



- M A S T E R T H E S I S -

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# **Entrepreneurial Processes in a Western-Asian Context**

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## Management Summary

Entrepreneurial processes are becoming more and more important, especially in a cultural context. When looking at the processes crossing borders, risk of failures increases. So, it is very important to take a very careful look at the way entrepreneurs conduct their processes, while doing business. A constantly growing global economy is a well-known fact, which increases the importance of cultural differences among countries. These particular differences are scoped in to differences between Western and Asian cultures due to consequently growing Western-Asian Business relationships. Although there is a lot of research about entrepreneurial processes and Western-Asian business relationships, the link to put them together is actually still missing. This master thesis aims to fill this literature gap by conducting a research about entrepreneurial processes in one western, and one Asian country, the Netherlands and Indonesia. The countries are chosen because of their on-going relationship, which is established by almost 4 decades of colonial history. Because Indonesia is still struggling with a non-ignorable poverty, this research has a deeper focus in the differences within Indonesia.

There are two important processes to divide: Causation and Effectuation and will show which process is mainly used in Indonesia and the Netherlands and if cultural differences could explain the result. To gain more insight about these factors, a well-known and cited research about effectuation and causation is used in both countries. To compare the results of the entrepreneurial processes in a cultural context, the research of Hofstede is used.

Conducting a mixed methodology, which consisted of a questionnaire, case study with think aloud protocol and an additional interview, gave interesting answers concerning these two countries. First of all, Indonesia and Holland are both fond of using merely the causation process compared with the effectuation process. Practical, this appears in a more goal driven process with dimensions like return based decision making process, existing market knowledge usage, competitive analysis, and emphasis on marketing research for example. However both countries are using a causational process in entrepreneurship, they cope with a big gap in cultural differences. Looking at the dimensions of Hofstede, the proposition should be that the Netherlands would enjoy a casual way of entrepreneurship, and Indonesia a more effectual way of entrepreneurship. 'Bersama' one of the most used words in Indonesia, shows that a strong network and community are everything for the Indonesian citizens. Indonesia is actually scoring the highest ranking on collectivism, compared with all countries in the world. This implies that the culture of the Netherlands has a greater influence on the entrepreneurial processes, compared with the Indonesians. Going deeper in the Indonesian entrepreneurial processes,

several dimensions came out very strong. Like existing market knowledge and making decisions based on returns. Additionally, Indonesia is also a goal driven country, with a very high score, which means that they build a new company, by pursuing a predetermined goal. In contrast, Indonesia is also a big user of a means driven strategy, which is actually a form of effectuation (using own friends etcetera). However, this is in line with the high score of collectivism of Indonesia.

These findings give new insights in the way entrepreneurial processes exist in Indonesia and the Netherlands. It could be the starting point for new research in order to create more development, especially in Indonesia because of the low GDP rate. And taken in account that this research is support that culture, in the way that Hofstede explained them, has no immediate influence on the entrepreneurial processes. Companies, who aim a Western-Asian business relationship, should have the entrepreneurial processes in mind. It can be very helpful to take in account that Indonesia judges the mean driven strategy as highly important. Indonesian entrepreneurs and companies could keep encounter the way that the Netherlands values competitive advantage very high. In this perspective, the findings will help both the Netherlands, and Indonesia.

## Preface

So here I am, sitting on a Thursday night behind my desk, actually asking myself what I should write in my preface. Where do I start? What should I say? And whom should I thank? On the one hand, it will be the ending of a great, meaningful and learning full experience of my life. But on the other hand, it will be the beginning of a new, challenging life. On which I look forward to.

I'm very aware of the fact, that without the help of some new and old friends, I wouldn't be able to finish the thesis as I did right now. So therefore I wanted to thank some special people who were closely involved with the thesis, for moral support, and practical support.

Starting with my parents who always supported me and gave me the opportunity to pursue a University degree. Subsequently, the new friends I've dropped across in the best experience of my life, gathering the data in Indonesia and learning about the country in which my grandparents grew up. Most of the participants became friends, which I could count on in a new foreign country. I've met so many people who are kind by heart. Like Ika Parastuty, who helped me with the translation and were on my side along the ride. Next to that I wanted to thank my friends who supported me through some rough times during the last year writing this thesis. Irene Hofland in Indonesia, Coen and off course the Dot's (my best girlfriends) for all their support. And last but not least my two important supervisors, Rainer Harms and Martin Stienstra, for their accurate feedback, sessions and help when it was needed the most.

Thank you sincerely,

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# 1. Introduction

## 1.1 Background

Entrepreneurial processes are enjoying an increasing body in management journals and are emerging as a spate topic (Alvarez & Barney, 2007). There's been a lot of research concerning the subject of entrepreneurship itself and next to that, researchers are found to be very interested in entrepreneurial processes. Entrepreneurial processes represent the way that entrepreneurs start, grow and maintain their business. In other words, they aim to look at a product or service to serve the market and gathering means to achieve this goal. Most of the researchers focussed on the result of the entrepreneurial process. This is done in a context where the entrepreneur has the idea controlling the situation, now and in the future. Nevertheless in a later stage, new researches have shown some contradictory results concerning these entrepreneurial process findings. Sarasvathy (2010) introduced the theory of effectuation, where, putting it in a nutshell, the entrepreneur looks closely to its means, and gather them to create a result that could serve the market.

Because of the fact that entrepreneurs proved to grow up in a social background, they are influenced by underlying values of these social backgrounds in their culture ( McGrath &McMillan, 1992) and entrepreneurship is much more dependant in environmental factors than expected before (Read, 2011), it is very interesting to extend those new literary findings, which could lead to new outcomes by comparing entrepreneurial processes of two different countries. This study is conducted in Indonesia and The Netherlands, to give an insight at the differences between two countries that were closely related to each other by a colonial history of 350 years. There are a lot of elements that could differ in these two related countries. Hofstede (1980) already conducted a great deal of research, regarding the elements of differences of how to deal with uncertainty for example. Other examples could be found in a different perception on hierarchy, or a different point of view when it comes to the perception of time (Hofstede, 1980). This study will make a differentiation between the entrepreneurial processes that the two countries enhance, and reflect them on general aspects in which the two countries differ.

The entrepreneurial processes can be divided in two general concepts. The first one is 'causation' and can be mainly described as a goal-driven rationality. Before the entrepreneur will start the business, the goal has to be set, and the entrepreneur will explore ways to achieve the pre-determined goal (Read & Sarasvathy, 2005). Rational choices made by an entrepreneur driven by causation rest on a set of logic prediction. The often seen as counterpart of causation, concept effectuation, is a mean driven theory that make the entrepreneur first look at the available means, before determine a certain goal. The principle enables entrepreneurs in transforming

present environments, into new futures in the face of ambiguous new goals (Sarasvathy, 2001). What the two concepts mean and how entrepreneurs practise them, is not a new academic implication anymore. There are lots of studies conducted (also by Sarasvathy herself) that give a good insight in these two concepts in different countries all over the world. Although there are a big amount of academic articles written about these two concepts, the practical application, of the two processes is never researched before in Indonesia and the Netherlands.

Indonesia and the Netherlands are two examples of countries that are represented by immense differences. The cultural differences between Western and Asian cultures are becoming increasingly important as a result of the consequently growing Western-Asian business relations and therefore growing global integration. The influence of disparities between the Western and Asian countries is frequently discussed in literature (Hofstede, 2007; McDonald & Kan, 1997; Brown, 2008; Ryan & Louie, 2007). As a result of the economic growth of Asia, almost every Asian country figures a very important role in the economics nowadays, which can be further explained by the so-called Five East Asian Dragons who represent the average annual growth percentages over a 20-year period. Singapore, Taiwan, South Korea, Hong-Kong and Japan are respectively with 7,6%, 7,2%, 6,6%, 6,1% and 4,7% well represent. Although Indonesia is not seen as one of the famous countries of the five East Asian Dragons, with a grow rate of 6,1 percent in 2010, the country is still increasing. The growing importance of the Asian economy can be better understand when it is compared with the western grow rates: 0,9% for Denmark, 1,6% for Britain, 0,61% for the Netherlands, 0,9% for France and 1,7 % for the Unites states (World Bank, 2011).

As for Indonesia, there are two contradicting parts relevant. First, as noted, Indonesia is enjoying a post significant economic growth. As of April 2012, Indonesia economy is expected to grow 6.1 percent in 2012 and increase to 6.4 percent in 2013 (World Bank, 2011). Additionally, the country's gross national income per capital has steadily risen from 2,200 USD in the year 2000, to 3,720 USD per year in 2009 (World Bank, 2011). Although they are growing at a fast pace, they are coping with a great deal of problems like corruption from the government, which leads to inadequate public services by middle-income standards. Next to that, the employment growth rate has been slower than population growth for years, so unemployment will soon be a big problem. Hofstede extended these rates by giving a broader explanation, drawing in dimensions, which explained more differences between the two countries (1980).

Because of these differences in GDP and growing rates between the Western and Asian countries and the arising importance of the Western and Asian disparities,

taken the increasing global integration and consequently growing Western-Asian business relationships in account, this study will make a new comparison, with the entrepreneurial processes in mind. The differential rates are non-substantial, but can perhaps be explained with differences in the entrepreneurial processes. In this research the entrepreneurial processes in Indonesia and The Netherlands will be investigated. The differences can be explained using the dimensions of Hofstede and could give an insight of immense differences of the two countries, which were entangled for so many years and are part of the Western and Asian relationship. The theoretical contribution of this research will present the two entrepreneurial processes and give a deeper insight in the cultural differences between the two countries. The practical relevance can be found in recommendations, especially made to Indonesian and Western Entrepreneurs, who can take the processes in account while doing business in the future.

## **1.2 Research Question**

There is a growing importance of entrepreneurship, and seen as an essential matter in a growing economy. There is a lot of research conducted on this matter (Sarasvathy, 2005; Alvarez & Barney, 2007; Baron, 2006; Shane & Venkataranan, 2010) and also on the earlier mentioned culture aspect. But despite on the available conducted research, there is less known about which entrepreneurial process is affecting Indonesia and which entrepreneurial process is affecting The Netherlands, or in other words, which entrepreneurial processes, causation or effectuation are most used, in Indonesia and The Netherlands.

Because Indonesia is in its footsteps competing against other Asian countries, concerning evolving an emergent economy, this research aims to give a deeper insight in the entrepreneurial processes in Indonesia. In an economic perspective, Indonesia copes with a lot of differences. Jakarta, the main capital here in Indonesia, is recognized with its great number of slums in the shadow of its sightseeing skyscrapers, which is just an example of the difference between the extremely poorness and seriously wealthy citizens. Family is everything here, so if a citizen is born wealthy, he'll stay wealthy, the rest of his life, and of course visa versa. Indonesia has a population of 238 million people, all-living on 13,466 islands. The capital Jakarta holds 20 million people in its hands. With all this information, Indonesia should have the ability to develop even more and reach for a Western standard. This research is not only investigating the differences with The Netherlands, but also give a deeper insight in the differences of the entrepreneurial processes within the country of Indonesia.

In sum, the aim of this research will be to give a clear and complete vision of how the Indonesian are active in the way they present entrepreneurial processes in terms of causation or effectuation. And make a comparison between The Netherlands as a western country and Indonesia as an Asian country.

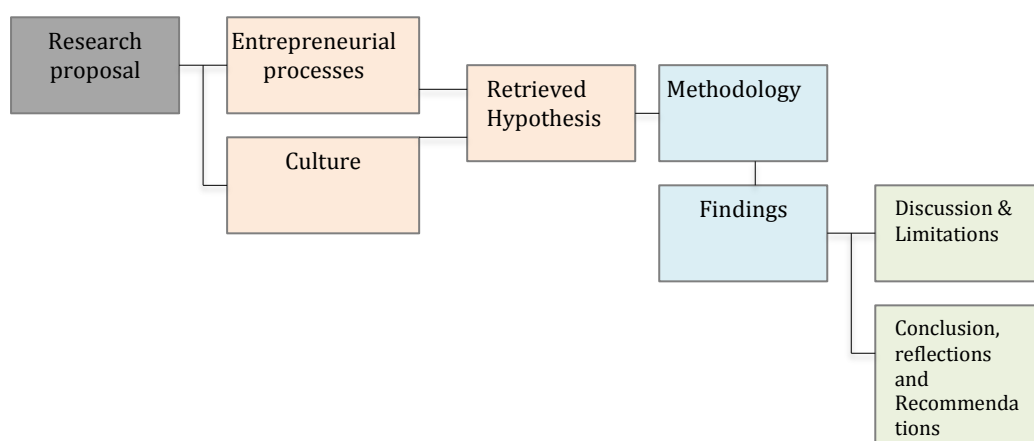
In view of this objective, the following question will be at the centre of the thesis, and will be answered in this research:

*To what extend does the Indonesian culture and Dutch culture influences the entrepreneurial processes among entrepreneurs in these countries?*

### **1.3 Overview research**

The thesis will start with chapter two, the theoretical foundation. This section will give an insight in the two ways of dealing with the old en newer version of entrepreneurial processes. After this theoretical segregation of the processes, it will elaborate on the Indonesian and Dutch culture, and in what way they differ from each other. Next, a combination will be made between the entrepreneurial processes and culture itself. This chapter will end with other factors that might influence the entrepreneurial processes in a culture as a whole, and the Indonesian culture as one. Chapter four is combining the theoretical information in used hypothesis.

Chapter five is approaching the rationalization of the used research method, the think out loud protocol. The following chapter, chapter six will demonstrate the founded results regarding the used research method. Concluding with chapter seven and eight, which will give an overview of the drafted discussion, limitations, conclusions and the recommendation regarding further research.



**Figure 1 Research structure**

## 2. Entrepreneurial processes in a cultural context

In order to answer the research questions, central to this study, some distinctions has to be made, to get a clear view of the existing theoretical literature regarding approached subjects. This chapter will start on the literature concerning 'Entrepreneurship' itself and will end with the culture issue, which will be at centre of this research.

### 2.1 From entrepreneur to entrepreneurial process

Actually, to become an entrepreneur, every entrepreneur is faced with the entrepreneurial process. Because the process is very important, this paragraph will start with a definition of the entrepreneur itself. After that, in the second part, the theoretical boundaries concerning the entrepreneurial process is proposed.

Entrepreneurship itself is one of the most researched topics among business researchers but is still a complex construct to define. Within the various ways authors define entrepreneurship, there are some common characteristics. Personal traits for example could be one of the characteristics and can be placed as a cause for success or failure of the venture. In line of personal traits, entrepreneurship can be seen as method of human action or a result of circumstances or attribute.

