people I can have that will work for me, so I would, I would do this. {CASE} Ok, which product? Ok, so for me it would not be donated, I would not donate it, if I get a benefit out of it, ok, I, I don't know, I mean, if I can do something good, which makes sense for me as well, then I go for it and they, I'm not donating anything, and then I can create a win-win situation in a way. If it's just good for them, and not for me, this means I do something that is, I mean, if you're Microsoft, you don't help people getting a job at a burger shop, you know, eh, I mean, like, then you try to, I mean, you know your expertise is IT and then you, you will find something where, where you can help people which is related to IT, so in this case, I'm, I'm a coffee corner, I'm big now, and I can use this because, like I said, hopefully since those pupils from the school, from this catering schools can be my, ehm, my new employees, ehm, I would find a contract where I ensure that they find a way to me in the end, I mean, like, that they work for me at some point, because I, I think if you have really good pupils working in your shops, then you, then it's even better for you. So, I don't know, for me it would not be, sell at cost, no. I would make it, eh, I, I don't get the question actually. What, which, ok, it's about I take the initiative, eh? Ok, and if I take the initiative, kind of donate it, but in the end it's not, I, I don't think, I would take some, I would get out something out of it, I would not do it if I don't get anything out of it.

Problem 10

Problem 10, exit. {CASE} Wow, didn't know venture capitalists, whatever, I've done this to you, let you work 10 years on this? {CASE} So, in the end, the Exquise is a great success, and this plain coffee is shit. I knew it! {CASE} But anyhow, it's just working because of Exquise. [on plain coffee growing satisfactorily] {CASE} This is even a bigger growth; it's almost 40% [on company growth]. {CASE} So that's 60 million. [on the total of the shares]. {CASE} Wow, 300 million! [on Starbucks' offer]. Hm, ok, with one I will make

big money for sure, and with the other one I'm staying in. I would, since, I mean it's, for me it's not about the money. 300 million or 50 million, where's the difference? So, eh, or 60 million. And I would not get the full thing, so I would go for direction one, ok. Cause then I can keep, I mean I, I, if it, it would hurt me, as an entrepreneur, to hand it over to Starbucks. But I don't know, maybe direction 2 would be the smartest thing to do and then to start something new, but, direction 1 would, maybe this is my life now and I want to go on with this, in a way, I don't know, maybe I could also do it with Starbucks, but, yeah, ok. That's it! Ok, ah, yeah, ok, so, yeah, that's it.

Revision

Problem 1

So maybe I will look at those things I was looking at in the beginning. Eh, what is it? Problem 1. Ok, so, what information... yeah this is not really interesting anymore, but, I mean, yeah, definitely do some questionnaires and stuff like this, if I do it in front of their shops or whatever, I mean like...

Problem 5

'We aim to create at least...'. Ok, ehm, hmm, now thinking that it would be nice to, to find a new thing, but I, ehm, this would take some time, so, I don't know... **What element?** Ehm, for this one-liner? **Yeah.** How, how I would work through it, now? **Yeah, what elements would you include?** Ehm, yeah, why I did like, ehm, this entrepreneur thing, the second one, is, because it gives this feeling, ok, we are, we are doing it ourselves, it's not a guy from the U.S. or whatever and they just put a coffee shop over here, so I would, ehm, but I would also... I don't know, I would also try to, to get this feeling that it's from, from them, in a way, that they're included. Ok, but then I would go for 2. Is there something missing in this one? Hm, I'm not really satisfied, but also, I mean, it's now, it's not like that I, I would, I would take some time for this one-liner. Because this is the big thing, and number 2 is cool but, I mean, it's missing that it's about coffee, for example, you know, and 'we aim to create at least 1.000 entrepreneurs by the year...', pff, next page, because, I mean, or at least if I'm interested in coffee I would not read this article. So, I would definitely include Coffee Inc somehow, ehm, yeah, but I, so I'm not really happy with that but it needs some time.

Problem 8

Ah, this question, what is it, eh, this was, this question, hiring professional management. Ehm, ok, technique, I told you, I would look, eh, if they're really, eh, have consistent knowledge, and if they can communicate, and what they did before so, I will find out, this questions. I mean, now I have to go one step further than, 'hey, what's your name, eh, what did you do before', some, hmm, what kind of question could it be? Hm, actually, I would, I would put some traps, actually, when I ask the questions, I would ask in a way, I would give them a comfortable feeling in a certain way, and if they really go that way, eh, they're gone, in a way, I mean, I, I want to find out with the question if they're fake or not, in a way, I mean, that's what I mean with consistent, I mean, either they have a certain kind of thinking, and they fit in, or not, and I, I would really try to find out, so I would, I would have some traps in my questionnaire and check if they... But I think that's not very innovative because I think many people do that but definitely I would, yeah, I would, I would try to find out if he's, eh, enthusiastic, because we are,

we are still, we still have this entrepreneur thinking, so, and I, I need one of those guys, with the, ideas, maybe, and with, but it he has the expertise, so, ehm, what kind of questions, how can I find out... Maybe I would give him this questionnaire that you just gave to me, and I would say, look, work through this, you have two hours now, and, ehm, we will see what you come up with, and then if I like it, I get him, if not, then, I think that would be good. I guess that would be a kind of option. **Allright**. Ok, that's it.

Thank you very much!