Author(s)	Definition
Bhide, 2000 (p.15)	<i>"Entrepreneurship includes new-venture creation that is growth oriented and generate employment, as well as small business and micro-enterprises that may provide self employment but not much employment growth"</i>
Llewellyn & Wilson, 2003 (p.343)	<i>"Entrepreneurship is as a set of personality traits that could explain the success or failure that the venture experienced"</i>
Sarasvathy & Venkataraman, 2010 (p.116)	<i>"Entrepreneurship key traits that differ entrepreneurs from other presumably "normal" or mundane human beings"</i>
Thornton, 1999 (p.20)	<i>"Entrepreneurship is a set of circumstances or attribute, of the project itself and its own environment, which could create the failure or success of the venture"</i>

**Table 1 Definitions of Entrepreneurship**

Because the last definition is the complete and frequently used and cited, and it complies with the factor process, entrepreneurship in this paper will be approached as a process which incorporates as well the dynamics of the entrepreneur, as the dynamics of the context (Gartner, 1985; Anderson, 2000).

Even though there is a great volume on research concerning the process views of entrepreneurship and conceptual frameworks, there are several common elements that occur (Read & Sarasvathy, 2005). First, the entrepreneurial process is defined as a collection of decision tasks as for example, selecting an idea or opportunity, entry mode decisions, marketing segmentation, and so on. There are two several ways that the literature approached entrepreneurship. There is the causation approach, and the contrary effectuation approach. This paragraph aims to give an insight in both of the theoretical version, starting with the very beginning, opportunity recognition, creation and discovery, to give a complete understanding.

Before starting a business, it all starts with the recognition of opportunities. The recognition of opportunities is widely recognized as the key step in the entrepreneurial processes (Shane & Venkataraman, 2000; Brown, Davidsson & Wiklund, 2001). Regarding this matter, it is important to take a close look at how entrepreneurs achieve to identify the new opportunities.

There are several researchers who explored this subject. Baron (2006) suggests for instance that there are two possible ways that an entrepreneur could identify new opportunities. It could depend on the complex pattern of changing conditions in, for example, economics, politics and technology. An example to explain this could be that in recent years, the people who are remarried are increasing dramatically. Next to that, there is an upcoming trend that older people are likely to indulge themselves. So an entrepreneur could see these trends and anticipate with a new business 'Second Time Around' which gives the target group a service on big weddings. The other possible way is based on the cognitive structures of the entrepreneur possessed by individuals; developed through their previous life experience, which enhanced new cognitive frameworks (Baron, 2006). Sociologists suggest in addition that the entrepreneurial cognition is constraint by their external cultural, institutional, political and technological environment (Thomas & Mueller, 2000). Undeniably, certain cognitive scripts are related to the cultural context and values of the entrepreneur (Mitchell, Smith, Seawright & Morse, 2000). So it creates the importance to take a close look at the setting in which the entrepreneur makes the important decisions of opportunity recognition, foreign markets to target, scale of the company, mode of entry, non financial goals they aim, in sum, all decisions that are related with the venture creation which leads to discovery and creation.

Alvarez and Barney (2007) implying the discovery and creation theory regarding the recognition of opportunities.

There are two ways to explore the opportunities that could create economic profits. There are many entrepreneurial researchers who adopted a metaphor while talking about exploit competitive advantages: because they are there. To put in a simple way, there are opportunities that could create economic profits, and in some cases fame and fortune. Some people are capable, seeing these opportunities and exploiting them using whatever data collection is necessary. This approach could be stated as the Discovery Theory and is the first way of opportunity recognition (Alvarez and Barney, 2007). Within the discovery context, the leadership capabilities are based on expertise and experience. The entrepreneurs are more likely to use risk based data collection tools, and incorporate these costs as very important. In addition, the discovery entrepreneur will follow a strategy more complete and unchanging where speed, secrecy, and erecting barriers to entry sustain advantages has a high relevance.

In contrary, entrepreneurs could also create the opportunities themselves, instead of assuming that there are already opportunities that only have to be discovered. This approach is divided as 'Creation' (Alvarez and Barney, 2007). When looking at the creation context, the leadership capabilities are based on charisma, whereas the decision making process is more iterative, inductive, and incremental. They really miscalculate the importance of affordable loss. The 'creation' entrepreneurs are rather likely to adopt an emerging and changing strategy, where tacit learning in path dependent process may sustain advantages (Alvarez and Barney, 2007). In sum, main difference between these two is that the discovery entrepreneur only discovers –for example- mountains that already exist, using a more structured way of doing business, whereas the creation entrepreneur is building his own mountain, using a more iterative way of doing business. Looking at the creation context, the differences between entrepreneurs, plays an important role. If two entrepreneurs have the same interest in their resources, but one is more aware –for example- of the environment or location, there could be the situation that only one of the two entrepreneurs could be successful in finding an opportunity. Therefore, luck can be a very important asset in this highly path dependent process (Barney, 1986).

The discovery and creation theory explains how the opportunities arise, but fails to answer why some people are capable to see them, and some people simply don't. Experience seems to help with connecting the dots, but cognitive processes of pattern recognitions could play a big role in the recognition of opportunities (Baron & Ensley, 2006). Kaish and Gilad (1991) give a supplementary answer stating that the psychological volume is a very important characteristic within the entrepreneurial

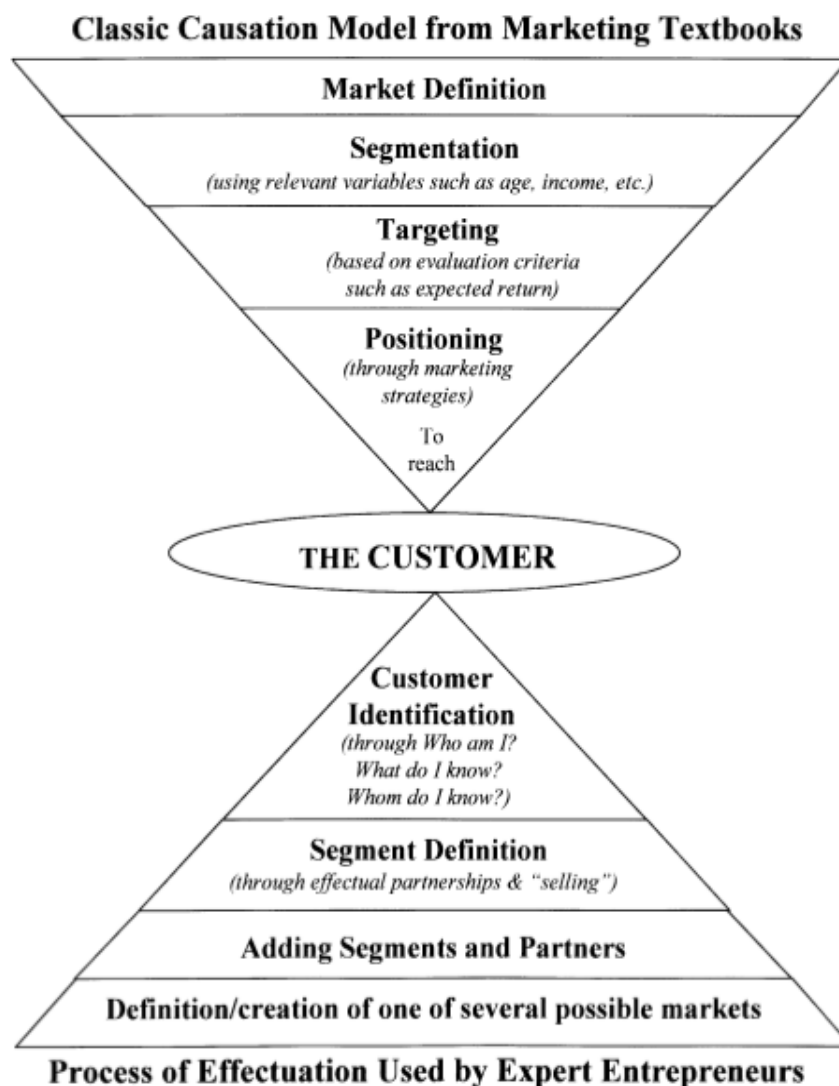
behaviour. Looking somewhat further in the behaviour of the entrepreneur, the entrepreneur in question should also be open for the active search of these opportunities, which will arise (Baron, 2006).

So now there is a thin line between the literature of the entrepreneur and the two main concepts, effectuation and causation. To make a complete research the two contexts cannot be ignored. As Mitchell, Smith, Seawright & Morse (2000) stated that certain cognitive scripts are related to the cultural context and values of the entrepreneur, which makes it important to look at the setting in which the entrepreneur makes the important decisions within the opportunity recognition, foreign markets to target, the scale of the company, mode of entry decisions and non financial goals to aim. Hence, all the decisions that are related with the venture creation and which leads to discovery or creation (Mitchell, et al., 2000). This research is conducted in a cultural context, with every decision included, so the next step can be made. Effectuation and Causation.

## **2.2 Causation and Effectuation**

The awareness of the actions and behaviours of entrepreneurs is critical to understanding the entrepreneurial processes (Sarasvathy, 2001). This goes hand in hand with the way entrepreneurs could recognize an opportunity. Sarasvathy (2001) made a ground-breaking distinction between two new theories regarding the way entrepreneurs act, within the entrepreneurial processes to new venture creation: 'Causation' and 'Effectuation.' As mentioned earlier, the two can be seen as the counterparts of each other. The following figure, placed on the next page, figure 2 will give an example.





**Figure 2 Effectual market creation contrasted with causal marketing (Sarasvathy, 2003)**

As seen in the figure, showed above, effectuation could be seen as the inverse of causation. As mentioned earlier, although the segmentation process is just a small step in the long walk of the process of causation and effectuation, it really gives an insight in some of the differences between the causation and effectuation process. These differences could also be found in its problem space, solution processes, fundamental principles but mainly: in its overall logic. This paragraph will elaborate on the two most important theories approached in this research.

### **2.2.1 Causation**

The theoretical foundation of causation processes derived from the rational decision making processes of neo classic economics (Chandler, DeTienne, McKelvie & Mumford, 2009). Causation is often seen as the counterpart of its component effectuation. Taking a close look at the elements of the two theories it is a logical

conclusion. But, Chandler et al. (2011) found that the causation process has a positive correlation with the effectuation process. This should be in mind while elaborating about the causation process.

The causation process is mainly described as a goal-driven rationality. Before starting the business, the goal has to be clear, and the entrepreneurs will search for ways to achieve the pre-determined goal. Rational choices rest on logic of prediction and are centred in reactive and adaptive action (Read & Sarasvathy, 2005). To give a broad explanation of the causation process, as a start to get some feeling with the topic, the following example gives an insight in the theoretical key foundations of causation. Take for example cooking. When there is a chef, he could be assigned to cook a meal for clients. All the things that he need could be listed and he could shop for them. After that he could actually cook the meal. This is an example of *causation*. It begins with a given menu and focuses on selecting between effective ways to prepare the meal.

Entrepreneurs begin with three sets of means (Sarasvathy, 2001). The first one is that they know how they are. The entrepreneurs are aware of their capabilities as knowledge and resources for instance. In addition, the second category is that they know what they do. Entrepreneurs are able to identify their actions, regarding the entrepreneurial processes. The last category is focussed on: they know who they know (Sarasvathy, 2001).

Because all entrepreneurs are faced with decisions that have to be made in the future, either short term or intended long term, they are confronted with risks and uncertainties in various ways. The causation approach provides concrete decision criteria to achieve predetermined goals that are being approached in environments that are faced in an uncertain future. Causal rationality takes this environment as large outside the control of the decision maker, and therefor seeks ways to predict the future and adapt to changes in it (Read & Sarasvathy, 2010). The causation approach entail the sentence *"To the extend we can predict the future, we can control it"*. Other typical causation characteristics are: *"Existing market knowledge"*, the entrepreneur is more tentative to go from existing knowledge, in stead of finding out, *"Expected returns"*, when making a decision, the entrepreneur is looking at the outcomes of the decision, and at last, *"Emphasis on analysing data"*, more entailed of doing research before making a final decision (Sarasvathy, 2001).

Kotler (1991) exposed one important characteristic of the causation process. The process of segmentation, targeting and positioning (STP process). This process is only a small step in the big theory of causation, but is pointed out because of the fact that it gives a proper illustration of the structured way of working within the causation

theory. The entrepreneur who is using the causation process is focussed on analysing the long-run opportunities in the market available. Future uncertainties have to be reduced, as far as possible, or otherwise the long-term opportunities will be jeopardized. After the recognition of long-term opportunities, the entrepreneur is challenged by profound research and the selection of target markets. This involved the identification of segmentation variables and segmenting the market. Subsequently, the entrepreneur had to develop profiles of the resulting segments and evaluate the attractiveness of each segment. When the entrepreneur approves the evaluated segment, the segment will be selected and the possible positioning concepts will be established. After the final selection, the development and communication towards the segment is the last step in the structured research and selection of the target markets. Step three will involve the design of the market strategies. Next, the entrepreneur will plan the marketing programs and will end with the organizing, implementation and controlling of the marketing effort. The structural way of working strokes with the fundamentals that Sarasvathy (2001) established concerning causation.

The decision-making selection criteria are based on expected return, which has to be examined before actually making the decision. Every step in the process is focussed on maximizing the return in the present. In addition, the choice of possible means is driven by the characters of the effect and has to be selected. When looking at the competencies, the causation process has entrepreneurs who are excellent in exploiting knowledge. A causation entrepreneur likes to work in an environment more ubiquitous in nature and therefor static, linear and independent from change. When the environment is unstable, the entrepreneur will focus on the most predictable aspects of the future in order to reduce risks that can occur. The underlying logic to this matter, is *“To the extend we can predict the future, we can control it”*. The outcomes of working at a causation base are that the entrepreneurs work in market shares in existing markets, through competitive strategies. These markets are already known, and more predictable (Sarasvathy, 2001).

So, causation is a more structural, and goal driven entrepreneurial process which can be seen as the counterpart of effectuation. The next sub-paragraph will elaborate on effectuation.

### **2.2.2 Effectuation**

As already mentioned, the equivalent of causation can be found in the theory of effectuation processes. The effectuation processes provides useful principles for transforming present environments into new futures in the face of ambiguous new goals. Where as causation is involved with rational planning, the effectuation process founds itself focussing on emergent strategies (Sarasvathy, 2001). The goals that the

effectuation process aim are always developing, where the causation process defines the goals prior to the decision-making. This involves a fixed plan on where to go (internationalization) how to go (entry mode selection) and what to achieve in international markets (strategic goals). The effectuation process aimed to develop these important decisions, during the process of the project and are therefore more applicable for international management. This is because of the fact that a company can be flexible in regard of the strategic goals (Harms, 2011). The same example is used, as stated with the causation processes, while given a practical and simple example of the effectuation processes.

Looking at the effectuation entrepreneurial method, the host takes the chef to the kitchen for possible ingredients in the kitchen and force him to put them together for a big meal. In this case, the chef has to imagine possible menus based on the given ingredients and utensils, select the menu and then prepare the meal. This process is called *effectuation*. It begins with given ingredients and utensils and focuses on preparing one of many possible desirable meals with them.

Effectuation has been applied in several different areas like management, finance, economics, marketing and R&D management (Harms, 2011) Looking at the situation, entrepreneurs who entail the effectual theory, mostly work in an explicit assumption of dynamic, nonlinear and ecological environments. There are several important elements in the effectuation process that has to be pointed out, to get a clear insight in the way that effectual entrepreneurs work, starting with the decision-making. Taking a close look at the decision-making selection criteria, an effectuation entrepreneur will be challenged with the choice between possible effects that can be created by the available means. The selection between the available resources will be calculated as the result of affordable loss or acceptable risks. The decisions will be actor dependant and result in the fact that the choice of the effect depends by the characteristics of the actor and his or her ability to discover and use contingencies. The entrepreneur in this case, will focus on the controllable aspects of an unpredictable future. Where the causation process focuses on the predictable aspects of an uncertain future, the effectuation process knows that the future is unpredictable and will focus on the controlling part. They state that 'To the extent we can control the future, we don't need to predict it'. But how can an entrepreneur really control an unpredictable future? The answer on this question is found in the rationalization that a large part of the future could be identified as product of human decisions. When the entrepreneur is capable to gather the stakeholders who 'deliver' the human decision-making, concerning the entrepreneur's relevant future, it is not needed to waste any time in the prediction of it (Sarasvathy, 2003).

After talking about the main characteristics of effectuation, there will be elaborated on the process elements that an entrepreneurial expertise encounters. Entrepreneurial expertise is a result of Sarasvathy's new approach, not only looking at the performance of the firm, but looking at the performance of the entrepreneur (Sarasvathy, 2001), which is of great importance in this research. Sarasvathy draws the line between the performances of the firm, with the performance of the entrepreneur, which gives the entrepreneur a very important role in the firm's functioning. The following elements are essential:

Entrepreneurs begin with who they are (own capabilities), what they know and whom they know, and immediately start taking action and interacting with other people. Because of the fact that entrepreneurs are seeking within their own resources, a network is very important, because they can use it, achieving their own goal. The next element will elaborate on what the entrepreneur's actually can do, and do it. They do not worry about what they ought to do, but actually focussing on what they can do. The third principle is engaged that some of the people they interact with, self select by making commitments to the venture. They have to be open about the fact that other people could make commitments regarding the venture. The fourth element emphasizes that each new or common commitment result in new means and probably new goals for the venture. The fifth element states that when resources accumulate in the growing network, constraints begin to accrete. The constraint, reduce possible changes in future goals and restrict who may not be admitted into stakeholders networks (Sarasvathy, 2001). The last process element that entrepreneurial expertise encountered is that assuming stakeholders process does not prematurely abort, goals and networks concurrently converge into new market and a new firm (Sarasvathy, 2001). These elements are at the heart of effectuation, because the entrepreneur is in the middle of the business.

Another relevant characteristic of effectuation, is the way they overcome the question: "how can we find new markets?". New markets will be created through alliance and other cooperative strategies, looking at the effectuation process. The underlying reason is, that the effectuation process takes a careful look at its own resources (means). This is in line with the principles that Sarasvathy established regarding effectuation. She states that entrepreneurs begin with three categories of the so-called 'means' : who we are, what they know and (important here) who they know, and immediately start taking action and interacting with other people. This would practically be translated that the entrepreneurs are aware of their own traits, tastes and abilities, the knowledge corridors they are in, and the social networks they are a part of (Sarasvathy, 2003). The result would be that when the entrepreneur is aware of, who he is, what he knows and whom he knows, he could ask himself, what can I do and what types of effect can I create? This is in contrast with the causation

process, where an entrepreneur first looks at the goal he wants to achieve, and after that setting out a path to accomplish his goal, and asks himself: what ought I to do? (Sarasvathy, 2003).

### **2.3 Dimensions of causation and effectuation**

Both causation and effectuation are summarized in dimensions, which explain the core factors and differences between causation and effectuation. The dimensions will be explained in this paragraph and are very important for this research.

#### **2.3.1 Goal driven vs. Means driven**

Goal driven entrepreneurs are more likely to set a goal, before gathering the means to achieve the actual goal. The goal driven strategy is part of the causation theory. Means driven entrepreneurs are more likely to look at the means available, before setting an actual goal. After the means are determined –think of people, resources, location possibilities- the goal will in a second step also be determined. The means driven strategy is part of the effectuation strategy.

#### **2.3.2 Expected returns rather than affordable Loss**

Looking at causal models, every decision concerning optimal strategies, are made with the focus of the maximizing of potential returns. The effectuation, on the other hand, will look at as many strategies as possible with their limited means, and will pre-determine how much loss is affordable as a result of those strategies. They prefer the strategies, which create even more options in the future, rather than strategies with the maximum potential return in the present. A more extreme form is the zero resources to market principle, which destroys uncertainty by pre-digesting the down side.

#### **2.3.3 Competitive analyses rather than alliances**

As already mentioned, effectuation emphasize partnerships, working with pre-commitments from stakeholders to reduce -and if possible erect entry barriers. Those pre-commitments with the stakeholders, who could be of great influence of the 'delivering' of the future and makes therefore uncertainty irrelevant because they will create a future that could be comparable with what was contracted for.

#### **2.3.4 Leveraging contingencies rather than avoiding them**

Causation models are more likely to be used when pre-existing knowledge –such as expertise in a particular new technology, or new product- practices the source of competitive advantages. Effectuation, conversely, could be used when leveraging contingencies arise unexpectedly over time.

### 2.3.5 Prediction of the future vs. non predictive control

Entrepreneurs who rather reasoning ‘to the extend to predict the future, we can control it’, are working in the face of causational entrepreneurial processes (Sarasvathy, 2001 p.6).. Non-predictive control is the counterpart of the causational reasoning. Non-predictive control reasons that ‘to the extend we can predict the future, we do not need to control it’ (Sarasvathy, 2001 p.6). Non predictive control is part of effectuation.

### 2.3.6 Emphasis on analysing data vs. distrusting or opposing marketing research.

Emphasis on analysing data is part of the causation reasoning with for example marketing research. Effectors are more distrusting or opposing marketing research, because they just do.

The above mentioned dimensions were conducted in the study of Sarasvathy (2008) and are summarized in the following table and are the final dimensions of causation and effectuation.

Causal	Effectual
<b>G</b> – Goal Driven	<b>M</b> – Means-based
<b>R</b> – Expected Returns	<b>L</b> - Affordable Loss
<b>B</b> – Competitive Analysis	<b>A</b> – Use of Alliances or Partnership
<b>K</b> – Existing Market Knowledge	<b>E</b> – Exploration of Contingency
<b>P</b> – Predictions of the future	<b>C</b> – Non Predictive Control
<b>Z</b> – Emphasis on Analysis of Data	<b>D</b> – Distrusting or Opposing (marketing) Research
<b>X</b> – Causal (no subcategory given)	<b>N</b> – Effectual (no subcategory given)

**Table 2 Interdependent elements of causation and effectuation based on Sarasvathy (2008)**

## 2.4 Context and entrepreneurial processes

To go somewhat deeper in the theory of entrepreneurial processes, Sarasvathy has taken a close look at the entrepreneur itself as a human body and a system. She’s compared her study concerning effectuation, with the work of Simon (1996). Sarasvathy could link the effectuation approach to four of the key ideas presented in the ‘Sciences of the artificial’ (Simon, 1996), which is focussed on near-decomposability as a pervasive feature of the architecture of the complex systems that are found in general. When looking at other environments, Sarasvathy state that understanding the role of negotiations between inner and outer environments, should form one of the core areas to research entrepreneurship next to the

understanding of limiting properties of the artefacts they create in relation to the environment in which they negotiate (Sarasvathy, 2003). So if an entrepreneur is in another environment, which could be of influence on the entrepreneur (Read, 2011), they could take the following four key ideas of Simon (1996) and integrated with the study of Sarasvathy (2003), in mind.

First, looking only at the natural laws, the entrepreneurial designs are contingent on his imagination and there is nothing intrinsically about them. If this would be linked to the effectuation theory, there could be stated that given who we are, what we know and whom we know, there could be focussed on what we can do, instead of what we ought to do (Simon, 1996). This implicates that it would be interested to see if there is a big gap between what they will do and what they will think they do. Secondly, when effectuators design their process without setting final goals, it allows them to free themselves from downsides as a result from prediction, and other mechanisms could be used like scientific methods, or the effectual logic of control (Simon, 1996). Thirdly, contingencies can be seen as an opportunity rather than as misfortunes to be avoided. Failures and successes are always local, so cumulative learning it still possible, which is supported by Alvarez and Barney (2007) who state that training is possible to improve the entrepreneurial skills. Fourthly, When effectual processes exploit locality and contingency through both interdependence and independence of parts, they are more likely to result in enduring firms (Sarasvathy, 2003).

To conclude, Perry & Chandler and Markova (2011) state that there are still a lot of gaps in the literature of effectuation. The literature concerning effectuation does not grow as fast as it should, compared with other theories. Perry and Chandler (2011) state that the reason could be that 'effectuation research challenge to conventional, entrenched entrepreneurial wisdom'. The existing literature is so deep-rooted in the entrepreneurial processes that it is hard to come up with new additional research, regarding a whole new entrepreneurial approach. Additionally, there is a complexity associated with the development of observable behaviour variables that are consistent and based on a cognition theory. Explicitly, this goes hand in hand with the difficulty to develop valid effectuation and causation measures. To solve this problem they state that there has to be more research with the comparison of already existing constructs.



### 3. Culture

Culture is next to entrepreneurial processes, one of the most researched topics within business studies. Almost every article or book, starts with giving several definitions of the topic culture. As is very clear, globalization is playing an important role nowadays, and for over 20 years, researched have argued that international managers should take the culture in to account, while doing business with a foreign country. But what are the main differences regarding the entrepreneurial processes in a culture? Which element could play an important role while looking at the entrepreneurial processes in a culture? This paragraph will answer these questions and start with a broad explanation of the effect of culture as a whole in internationalization and globalization. This study is performed in Indonesia, so after the broad explanation, the focus will be landed on the Indonesian entrepreneurship.

#### 3.1 Introduction of culture

As is mentioned before, this research aims to find relationships between the broad researched subject of culture and entrepreneurial processes. Culture can be seen in many (and already explored) ways. Some argue that national culture is out-dated for dealing with the cultural complexity that traditional companies are facing right now (Soderberg, 2002), but seem that culture can be seen as a moderator between contextual factors and entrepreneurial results (Hayton et al., 2002), it is of great relevance.

Culture can be studied at many different levels. Each level of culture will consist a different approach, which makes it hard to scope. This study will bring a focus in the large landscape of culture, in differences in entrepreneurial processes in a cultural context. Taylor was one of the first researchers, who gave an adequate definition of the subject culture. He stated that culture is “the complex whole which includes knowledge, belief, art, morals, custom and any other capabilities and habit acquired by man as a member of society” (Tylor, 1871 in McCort and Malhotra, 1993)

In addition, culture could also be defined as a set of shared values, beliefs and expected behaviours (Hofstede, 1980), which Hofstede revised in “The collective programming of the mind which distinguish the member of one group or category of people from another” (Hofstede, 1994). Kroeber and Pearson (1958) defined culture as a pattern of values and other symbolic meaning factors in human behaviour. This definition is very likely to represent Indonesia, with its great volume of symbolic meaning factors.

The several mentioned researchers are two of the many researchers who aimed to give a proper definition to the topic culture. Next to the several definitions,

researchers also tried to characterise cultures in different ways. One of the broadest approaches is the difference between tight and loose cultures for example. Tight cultures, on the one hand, can be explained by many strong norms and low tolerance towards deviant behaviour. On the other hand, loose cultures can be defined by weak social norms and a high tolerance of deviant behaviour (Gelfand, et al., 2011). As is clear, the cultural context could differ in many ways. Or for example the approach that culture could be seen as communication. Culture differs in many ways, but communication is one of the elements that they all have in common (Hall & Hall, 1990) The next paragraph will try to scope the different approaches and definitions of culture, in the relevant context.

Next to definitions, there are a lot of elements that could affect the culture of a country. Fink, Neyer and Kolling (2007) argue that the differences in culture is not only that there are differences in general, but that the way individuals of a culture perceive the behaviour differences, interpreted them, and managed them, is a better explanation of how different national cultures cope in the context of doing business. Additionally, they state that incidents are critical when looking at the differences between different cultures. The way they handle them could resolve in explanations of how a culture works, while doing business. This could be clarified by the prevailing norms of behaviour of the actor, can lead to unanticipated outcomes by their counterparts (Fink, Neyer & Kolling, 2007). Until now, the existing literature concentrated on two different types of culture.

The first one is the cultural dimensions and is conducted by for example Hofstede's (1980) cultural dimensions and House's (2004) GLOBE theory, which is an extension on the study of Hofstede. A third research area, that is only performed in the central of Europe, pointed out the perceiving, sensing, thinking judging and acting of a culture. Although the importance of these elements cannot be ignored, this study will not incorporate these elements because they are not researched in Asia, yet. Hofstede states that there are five components in terms of culture (Hofstede & Hofstede, 1991) There are symbols like signs, images and attributes with an explanation, that could only be understood by members of its culture. Like rituals, or heroes, who could be dead or still alive (Hofstede & Hofstede, 1991). These three components will together be practiced in the real world. Hofstede argues that values are the most important components in any culture (1991). These values play a big part of a person's life from the day he or she was born, because every culture raises the children with cultural norms and values (Hofstede & Hofstede, 1991). In extend, Hofstede discusses the cultural dimensions.

### **3.2 Cultural dimensions**

The dimensions can be described as constructs of values, which can be measured along quantitative scales. Here has to be stated that according to Fink et al. (2007). On the one hand, cultural values provide general guidance on behaviour on the social level. On the other hand, cultural dimensions quantitatively measure cultural values in a very general way to describe to actually describe the cultures to which the individuals belong. As widely known and respected, Hofstede performed a worldwide research concerning these cultural dimensions and its effect of management of business. Hofstede (1994) defined culture as the research is performed at the IBM employees in different countries.

The data is collected between the year 1968 and 1972, and divided in two periods. The first one consisted of 116,000 questionnaires, divided over 40 IBM offices in 40 countries. This expanded by ten more countries, later on. The second period consisted of a factor analysis to analyse the questions where the result occur that we all know. The four value dimensions: Power distance, uncertainty avoidance, masculinity/femininity and individualism/collectivism (Hostede, 2001). Hofstede (1994) argues that cultural values represent the deepest level of a culture. They are broad feelings, often unconscious and not open for discussion, about what is good and what is bad, clean or dirty, beautiful or ugly, rational or irrational, normal or abnormal, natural or paradoxical, decent or indecent. These four dimensions are later expanded by a fifth one, which is focussed on the long and short-term dimension. Soares, Farhangmerh and Shoham (2007) argued that there are a lot of different ways to perform research concerning culture, because culture appears to be a fuzzy concept raising definitional, conceptual and operational obstacles for research in its consumer behaviour influences. In their study, a lot of different approaches are discussed, like using regional affiliation (defining a culture by characteristics that reflects or resembles culture), indirect values (secondary data to ascribe characteristics of cultural groupings) and direct value inference (measuring values of subjects in a sample, and inferring cultural characteristics based on aggregation of these values), and combining them, using the multi-measure approach, could give a proper cross-cultural view (Soares, Farhangmerh & Shoham, 2007).

Even though there are critics on the dimensions of Hofstede (Soares et al., 2007), like the relative reliance on business and the out-dated data from thirty years ago (Holden, 2002), Soares et al. (2007) also argue that the simple dimensions of Hofstede, could capture cross culture differences.

Power distance, the first dimension, is focussed on the consequences of power inequality and authority relations in a certain society. In other words, the extend in which less powerful individuals of organizations or institutions (could also be a family) accept or expects that power is spread equally. It therefor influences the hierarchy within a company and is dependable of relations, early found in family and organizational contexts. Power and inequality are exceedingly fundamental facts of any society and anybody who experienced working in another country would notice that there is always inequality, but in some countries more than others (Hofstede, 1991).

Uncertainty avoidance, is a dimension referring to the extend that people feel threatened by uncertainty and ambiguity and are willing to avoid these situations. It indicates to what extend a culture suites its individuals to feel either comfortable or uncomfortable in unstructured situations that might occur. These situations can be described as unknown, different and surprising. The cultures that have a high rate of uncertainty avoidance minimize those situations by strict rules and safety and security measures. They are often more emotional and motivated by inner nervous energy. On the contrary, uncertainty accepting countries are more likely to accepting new cultures and are more tolerant for opinions, different than theirs. Uncertainty avoidance is challenged by the need of well-defined rules for prescribed behaviour (Hofstede, 1991).

Masculinity/ femininity, the third dimension makes a distinction between countries, which are masculine and feminine. The masculine countries have their focus on achievement and success. This can additionally be translated in a more assertive and competitive culture. The feminine countries are on the other hand more caring and, quality of life, orientated. Hofstede (1991) states that the women in feminine countries have the same modest, caring values as the men, but in the masculinity countries they are more assertive and competitive, but not as much as the men. This concludes that these countries show a gap between the values of men and women.

Individualism/collectivism is a dimension which has its scope on to what extend a country is individual or collectivism. First, collectivism can be described as the degree to which persons are integrated into groups. The collectivism enhanced societies where people from birth onwards are used to live in a strong, cohesive group where the people are looking out for each other in a way of protection that gives in return the unquestioning loyalty. Second, Individualism can be described as the extend that the ties between individuals are loose in a way that everyone is expected to take care of themselves, in stead of leaning on a group (Hofstede, 1991).

Long vs. short-term Orientation, the last dimension is a result of students divided over 23 countries around the world, who founded the fifth dimension or orientation. The values regarding long-term orientation are based on perseverance. The values for short-term orientation are founded in respect for tradition, fulfilling social obligations, and protecting one's face (Hofstede, 2001).

Hofstede was not the only one who generated cultural dimensions as a result of worldwide research. Trompenaars and Hamden-Turner (1997) conducted a research focussed on business executives all over the world. The dimensions are Universalism vs. Particularism, Communitarianism vs. Individualism, Neutral vs. Emotional, Defuse vs. Specific cultures, Achievement vs. Ascription, Human-Time relationship and Human Nature relationship (Trompenaars and Hamden-turner, 1997)

The dimensions are seven value dimensions and are related from the statement that culture is based on behavioural and value patterns (Trompenaars & Hamden-Turner, 1997). The research is conducted with 15,000 people from various companies in fifty different countries. From all the participants, 75 percent were responsible of management functions, and 25 percent were accountable for secretarial positions. Of these seven dimensions, two of them could be related to dimensions of Hofstede. Like 'Achievement vs. Ascription' from Trompenaar Hamden-Turner's to power distance of Hofstede and Hofstede's Collectivism/Individualism to communitarianism vs. Individualism from Trompenaar and Hamden-Turner. Because of the fact that the two approaches are so closely related, this study will focus merely on the dimensions of Hofstede, while looking at the culture of Indonesia.

Next to the studies of Hofstede, Trompenaars and Hamdenturner, House, Javidan, House and Dofman, introduced a new approach, the GLOBE approach (GLOBE,1996). GLOBE is defined from Global Leadership and Organizational Behaviour Effectiveness. Its focus lies on the leadership topics and was based on testing various hypothesis that capture these topics. The second research area consists the research of personal traits in a culture. The literature here, focuses in a great deal about the cross culture section. What will happen, if an individual decides to work and/or live in another country? The data is collected from 17.300 middle managers spread on 951 organizations from 62 different societies (GLOBE,1996). They will cope with systematically confrontation with behaviour that is not compatible with their own, and therefore could result into the culture shock syndrome (Ward, Bochner & Furnham, 2001). After two pilot studies and a broad literature review, several dimensions were developed. These nine dimensions would function as elements for measurements (GLOBE, 1996). GLOBE is for some parts common with the studies from Trompenaars and Hofstede. Dimensions like collectivism, uncertainty avoidance and power distance are similar.

After studying all different approaches, this research will use the Hofstede's approach because of the completeness, frequently cited and gathered the most attention (Sivakumar & Nakata, 2001).

### **3.3 Indonesian Business culture**

Looking at Indonesia as a growing economic country is a view, which is held from many years (Tambunan, 2007). Even though Indonesia is a growing republic, the history of Indonesia, has to be taken in account. For more than 350 years, Indonesia was a former colony of the Netherlands. The colonial system is namely based on conservation of traditional land-tenure systems. This implied the assimilation of dry crops to the wet rice pattern of the land use, which is still visible in Indonesia today. The Netherlands, established an elaboration of established systems of a new labour relationship, which enhanced by Indonesian people, giving a part of their land revenue, to the Netherlands (Geertz, 1967).

In historical terms, just in a rough 50 years ago, Indonesia is enjoying the preferences of being independent. In the beginning of 1966, under the lead of Soeharto, the average Indonesian citizen earned about 50 US dollars a year, which comes with the fact that merely (60%) of the population, could not read, let alone write. This shows that Indonesia has made a big leap into the country it is, today. With investments of the government, and the creation of sustained economic growth, Indonesia managed to decline the poverty and become one of the biggest emerging countries in Asia (Tambunan, 2007). Between 2007 and 2011, Indonesia handled to manage a GDP growth of 5 percent. Indonesia is continuing to post significant economic growth. In April 2012, the country's economy is expected to grow by 6.1 percent and increase to 6.4 percent by 2013. As for the country's gross national income, it is still steadily risen from 2,200 USD in the year 2000, to 3,720 in 2009 (Worldbank, 2011).

Despite all these promising conditions, Indonesia is still coping with inevitable problems. Of the 234 million people, living in Indonesia, 32 million are living below the poverty line. Approximately half of all the households remain clustered around the national poverty line, which is set on 200,262 rupiahs (20 euro) each month. Next to the visible poverty, employment growth is consequently slower compared with the population growth. As a result will Indonesia be confronted with economical labour problems.

The importance of entrepreneurs, starting small medium enterprises (SMEs) in Indonesia, is raising the attention. This can be supported by the Worldbank, which implies that SMEs could function as an engine of growth in developing countries, like Indonesia (Worldbank, 2004). The SMEs enhance competition and entrepreneurship

and can therefore result in external benefits on economical wide efficiency, innovation and aggregate productivity growth (Worldbank, 2004). Looking at Indonesia, the SMEs have historically been the main player in the domestic economical activity, which created employment opportunities, and generated a source of income (Tambunan, 2007). Characteristically, the SMEs in Indonesia account for more than 90 percent of all the firms that are not placed in the agricultural sector and are therefore the biggest source of employment. Even in the Asian-Pacific area, Indonesia enjoys the honour of being the biggest economy with the respect to total number SMEs (Tambunan, 2007).

The sectors that the SMEs are concentrated are first the agriculture (60 per cent), second the trade, hotel and restaurant sector (22 per cent) and third the manufacturing industry (6.4 per cent) (APEC, in Tambunan,, 2007). Because of these numbers, the government –especially the departments Ministry for Industry and Trade and the Ministry of Cooperative and SME- is highly focussed on the further development concerning the SMEs in Indonesia, and therefore, create interventions to support entrepreneurs, in order to increase their own economic status. An example is “Foster Father” (FP) which is concentrated on the fact that large private companies (Les) and state owned companies are required to assist SMEs and self-employment in capital, training and technical assistance, marketing, procurement of raw materials and so on (Tambunan, 2007). Recently, entrepreneurship development has become a very important issue related to the economic growth and development in Indonesia.

The dimension of power distance (PDI) possesses the highest ranking in the Hofstede dimensions, with a ranking of 78 on a 100-point scale. As explained earlier, power distance is indicated as the level of equality of power and wealth within a society (Hofstede, 1994). A very high score, in this matter explains that Indonesia copes with a high inequality concerning power distance. Compared with other countries from Indonesia, the average score is 71.

The Uncertainty avoidance dimension in Indonesia scores with a 48 on a 100-point scale. This score reflects a moderate influence of uncertainty avoidance (UAI) in the Indonesian country. When one takes a close look to other countries in Asia, the average consist 58, and the worldwide average is 64. In this case, a high uncertainty avoidance rate implies the societies low level of tolerance concerning uncertainty. So strict rules, policies, regulations and laws are the result of a high uncertainty level. In the case of Indonesia, the tolerance towards uncertainty is moderate, which means that these outcomes are disputable. So, with these two dimensions (PDI and UAI), really pointed out in Indonesia, there is a combination of a highly orientated society with rules, laws etc., which controls the amount of uncertainty and allowed the

inequality of power and wealth in Indonesia. Looking at the country itself, this could be translated in the cast system that is still familiar here. The cast system does not allow the mobility of its citizens and enforces the two dimensions of Hofstede. This tendency could also be found in the leaders/ powerful people in Indonesia. They only enforce themselves by creating their own new rules and laws, because they have the authority to do that. Which therefore leads to even more power and inequality in Indonesia. This is why in Indonesia the ultimate power, rather than diplomatic or democratic change, is a well-known predisposition in Indonesia.

The Individualism and collectivism dimension is another interesting fact in the dimensions of Hofstede. Indonesia copes with one of the lowest individualism rates all over the world. With a rate of 14 of Indonesia, compared with the generally Asian average of 23 and even worldwide rank of 43, on a 100-point scale, one could conclude that Indonesia is hitting a very low rate concerning individualism. This suggests that Indonesia has a high rate of collectivism that could be explained by a close long-term commitment to members that could be reflected in family, extended family of other relationships.

After the establishment of the rate in Indonesia, additionally could be concluded that loyalty is paramount, and dominates most other social rules and regulations in Indonesia. The main tendency of collectivism in Indonesia can be found in the way that strong relationships are of great value and everyone takes serious responsibility for fellow members of their group. The other dimension, masculinity vs. femininity shows a rate of 50. So this is an equal on masculinity and femininity, which is quite surprising because in 2002, Indonesia Gender development Index (GDI) scored on 91 out of 144 countries which was based on literacy, education and income weight (Worldbank, 2011).

### **3.4 The Dutch business culture**

The Netherlands is for years now a growing economical country. The Dutch job machine is growing rapidly at a very high rate, almost continually since the 1990s. Especially during 1997, when the Netherlands experienced an economic boom (Kloosterman, Leun & Rath, 2002). Although the Netherlands is growing, after the economic recession, The Netherlands had to cope with unemployment. The government saw itself challenged by the main priority employment, over the past few years. The SMEs in the Netherlands are divided over several practices, like contributing for 31.6 % to the national economy domestic product, 36% large firms and 33% to other enterprises (like public sector, agriculture) (Dutch SMEs in European Perspective, 1999). About 11 % of the labour force, is self-employment,



one of the simplistic forms of entrepreneurship. Looking at the history, SMEs enjoyed a growth rate of 5.2 %, which is compared to other countries of Europe, a high rate.

In historical terms, the Netherlands always secured itself from a strong position in the world market which already started in the seventeenth century. The economic conditions were good, legal frameworks were made and reasonable and the Netherlands was enjoying sufficient goods to support itself. From this advantage and location wise, the Netherlands became an export country, which they remained until this day. The main export goods within the Netherlands are: vehicles, furniture, electrical machinery and telecommunication (Ormrod, 2003)

The entrepreneurs in the Netherlands are growing, equivalent to the importance of research concerning this topic. Interest and sympathy for entrepreneurship in the Netherlands varied in years (Hoozeboom & de Jong, 1994). Looking at demographic rates, the start up activities taken place among the 18-34 group. Because of the complicated regulatory systems (like legal obligations, and public policy rules) the entrepreneurs are faced and perceive, major barriers to actually getting started. Although the barriers are not ignorable, the start up rate is still growing in the past few years, and spurred by the government policy that tempt to create a stronger environment for entrepreneurship and to increase the number of start-up firms.

Entrepreneurship is a popular practice in the Netherlands. On a survey conducted under 2013 individuals, 36% of the citizens state that they would prefer to be self-employed, which yields the most simple way of entrepreneurship (Blanchflower, Oswald & Stutzer, 2001). Next to that, the Dutch government is stimulating the broader application of entrepreneurship projects like 'subsidy scheme on entrepreneurship' to stimulate capital, develop learning systems, knowledge and skills concerning entrepreneurship. They also stimulate entrepreneurship by holding the statement that entrepreneurship should be part of every level of education (from primary school to University). They state that qualities which are necessary for independent entrepreneurship are also needed for employment everywhere, like autonomy, self-confidence, drive, creativity and so on. The entrepreneurship education, stimulated by the government has to be bottom up which in The Netherlands requires a specific approach for every education segment which led to the National Entrepreneurship Education Program, launched in 2000, with the development of a portfolio. The Dutch Pulchri model is an example of these attempts, which is an overview which points out that experience and education are two important elements in the growing body of entrepreneurship in the Netherlands (Stevenson and Lundstrom, 2001).

Collectivism/Individualism is the highest rate within the dimensions of Hofstede in the Netherlands with a score of 80 on the 100-point scale. This finding indicated that the Netherlands is more individualistic compared to collectivism, which practical could be explained by the fact that The Netherlands has a society, which has relatively loose bonds with others. Additionally, the society is more self-reliance and looks out for them self's. Even though the population is highly individualistic, they still look after their close family members. Hofstede (1991) points out that, when doing business with members of the The Netherlands society, one should be aware of the fact that privacy is considered as a cultural norm and attempts to personal ingratiating, could lead to rejection. When looking at the individual, pride and respect are of great value, so degrading a person is not accepted, appreciated, nor well received.

Uncertainty avoidance is enjoying the second highest rate in the Netherlands, with a rate of 53. This means that the population tries to avoid, and reduce the level of uncertainty, by implementing many rules, laws, politics and so on. The lowest rate on the Hofstede's dimensions is the one of muscularity and femininity. This indicates that there is a low level of differentiation and discrimination between the two genders. In the Netherlands, females are treated more equally to males in all the aspects of the society. Holland holds a more nurturing society instead of the more masculinity society. When looking at power distance and Long vs. short term dimensions, the results are respectively 38 and 44. Namely the power distance, shows the biggest difference, when comparing with Indonesia.

### **3.5 Entrepreneurship in a cultural context**

Looking at the two countries, both on the other side of the world, with differences and contingencies. The question still remains, to what extend the culture actually influences the entrepreneurial processes of the country, and what are the differences. There are two general views for the relationship between entrepreneurial behaviour and culture (Davidsson & Wiklund, 1997) The first, 'aggregate psychological trait' argues that the more individuals with entrepreneurial values in a community, the amount of entrepreneurs will increase. Secondly, 'social legitimations' points out that the differences among entrepreneurs are a result of variation in religion, beliefs and values within the society and entrepreneurs. Now the entrepreneurial literature is pointed out, the relevant aspects of culture is clarified, the next step is made. Combining the two important topics and integrate them into the entrepreneurial processes in a cultural context. So this will elaborate about the integration of the culture, and entrepreneurship of both countries.

Many economists (like Schumpeter, 1934), sociologists (like Weber, 1930) and psychologists (like McClelland, 1961) tried to give a proper answer to the extent in which the entrepreneurial actions are related to the national culture. As mentioned before, entrepreneurship can be seen as starting a new business and maintaining the business. As Bidhe (2000) stated 'Entrepreneurship includes new-venture creation that is growth oriented and generates employment, as well as small business and micro-enterprises that may provide self employment but not much employment growth'. Davidson (1995) tried to research the interaction among the structural characteristics, culture and beliefs concerning entrepreneurship and the entrepreneurial intentions. Davidson (1995) conducted a research with an entrepreneurial value index that captures dimensions as achievements, motivations, locus of control, need for autonomy and change orientation, and combined them with entrepreneurial beliefs as societal contributions, financial payoff, perceived risk and social status. The results were clear that the scores in the entrepreneurial values index correlate with the regional rates of new firm formation. Unfortunately, only marginal effects were found. But the discussion goes on about the fact that individual characteristics could influence entrepreneurship, because these characteristics are influenced by motives, values and beliefs of the individual. This concludes that the Indonesian and Dutch entrepreneur is influenced by its culture. The way they are, and in which extent they differ from each other is not researched before and will be done in this study.

In sum there are many different ways to examine culture in an entrepreneurial context. The first step was to look at entrepreneurship as a whole, and give the general information of different entrepreneurial processes. After that, there was a broad explanation about culture, the different approaches and focussing on the relevant countries in this study.

As a side note, there has to be pointed out that the topic culture is a very big field of literature, which has to be scoped. The concept of culture goes a lot further and deeper than the values and dimensions listed above. The values could be seen as the characteristics, but there are also symbols, artefacts, language, shared memory about history, societal identity, and so on, that can be encountered to culture. The same can be stated with the personality traits like, interests, capabilities, need dispositions, skills and psychological appearance for example. These factors will all be a part of someone's personality. Looking at the broadness of the topic culture, research never stops, because things will always change. The challenge in this study lies to make the effective scope in the big landscape of the art of culture and can therefore not encounter all assets or elements of culture. What it can do, is to combine the findings concerning effectuation, and link them to the cultural dimensions, listed above.

## 4 Hypothesis

In order to answer the research question, predetermined before, there has to be a link between the two general concepts, incorporate in this particular research. Sarasvathy's dimensions were identified to scope the entrepreneurial processes in to effectuation and causation. Next, the comparison, similarities and differences are analysed through the dimensions of Hofstede, also identified before in terms of the Dutch and Indonesian culture. The relationship between these two elements should be researched further, and as a result, hypotheses were established, to do so. The Hofstede's dimensions are approached earlier, because the most extreme outcomes, could affect the hypothesis. The cultural dimensions were linked to the entrepreneurial dimensions and by using theory with each hypothesis; an inclusive research can be executed.

### **4.1 Hypothesis 1: Individualism and Causation**

Seen the fact that Hofstede (1991) state that Holland is a highly individualistic country. Collectivism is not one of the strongest positions of the Netherlands, compared with Indonesia, which scores the highest on collectivism, compared with all other countries in the world. The highest side of the dimension Individualism versus collectivism can be found in individualism, which characterised as a loosely-knit social framework where the individual are expected to take good care of themselves and their immediate family only. Because of the high score of the Netherlands regarding these dimensions, it is to expect that this could also be translated in the entrepreneurial processes. In contrary, collectivism represents the preference of a very tight knit social network, and is very fond of taking care of others, than themselves, and are looking from a more in-group frame which can also be translated as an on-going loyalty for their group members. The society position regarding this position can be notable by people self-image, which can be seen in term of the use of "I" (Individualism) or 'we' (Collectivism) (Hofstede, 1991).

Because a goal driven dimension, one should set a goal in their entrepreneurial processes, before actually deciding how to achieve this predetermined goal. The means, or available means are in a later stage of this process, only to look to which extend they are actually could fit the predetermined goal (Sarasvathy, 2008). If the 'goal' is compared with its counterpart 'means', where network is one of the most important tool to gain these goals, it fits the individualism, argued by Hofstede (1994). Next to that, causation is also based on competitive analysis rather than partnerships and alliances (Sarasvathy, 2008). Because a causation process implicate

that they see another part as competition, instead of helping each other or gain more partners in the process of causation, reliability on their selves is more on the foreground, instead of getting help, or loyalty to others.

So, individual cultures are expected to have an unconstructive perspective on competition, and are less adequate in cooperative strategies, which can be seen in a more competitive approach. Individual cultures are in addition more fond of using a goal driven strategy, instead of a means based strategy, where network plays a unconditionally important part. As a consequence, there can be expected that:

*H1: The more individualistic a culture is, the less cooperative and means driven strategies will be used.*

Consequently, a negative relation between these three parts can also be expected. Collectivism could lead to a high emphasis on a means based strategy, and can set more weight to cooperative strategies, as working together with partners, instead of seeing them as competition.

Looking at the already existing data on the Netherlands and Indonesia regarding individualism, in addition to the stated hypothesis, the Netherlands is to expect using the entrepreneurial process causation. Indonesia on the contrary is a highly collectivism country and is therefore expected to use the entrepreneurial process effectuation, with high scores on means and corporation strategies.

## **4.2 Hypothesis 2: Uncertainty avoidance and prediction of a certain future**

Uncertainty avoidance can be explained as the degree to which a culture is comfortable with an uncertain future or the ambiguity of the future. A high score regarding this dimension states that a culture is likely to 'avoid' this uncertainty and ambiguity. The most fundamental issue in this dimension is how a culture is coping with the fact that the future will never be certain. A culture with a very high score in Uncertainty avoidance will try to do anything to control the uncertain future (Shane, 1993), by trying to change with certain actions without experience to much stress (Ayoun & Moreo, 2008).

Looking at individuals concerning a high uncertainty avoidance, this can be seen by inflexible codes, beliefs or behaviour, and intolerance for unconventional beliefs or behaviours (Hofstede, 1994). On the other hand, cultures with weak uncertainty avoidance are more flexible in codes, beliefs and behaviour and are farther practice-driven than principles-driven (Hofstede, 1994).

Looking at the entrepreneurial processes, the uncertainty avoidance can be translated by avoiding non-predictive control, which is a part of the effectuation process, looking to the dimensions. They will do a great deal of effort to allocate with a certain planning, definite plans which make them less flexible and less preferable to changes. So, cultures with high uncertainty avoidance are expected to be less desired to cope with non-predictive control. As a consequent, there could be expected that:

*H2: The more a culture is favourable on Uncertainty avoidance, the less the entrepreneurs will cope with non-predictive control.*

Yet, cultures with lower uncertainty will be more likely to prefer a higher non-predictive control, which is the other way around. Regarding uncertainty avoidance, data is already collected from the Netherlands and Indonesia. The Netherlands cope with a very high score, concerning uncertainty avoidance, where Indonesia scores moderate. So, the Netherlands should, according to the hypothesis, score lower on the non-predictive control compared with Indonesia.

#### **4.3 Hypothesis 3: Power distance and effectuation**

Power distance is one of the biggest differences between Indonesia and the Netherlands. Power distance can be described as the degree to which less powerful individuals in a culture accept and want that power is distributed unequally. Cultures with a very high score on this dimension are of more acceptances regarding a hierarchical order, in which everyone has its own place without any other justification. On the other hand, cultures with a low score on power distance wanted to have an equal distribution of power and strive for the justification of these inequalities (Hofstede, 1994). The fundamental issue of power distance is how the society in question is coping the inequalities among its citizens.

Linking the dimension power distance to one of the entrepreneurial processes is not done immediately. There is not one equal dimension that captures the way that Hofstede described power distance. Indonesia had to deal with a great volume of corruption in a lot of work related areas. Hence, typical and directly noticeable examples are the police, governmental capacities or even the restaurants. The Netherlands has the intention to treat everyone as an equal (Hofstede, 2001). These differences should also be visible in the way the entrepreneurs perform their processes.

Going from a point of view that everything is structural, goal driven, the future is certain, causal reasoning is a better fit with a culture, which has a high power distance. As a consequence, the following hypothesis could be expected:

*H3: Cultures with a high Power Distance in the society are more likely to perform a more causal way of entrepreneurial processing.*

Consequently, turning this assumption the other way around, there is another side of the story. When a culture is performing lower on Power distance, one could expect to have a higher score on effectuation. And to conclude hypothesis three, seen the score on Power distance, subsequently, the Netherlands will score higher on causation, where Indonesia will score higher on effectuation.

#### **4.4 Hypothesis 4 and 5: Background entrepreneur on Causation and Effectuation.**

To gain even more insight in the ways the entrepreneurial processes and other causes that could be involved, it would be interesting to take a closer look to the background of entrepreneurs. These independent variables consist of gender differences, educational background and family backgrounds. As was pointed out earlier, personal traits could be of influence in the way entrepreneurs are processing their business (Llewellyn & Wilson, 2003). Even personal characteristics can be of influence and should be part of the research to give a complete insight in the entrepreneurial processes, investigated here (Savani, Naidu, Kumar & Berlia, 2001). Additionally, ethic backgrounds cannot be ignored because almost every country consists of different ethic groups (Nafir, Elbrahimi & Thibodeaux, 1991).

As a result of these already researched facts, it is interesting to involve them into this research and to find plausible effects between the background of the entrepreneurs in Indonesia and effectuation and causation. In sum, the following two hypotheses would capture this:

*H4: To what extend will the entrepreneurial process effectuation be effected by gender, age, religion and family background?*

*H5: To what extend will the entrepreneurial process causation be effected by gender, age, religion and family background?*

Because of earlier research about Indonesia, it could be expected that the background of the entrepreneur will affect both the entrepreneurial processes.

#### **4.5 Hypothesis 6: Differences in Entrepreneurial processes between Indonesia and the Netherlands**

To conclude the research, the last hypothesis concerned the main differences between the Asian and Western country. Hofstede already conducted the general culture differences (1991). The highest rate in Indonesia could be found in power distance among the society. This is the acceptance towards differences that are visible in hierarchy and family. The highest score in The Netherlands can be found in Individuality, where the Netherlands has a very high score, noting that this is a big contrast, comparing with Indonesia. Because of the big differences in culture, it is interesting to find out if this is the same for the entrepreneurial processes between these two countries. Looking at the cultural differences, the probability is high that Indonesia is using a more effectual driven entrepreneurial process and the Netherlands is using a more causal entrepreneurial process.

As a consequence of these earlier findings, the following hypotheses were made to test whether Indonesia and the Netherlands are influenced by the culture in the two entrepreneurial processes.

*H6: Indonesia is using an effectual driven entrepreneurial process*

*H7: The Netherlands is using a causal driven entrepreneurial process*

When the hypothesis are accepted after conducting the research it would be a start that culture is in fact of influence within the entrepreneurial processes in a country. These seven hypotheses are visualized in the following conceptual model.

Individualistic culture driven strategy	–	Cooperative means and
Collectivism culture	-	Competitive analysis and goal driven strategy
Culture with high uncertainty avoidance	-	Non-predictive control
Culture with high uncertainty avoidance	-	Predictive future
High power distance	+	Causational reasoning
Low Power distance	+	Effectual reasoning
Indonesia	+	Effectual
The Netherlands	+	Causational

**Figure 3 Conceptual model**



## 5. Methodology

This chapter elaborate on the followed research methodology: Case study, questionnaire and interview. First, the sample will be discussed. Secondly, there will be information about the operationalization of the three used methods. The chapter will end with the method of analysis.

### 5.1 Data Collection

Over all, there are three kinds of researches to distinguish. The types are: explanatory, descriptive and exploratory. The explanatory research is mainly looking to the causes of a particular phenomenon. Second, the descriptive research is mostly used for the mapping of concepts. And exploratory research is focussed on the exploration of new concepts (Babbie, 2007). This research can be seen as a descriptive and explanatory research because the research tries to find out, using the method, which entrepreneurial process is used in Indonesia and the Netherlands. Exploratory research is primary based on gathering information and giving a new ground for further research. In addition, the research could give new interesting insights about new phenomena. The research consisted three different methods, which enhanced triangulation. Starting with the main method, think aloud protocol.

To find out how the student entrepreneurs come to their actions, the think aloud method is used. This study aimed to get behind the decision making process concerning the student entrepreneurs. The think aloud method is a productive method for studying the decision making processes among entrepreneurs (Saravathy, 2008). The think aloud protocol can be defined as: 'While retrospective recall allows subjects to make up good stories about how they believe they solve problems, and stimulus-response methods force researchers to deduce the subjects decision making processes after the fact, concurrent verbalization allows the researcher to look directly inside the black box of cognitive processing, because of the structure of the brain's short term memory system' (Saravathy, 2008 P13.) The think aloud protocol provides a method that gets behind the thinking process, while executing a particular task (van Someren, et al., 1994). The main concept behind the think out loud protocol can be found in the way that people weight the attributes they are assessing, while confronting them with the attributes. This protocol is not proper of groups, but can be used by individuals. There is no better protocol to get a good insight in the way people think, while solving an problem (Ericsson & Simon, 1933) This protocol can be judges as the best way to getting real insight in the way that the selected respondents think when they have to solve a problem. There has to be noted that the method is not usable with groups, only with individuals. In practise,

the respondents have to verbalize every single thought they come up with, during the process of the problem solving and decision making (van Someren, et al., 1994).

The constructs used in the think aloud method, are created by Sarasvathy (2001). As mentioned before, Chandler et al. (2009) create a questionnaire which next to the think aloud method tested the dimensionality and distinctiveness of the cases suggested by Sarasvathy (2001), to give a complete and thorough overview of causation and effectuation.

Participants of the think aloud method, were confronted with a case, where they were in the beginning of venture creation by starting their own coffee corner on their University. The case study was built on ten plausible problems that could occur when starting your own business. For example, problems could be found in searching for a proper market segment, financial problems, and choices about taking an alliance or not. The participants answered the ten questions and ended the research with an interview about the experience of the talking aloud protocol.

One could argue that a small number of respondents are never enough for getting sufficient statistic significance. Even though, the think out load protocol are mostly based on small populations. The reasoning behind it, can be found in the fact that even the results of the small population are satisfying (Nielsen, 1994). The analysing part of the think out load protocol is of great effort, which makes it very difficult to Asses a big population. Next to that, the think out load protocols may not help a researcher collecting enough data for the evaluation of a problem without using probing. Consequently, a small number of respondents are acceptable (Koster, 2006). The case study can be found in Appendix II.

The questionnaire is the first part of the exploratory research and can be seen as a addition to the main method, which will be discussed later. After the conduction of Sarasvathy's articulation of the constructs (Sarasvathy, 2008), Chandler et al, (2009) made the next critical step in advancing the research, by developing and creating validated measures of causation and effectuation. The result is firstly shown to the participants.

The questionnaire consisted of two parts. The first part is based on demographic information about the participants. The goal of asking was to create an insight in the way that certain demographic factor could influence the results on the effectual process, which will be measured in a later phase in the research. The factors that were asked were: Age, study background, religion, marital status, previous international experience, family background and parent's income. In a later stage, in this research, there will be an analysis concerning these factors and the results on the

test. Next to the demographic factors, there was conducted a questionnaire, which could comply in the way that the participants could solve the problems giving in the case study. The questionnaire is conducted using a likert scale, which let the participants solve an problem using the judgments of statements (Downs & Adrian, 2004). The questionnaire can be found in Appendix I with the scales of a causation and effectuation process validation study (Chandler et al, 2011). This will also be analysed in a later stage, compering with the results of the entrepreneurial processes, which is testes by the next research method: Case study.

After piloting the second methodology, the third methodology was presented: the Interview. The interview contained questions about whether or not the respondent experienced problems with the case, like missing background information, unclear questioning. Etcetera. Additionally, there were questions if the respondent experienced some difficulties with the think aloud protocol. The interview is aimed to filter the participants because it is highly important that they understand and completed the tasks in a proper way. The interview can be found in Appendix III.

### **5.1.1 Sample**

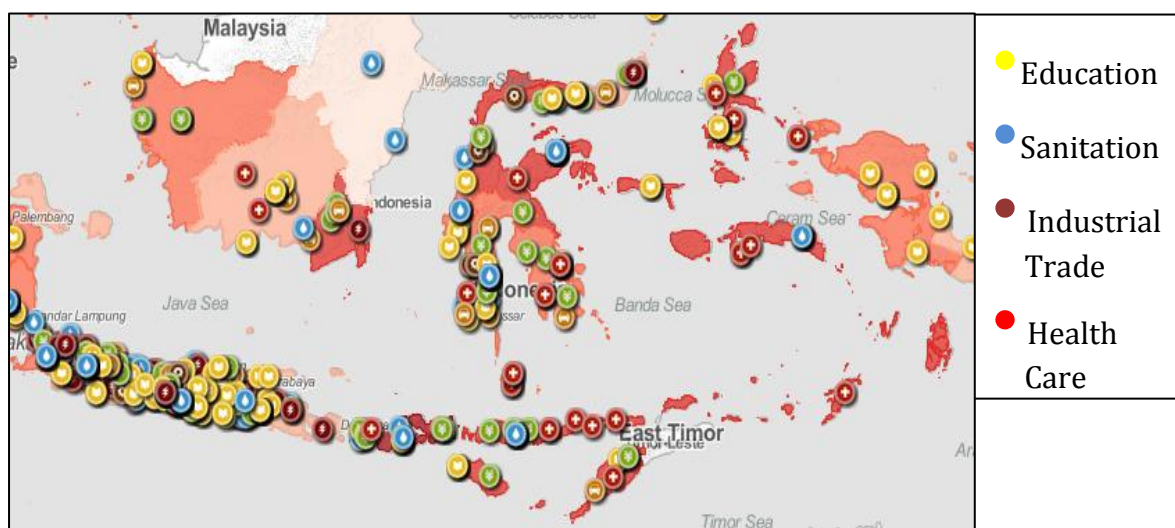
This study used Student entrepreneurs from Indonesia and the Netherlands as main sample. The reason for this is that there is previous research concerning experienced entrepreneurs and student entrepreneurs, fresh MBA students, in general (Dew, Read & Sarasvathy 2009). The two differences between effectual and causal reasoning were validated and disparities in logic framing are discovered to be substantial, and can be discovered with the sample test. The access to student entrepreneurs was also a more logic choice because of the network and willingness to work with he research. Experienced entrepreneurs could also be of great value but found themselves often in a busy time frame, which does not include a two-hour research for a master thesis. So this research chooses to use Indonesian and Dutch student entrepreneurs, all enjoying a University education.

Between 1995 and 2012 there is a growth in the amount of Dutch students applying for a University education (2000: 166.299 students 2011: 241.686 students) (CBS, 2012). The total amount of youth, studying after high school (MBO, higher education or University) is 1.208.544 in 2010-2011, so 20 percent is studying an University degree. The educational background is diverse in eight categories. The most popular educational backgrounds in the Netherlands in 2012 are Social science and Business administration (CBS, 2012).

With around 240 million citizens living in Indonesia, the amount of students is of course not in line with the Netherlands. So the percentage is taken to give a reprehensive comparison between the two countries. The education in Indonesia is

not divided as it is in the Netherlands. There is primary school, secondary school and tertiary school. The last implicates the Universities. Of all the students available, 16 percent is going to the Universities in Indonesia (Nationmaster, 2012). The most popular educational backgrounds are Social science, Technique and Business administration.

Because of the fact that the research involves the entrepreneurial processes in Indonesia, a travel to Indonesia was necessary to gain the best data. The research is performed in corporation with the Institute Teknologi Bandung (ITB). The Indonesian student entrepreneurs were all from Surabaya, which is centred on the main island of Indonesia. As pointed out before, Indonesia consisted around 1700 islands, but Java is the main islands, looking at economy. The following figure will show that most of the activities, in Indonesia as a whole, is centred in Java.



**Figure 4 Activity in Indonesia (Source: Worldbank, 2011)**

The right islands, with the most dot's is Java and Surabaya is placed on the east side of Java, constantly famous of its harbour activities. The research in Indonesia consisted 11 men and 9 female participants, which gave a variety between gender, and was necessary to answer the hypothesis concerning background information. The religion of the sample is also variable. The main religion in Indonesia is the Islam (88,22%), followed by Christians (3,05%) (Nationmaster, 2011). The participants were also chosen based on religion. Approximately, there were more Christians compared with Muslim students used in this test. The age of the Indonesian participants differed from 19 and 23 and are both from their Master and Bachelor. The Indonesian and Dutch student entrepreneurs received the same case and questions. The participants had all different background in educational background, family background, etc., to gain a varied sample.

Because of its small size of the Netherlands, the student entrepreneurs are randomly picked from the University of Twente.

### **5.1.2 Research setting**

The research setting, or the location where the students will perform the study, is of importance. Because of the fact that the University was already coping with a shortage regarding quiet areas, offices and lecture halls, the setting differed with the respondents. To catch this, the most quiet places were searched, to perform the research and asked every respondent if they were sure that they could concentrate for two hours in this setting, if not, the setting was changed until they it was unquestionable if they could concentrate. Some students pointed out that they rather find a louder place, because they felt more comfortable in a place like that. Relevance should not be ignored concerned the fact that students should not feel nervous, because it could effect the freeness they could feel while talking aloud (van Someren et al., 1994). So, prior to the research, respondents were asked where they thought could concentrate and felt most comfortable to schedule the research, in order to find the most suitable place available.

## **5.2 Operationalization**

To gather the data, this study used experiment based on the fundamental study used by Sarasvathy (2001). The experiment from Sarasvathy consisted of a case that gave a proper insight in which entrepreneurial processes were used. Chandler et al (2009) complemented this study with a questionnaire, which is also used in this study. Extended information was added to make the case more suitable for the context, performing in.

The think aloud protocol is a method that captures thoughts, which came up consciousness, or in other words, when they are first needed (van Someren et al., 1994). The think aloud protocol is mostly used in usability studies (Boren & Ramy, 2000) and is mostly used to gain insight in the way entrepreneurs think, while solving tasks, at the same time. Because of the fact that there is no delay in performing the task and explaining the answer, or how the respondent retrieved the answer, it could be more likely to gain the more information (van Someren et al., 1994). The questionnaire would give deeper insight in the dimension.

Before starting, the subjects were confronted with an explanation of the three methods used. Prior to the actual study, respondents received a detailed instruction and were asked if everything was clear, which is very important in understanding (Ericsson & Fox, 2011). Most of the Indonesian respondents were not familiar with the Think aloud protocol, so the instruction was therefor very important. They gain some practice examples to get familiar with speaking aloud, and verbalizing every

thought (van Someren et al., 1994). Next, the researcher explained that the study was recorded with an iPad and if they had any problem with the fact that they were not anonymous with the research. After the explanation, they could choose if they want to use a translator, so they could do the case in their own language. The first explanation ended with the fact that they had a two-hour time frame to conduct the study, and the researcher was there to maintain the time. After choosing whether they wanted a translator or not, the subjects could make the questionnaire. The Likert scale was explained because this was also quite new for most of the Indonesian respondents. After the questionnaire, the researcher pointed out that no question could be freely answered, yet about the content. The only questions that could be answered were the ones that were concerning the meaning of a word. The explanation concluded with the statement that it was the case of the respondent, and there were no false answers.

The main important method followed in this study, using the think out loud protocol solving a case. All subjects were instructed that they were analysing a business case, which consisted of a text with an example of starting a business in the coffee industry. The student will be challenged by ten plausible problems that could occur while starting their own business, and asked to assess the problems, while constantly vocalize their thoughts while doing so. During the think aloud study, the respondents were encouraged to keep telling what they were thinking, in order to prevent 'open gaps' (van Someren et al., 1994)

To support the Think out loud protocol, the respondents were asked several questions, only regarding the think out loud protocol. The interview is applied in order to gain insight in the way that the respondents fully understand the think out loud protocol and the results were really useful to the study for filtration.

The last method used in this study, contained the questionnaire, which gave an insight in the demographic information about the respondent. Next to the demographic information, the background of the respondent was asked and there was used a Likert scale, to measure the attitude of the participant, concerning starting and managing their own business.

The three methods were shown at the respondent, during a time frame of two hours, starting with the questionnaire. After the questionnaire, the respondent was asked to practise a bit with the think aloud protocol. After the practise, the respondent started with the case and ended it with the eight questions from the interview. Before starting the whole process, the participant was asked, if he or she felt comfortable and could concentrate at the place where the research would take place.

### **5.3 Analysis of the data**

Before explaining in which way the data is arrived, detailed information of the two blocks are necessary. This study took a close look to the five dimensions of Hofstede and will be explained in this section. In 1994, Hofstede offered an abbreviated set of 20 items, measuring the same values/dimensions as before the items are designed to assess the previously defined dimensions. These aggregate values at the country levels have increasingly been used to explain individual behaviour within countries and cultures, as it also did for Indonesia and the Netherlands. In the section about the Indonesian and Dutch culture, there is more detailed information concerning the culture within these two countries.

The information on the dimensions of Hofstede, will be compared with the dimensions of Sarasvathy, which will be coded from the research method think aloud protocol. The dimensions were explained in the section about the entrepreneurial processes effectuation and causation. After retrieving the outcomes concerning the entrepreneurial processes, these outcomes are compared with the outcomes of Hofstede, to find explanations, similarities and differences between culture and entrepreneurial processes.

Analysing the data is done with SPSS. The hypothesis were made in the previous chapter, are translated in the data collected with the research method. The hypothesis together will give an answer on the research question, which will be discussed in the conclusion chapter. After gathering the questionnaires and data from the case study and interviews, the analysis started with the case study. The analysing protocols from van Someren, Barnard and Sandberg (1994) were followed, which implies that the first step is transcription. After the transcription, the coding followed with a segment protocol in mind. An example can be seen in Appendix IV. After the transcribing, all data is coded to the 14 dimensions available. These dimensions were already discussed and are the constructs that Sarasvathy established in her think aloud method.

The coding is done by two persons, because of the ambiguity of the coding results. The second researcher had to be prepared very thorough in order to give the best result. The second researcher were instructed to read the important articles, the theoretical part of this research and all the available EPICC information, before starting the coding. After coding, the two coding scheme's were discussed and combines in to one final coding scheme.

After the coding process the next step contained, entering the data in SPSS. Because this research is part of the EPICC program, there was a dataset file available, with the variable view already set to fill in. After the insertion of the data, the data will be

transformed. The different dimensions all represented a causal or effectual process, which had to be grouped to the causal or effectual process. After doing this by transforming the data and computed the variables, there were 4 new groups: 1 Problems, 2: Every dimension separately, 3:Causal process and 4: Effectual process. The problems gave an insight on the amount of times the respondents reacted on the different problems and was properly coded in to the 14 different dimensions. The second one, every dimension separately, gave an insight, how many times (in total) the participants choose for one dimension. To give a fictional example: In total, 19 persons choose together 50 times for Expected returns.

Before analysing the data, a T-test will be performed to look if the data shows significant differences. Before performing important data, is important that the data is significant ( $<0,05$ ) in order to generalize the result in a later stage. With significance, the more complex statistical multivariate test can be performed in order to enforce the outcomes. After the compared means, the data is tested for normal distribution. Testing for violations of normality is extremely important because before standard statistical test to be applicable, certain assumptions has to be hold, like the normally distribution. This will be done by the Kurthosis and Skewness test which give a proper indication of the data is normal distributed. In general, if kurtosis and Skeweness are not between -2 and +2, the data is to far away from a normal distribution and needs to be corrected before applying tests like ANOVA. If the coding's in the problems and dimensions were not between -2 and +2, adjustments had to be made. In stead of using an ANOVA test, this research will use an Mann-Whitney test in order to measure differences between two independent groups where the dependant variable is either ordinal or interval, bur not normally distributed. In statistics, the Mann-Whitney U test (or Wilcoxon rank sum test) is for assessing whether one or two samples of independent observations tends to have larger values than the other.

To find out which differences there could be found between the participants in terms of education, years of work experience (the independent variables asked in the questionnaire) the data had to be analysed, using an multiple regression analysis ( $Y = a + B_1X_1 + B_2X_2 + \dots + B_nX_n$ ). The hypothesis stated that the background of the entrepreneur could be of influence on causation and effectuation. The background of the respondents are the independent because it is as it is and wouldn't change. The way they perform their business is the dependent variable because the entrepreneurial process could maybe change as a cause of the background of the entrepreneur. Before executing these maybe, or maybe not existing relationships, there has to be pointed out that the knowledge and qualitative information should be coded to a numbered variable, or so called, standardized coefficients (Downs & Adrian, 2004). Religion could serve as an example. This study complied two different



religions, Islam and Christian. Because of the plausible effect this research aims, Islam and Christian had to be coded with Islam (1), Christian (2) and missing (3). This numeric coding made it possible to relate the independent variable, in this case religion, to the dependant variable, effectuation and causation.

Furthermore, only bivariate analysis is used in this study. The multivariate analysis was not possible because of the 19 respondents. The multivariate analyse tests relationships in two or more variables. The multivariate analysis will answer four important questions, which are applicable every hypothesis. The first one looks at the relation between two or more variables. Secondly, the significance is pointed out. Significance shows to what extend the results can be generalized to the whole population. Thirdly, the extend of the founded relationship is researched. A relationship could be very strong, lots of effect, or weak. Fourthly, the direction of the relationship is researched. As mentioned earlier, a relationship can be positive or negative. So, the multiple regression analysis is used to test if multiple variables have influence on a dependable variable. It will explain which relationship and degree of this relationship there is to find between its variables. These variables are dependant or independent, subsidiary to the hypothesis researched. This can be measured with a positive or negative effect, which can give an indication. This research will focus on the regression analysis, because the focus relies on the plausible effect of independent variables (background, or culture dimension) on dependable variables (the entrepreneurial processes causation and effectuation).

As pointed out, the t-test is used and this study used a significant level of 5% which is pointed out like:  $\alpha=0.05$ . This is a frequent used significant level (Field, 2009) When the significance level is lower than 0,05, the Null hypothesis can be rejected ( $\mu_1 = \mu_2$ ).

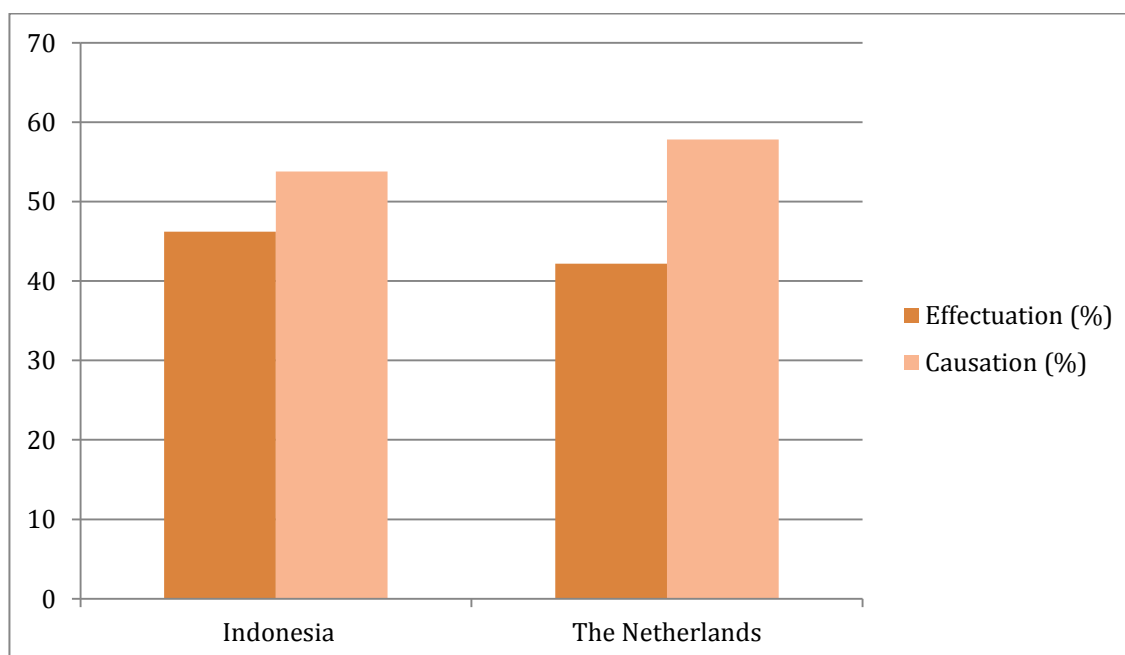
To conclude the analysis, the use of percentages will be explained. Because some of the hypotheses incorporate a comparison between the Netherlands and Indonesia, the means and sum of times are translated in percentage. This, because the sum of times differ from each other. The percentage and all other result will be discussed in the next chapter, results.

## 6. Results

In this chapter, the results of the think aloud protocol will be discussed. The above mentioned data analysis I performed and will be discussed in this chapter. The aim of the case study was to find out with the think aloud protocol which entrepreneurial processes are used in Indonesia and the Netherlands, and to answer the given hypothesis. The chapter will start with the last hypothesis, general information about the differences between Indonesia and the Netherlands, regarding the entrepreneurial processes. The following paragraphs will give the answered on the hypothesis, whether they are statistically significant and can be approved, or not and rejected.

### 6.1 Distribution of Causation and Effectuation

As explained, after analysing the existing theory about culture, there could be expected that the Netherlands is using a larger degree on causation compared with effectuation and Indonesia is using a larger degree in effectuation compared with causation. This could be researched at the times that the respondent chooses for effectuation instead of causation for example. The following graph will give a direct visualisation of both countries.



**Figure 5 Graph effectuation and causation in Indonesia and the Netherlands**

These findings are retrieved from a culmination of all the scores on effectuation and causation. The total of all the scores were for the Netherlands, C:573 and E:418 which gave the means placed above. So 57, 8 per cent is for causation and 42,2 per cent for

effectuation, over all. The same is done with Indonesia, which led to the above stated mean scores.

Hypothesis six stated that the Netherlands is mainly a causational entrepreneurial country according to the way that the culture is built. Looking at descriptive statistics, compared in total, the following result came up. The graph shows that causation is bigger compared with effectuation. With a sum of times, participants choose merely for a causal way in entrepreneurial processes ( $573,00 > 418,00$ , 57,8 per cent  $> 42,2$  per cent). Looking at each participant separately, the average of times they are choosing for causation is more, compared with effectuation ( $30,1579 > 22,0000$ ). So the hypothesis can be accepted in this case.

Hypothesis six also stated that Indonesia would be more effectual instead of causational. Looking at the descriptive statistics and graph the following results came up. The graph showed that causation is bigger compared with effectuation. With a sum of times, participants choose merely for a causal way. With a total of 954 coding's, 53,8 per cent is in favour of causational reasoning and 46,2 % per cent is in favour of the effectual reasoning. In entrepreneurial processes, looking at a participant separately, the average of times they are choosing for causation is more, compared with effectuation ( $27,00 > 23,2211$ ).

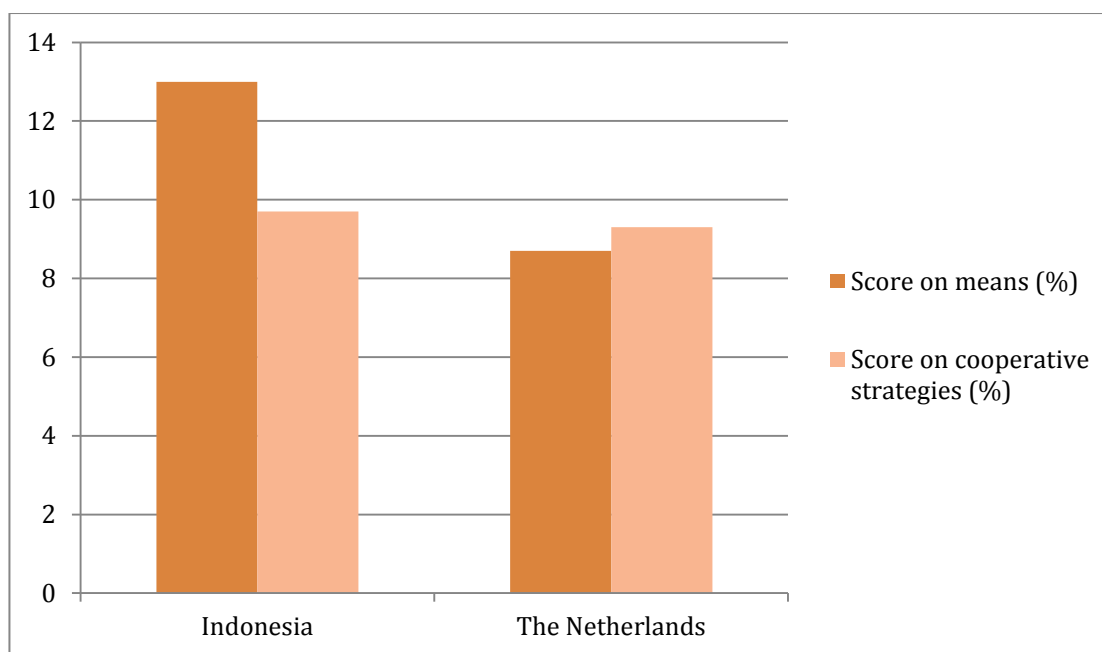
There are differences, but the differences are not that drastic. To take a closer look if the differences are significant, a T-test is performed. The test showed on all the four dimensions (Causation\_NL, Effectuation\_NL, Causation\_IND and Effectuation\_IND) a significant result ( $0.00 < 0,05$ ).

The questionnaire should give some extra information about these findings according to Chandler et al. (2009). After dividing the statements used in the Likert scale into statements for causation and effectuation, the same analysis is done. The result showed that they gave exactly the same mean. Although it is a very rare finding, both groups have scored exactly the same sums and means. Because of this result, it is not necessary to make a further analysis on the differences. Although it is very unlikely there was some finding visible in the questionnaire. The highest mean is even 5.0 on a 5-point likert scale (statement: We used a substantial number of agreements with customers, suppliers and other organizations and people, to reduce the amount of uncertainty). This is quite a surprise, when looking at the uncertainty avoidance of Hofstede, which scored on 48 on a 100-point scale (moderate). This research therefore shows that uncertainty avoidance in Indonesia is higher than Hofstede suggest.

## 6.2 Analysis on the hypothesis

The data collection is tested by both means of the descriptive statistics and by the regression analysis. Additionally, parametric test were used to gain more insight in the differences and relations between the variables. The normal distribution was tested by the Kurtoses and Skeweness tests, which, if the data shows normal distribution, should be between +2 and -2. The Kurtoses and Skeweness tests showed some result outside the boundary of -2 and +2. So, to take this result in account, there is no ANOVA or MANOVA test possible. So this research looked at the differences between the dimensions using per cents (using T test to test whether the differences were significant, which they were).

The first hypothesis contained the more individualistic a culture is, the less cooperative and strategies will be used. Earlier founded data showed that the Netherlands is highly individualistic and Indonesia is very low on individualism. This is measured by the degree of cooperative and means driven strategies. These two factors can be translated to means driven and preferring a partnership and alliance instead of competitive analysis, which both are included in the effectuation theory. Looking at the results, the Netherlands is highly individualistic compared with the lower score in Indonesia. Indonesia has a score of 124,00 on means and 93,00 on alliance and partnership, rather than competitive analysis. Because there is a difference between the sum of times of both countries, the per cents gave the final information namely respectively 13 and 9,7 per cent. In total there were 14 dimensions, so this outcome is high. Because of its low individualistic score, the results stroke with hypothesis 1. Looking at the Netherlands, gives a score of 86,00 on means and 92,00 on alliance and partnership rather than competitive analysis, which are both lower than Indonesia (respectively 8,8 and 9,3 per cent). The following figure will give an overview of the results.



**Figure 6 Graph Individualism**

The figure shows that the biggest difference can be found in means, compared with cooperative strategies (which gave a difference of 1.00)

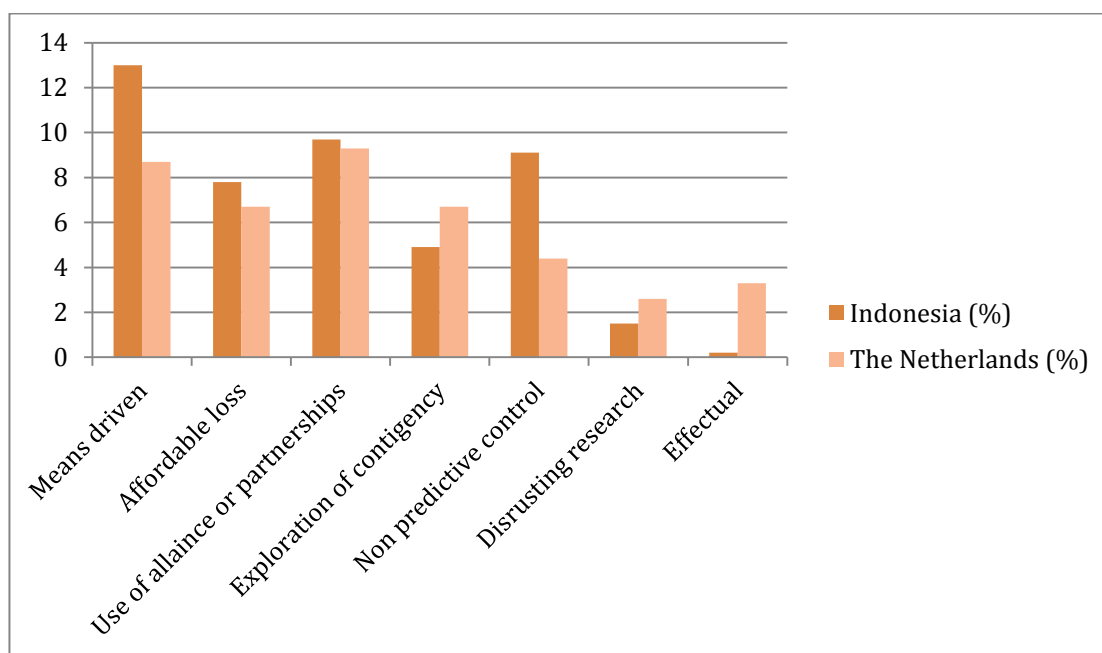
The second hypothesis stated that the more a culture is favourable on uncertainty avoidance, the less the entrepreneurs will cope with non-predictive control. Non-predictive control is a part of effectuation. So this will explain that Indonesian entrepreneurs, nearly wanted to make risks concerning business. The hypothesis here is that the Indonesian entrepreneurs are tended be more controlling of an uncertain future. As stated before, the Netherlands showed a very high score on avoiding uncertainty. Looking at the results of this research, the Netherlands scored 44 on predictive control (4,4%), which is lower than its counterpart, predicting a certain future, with a score of 84 (8,5 %). This implies that the hypothesis can be accepted, because predictive control is lower. Indonesia scored 48 on a 100-point scale Uncertainty avoidance. Although this is rough 50 per cent, the research will take this in account. Indonesia scores higher on non-predictive control (87,00, 9,11%) compared with its counterpart (64,00, 6,7 %). Because of the middle score of uncertainty avoidance, no further results can be made.

Hypothesis three concerned power distance, because of its very high score in Indonesia. The higher the power distance in the society, the more likely the culture would be performing a more causal way of entrepreneurial processing. Indonesia has a very high score on power distance (78 on a 100-point scale), the Netherlands has a lower score (38 on a 100-point scale). Both countries are more causational compared with effectual reasoning. As is shown before in figure 6, the Netherlands is even more

causation compared with Indonesia. Because of that, hypothesis three can be rejected.

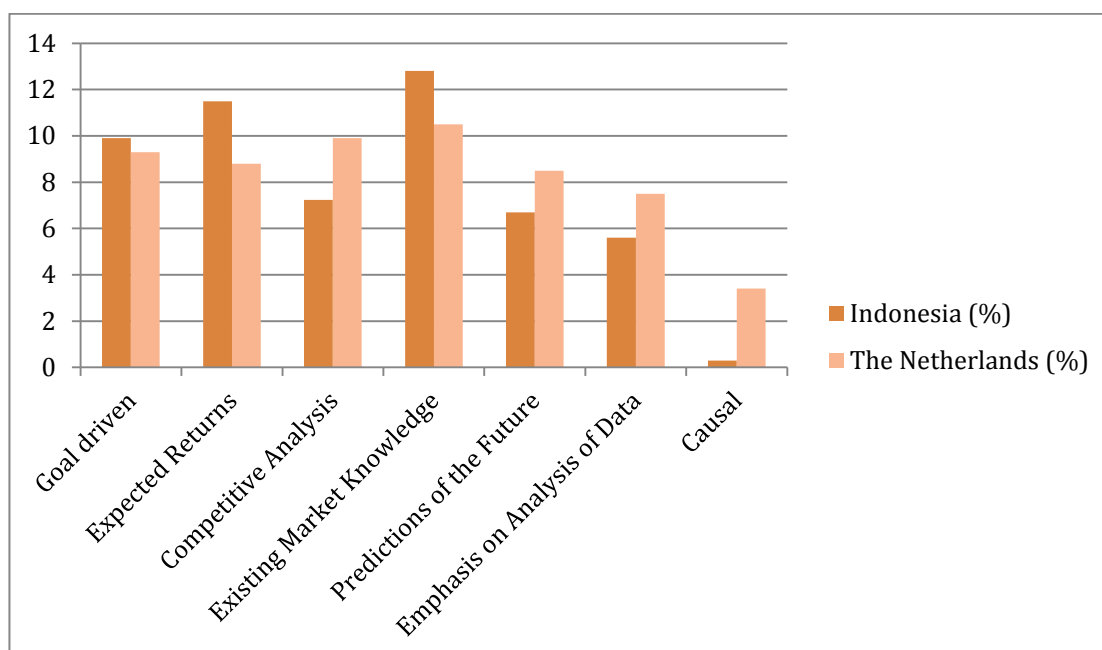
Hypothesis 4 and 5 state that the entrepreneurial processes, both effectuation and causation can be effected by the background of the entrepreneur, in terms of gender, age, and family background. The background hypothesis is only analysed for Indonesia. To gain the answer on this two hypothesis, a regression analysis is performed on the data in Indonesia. The dependent variables in this case are the entrepreneurial processes effectuation and causation. The independent variable, were the genders, age of the respondent, family background, religion, educational background, parents income, marital status and working experience of the entrepreneur. Almost every effect showed no significant relation (with a  $P > 0,05$ ). The only effect that could be found, is the more work experience an entrepreneur has, the more he or she tended to be more causal instead of effectual. When compared with ( $P=0,05$ ), this can also be rejected ( $p=0,058$ ).

Hypothesis 6 is already partly approached. Approaching the Netherlands can be accepted and approaching Indonesia can be rejected. Next to the finding that both countries are merely causation compared with effectuation, is interesting to take a closer look to the distribution of both countries. The numbers is the following graphs, will give this distribution and are gathered from the actual times the entrepreneurs choose a causal or effectual strategy, when solving the problem. The first graph will show the distribution of effectuation.



**Figure 7 Distribution of effectuation**

The biggest difference can be found in the means driven (38) and non-predictive control (43). Indonesia scores on both dimensions higher compared with the Netherlands. Because Indonesia is very low on individualism, this could be explained.



**Figure 8 Distribution of causation**

Figure 9 shows the distribution of causation of Indonesian and Dutch entrepreneurs. The biggest difference can be found in reasoning based on expected return rather than affordable loss and Causal reasoning. Indonesia scores higher on Expected returns, compared with the Netherlands, but scores lower on causal reasoning. Causal reasoning are statements that are not directly linked to the given dimensions, but are still causal.

### 6.3 Additional findings

Next to the stated propositions, there will always be some not encountered surprises, which could not be ignored. After conducting a Mann-whitney test, the results were clear that there is no significant effect between man and women, regarding if they will choose an effectual or causal way of solving the given problems. Although the research was prepared to give a various sample, by combining the man and women in the sample test of Indonesia, the research showed that there was no difference. The Mann whitney test also showed that in the Netherlands and in Indonesia, the group entrepreneurs using causation was bigger. This is an control on the previous findings, discussed at the propositions. If the entrepreneur is working for a longer period, it will effect the effectuation process in a negative way in Indonesia ( $Y = 23,116 + X \cdot -0,352$ ) When the participants will age, the effectuation process will decrease ( $Y = 23,116 + X \cdot 0,66$ ). When looking at the causation process, both

independent variables (years of experience and aging) have a different effect on the causation process (respectively  $Y = -1,128 + X 0,408$  and  $Y = -1,128 + X 1,241$ ). So, only aging will let the causation process increase. The interview was the last element of the methodology and eliminated cases that were not understood by the respondents.

The next page will give an overview of the conclusion of the result, visualised in a new model that can be established after the conceptual model.

Individualistic culture strategy	–	Cooperative means and driven
Collectivism culture	-	Competitive analysis and goal driven strategy
Culture with high uncertainty avoidance	-	Non-predictive control
Culture with high uncertainty avoidance	-	Predictive future
High power distance	+	Causational reasoning
Low Power distance	-	Effectual reasoning
Indonesia	+	Causational
The Netherlands	+	Causational

**Figure 9: Final model results**



## 7. Discussion and Limitations

This chapter will elaborate about the several limitations that this research has experienced. Because of the volume of this research, several limitations are visible, could be worked on and will be discussed here.

The first, and perhaps biggest limitation can be found in the sample of this research. The research has 1 participant from Jakarta and 18 from Surabaya, all placed on the island Java. Indonesia has around 1700 islands and is therefore a republic with many different faces. Even in my experience, traveling there, living at different islands, the dissimilarities were very clear, and a familiar fact among other travellers. Even though this is a great advantage for every backpacker, there could be questioned, to what extend this research is generalizable for every student entrepreneur, living in Indonesia, spread around every island. Because entrepreneurship is everywhere in Indonesia, it could differ how the processes are.

The next limitation can be found in the religion of Indonesia. This research captures only two religions, Christian and the Islam. Although the research finds no effect on the chosen religion, it could be different if some other religions were incorporate in this research. The Islam is the biggest religion (88), followed by Christians (10 percent) and a rough 2 percent is for Hinduism and Buddhism (Expat, 2012). Because Indonesia has among 250 million citizens, even the 2 percent is a lot of people.

As mentioned before, Indonesia is subject of the emerging and constantly changing globalisation. This research is taken in one moment of time and there are no literature findings that support that entrepreneurial processes are not tentative for change. It could be the case that, taking the research again, in a later time frame, the results could be different. In addition to this limitation, most of the student entrepreneur participants were in the beginning phase of their company. It is difficult to judge if they will make the same decisions if they are in their tenth year of the company. Almost every participant stated that they wanted to set out stocks in their tenth year instead of selling to Starbucks. It was their pride, which they didn't want to lose to their competitor. But the question remains, if they will make the same decision if they are actually, in real life, in the tenth year, and having the actual experience.

The literature and practical applicability can differ because of the student entrepreneurs. Other, perhaps more experienced entrepreneurs, could give a whole other outcome. The existing literature gives a lot of information about the processes, as is the same for Hofstede. Yet, Hofstede based its data on the IBM companies all over the world and is now compared with data from student entrepreneurs. This is a

gap, which could be filled by further research. Every entrepreneur can differ from each other, as stated before, so a logical conclusion in this case is, that cautiousness has to be made when drawing the same conclusion for every other entrepreneur in Indonesia.

The conclusion state that this research shows that the Netherlands is using a causal process and Indonesia is using an effectual process. The questions remains still, to what extend this is helpful by improving Indonesia as a country because of the long way Indonesia is still heading concerning development. The differences are clear between the two countries, and there is a deeper insight to which extends Indonesia is performing their entrepreneurial processes. But it is still no full explanation for the mentioned poverty. This research will give some implications on the way the Indonesian entrepreneurs can be approached, but can be improved by actually giving concrete implications to improve a process. The last limitation can be found in the willingness to look very good for the researcher, conducting this research. Indonesian people are very found to look up to western people, which good lead to answers, which were to positive compared to the answer the participant really thinks. Western people are heroes, looking trough the eyes of a student entrepreneur, and most of the time, they really want to make the best decision there was. To anticipate on this limitation, every participant was told that there is no good or bad answer. But even though this note, it is always disputable to which extend the participants anticipated on this limitation. Although this limitation could play a big part in the research, the questionnaire could back this up by giving more anonyms answers because they didn't have to actually say those answers. Yet, the outcomes of the questionnaires were quite high, which implicated that they also wanted to look very good in the questionnaires.

## 8. Conclusion, reflection and recommendations

After the theoretical exploration, there can be drawn a line that entrepreneurial processes and the cultural influence, is a complex process. Authors give many definitions regarding entrepreneurial processes and cultural influence, which makes it difficult for the inducement of boundaries. Consensus exists in the way entrepreneurial processes and culture is defined, which led to a starting point from there. The degree of importance of Western and Asian relationships is acknowledged, which is the same for increasing global integration and consequently growing new Western and Asian Business relationships. This research aimed to give a new insight in the combination of two important entrepreneurial processes, causation and effectuation, and the differences between a Western and Asian country, who were related for over 350 years. Next to the new academically insights, this research tried to give multiple practical recommendations, especially made to Indonesian and entrepreneurs from the Netherlands, who can take the entrepreneurial processes in account, while doing business with the other countries. To capture this, the following research question is founded:

*To what extend does the Indonesian culture and Dutch culture influences the entrepreneurial processes among entrepreneurs in these countries?*

To answer this question, there has been a broad research in both Indonesia and the Netherlands, to gain more insight in the entrepreneurial processes used in the countries, and compared with the cultural dimensions of Hofstede, established to give more information about the way a culture subsists. The chapter will include the conclusion, reflection and recommendation made in this study. The results of the research are in some way agreeing with the literature and made propositions, but differ on other parts.

### 8.1 Conclusion effectuation and causation

The entrepreneurial processes were divided in two different parts. Effectuation and causation. This research aimed to look which of the two were handling in the Netherlands and Indonesia, and tried to find out that implication fitted with the already existing data about culture, made by Hofstede.

Looking at the impact of the Indonesian a Dutch culture on the entrepreneurial processes, some propositions were made. First, after looking at the cultural differences, there could be expected that the Netherlands would handle a causational way of entrepreneurial processes. It would fit the way Hofstede defined the scores on the dimensions. After conducting this research, it is clear that Holland handles a causational way of entrepreneurship. The scores on the causational factors also match with the most important (and therefore highest) dimensions of Hofstede.

Like uncertainty avoidance for example, which is high with Hofstede, is also high in the causal. Not all the dimensions can be directly linked to one dimension, but it will give a broad indication of the causal or effectual way of doing business. After seeing that Holland is merely involved with causation, and concluding that it fits with the cultural dimension, it is time to take a somewhat closer look at Indonesia. Indonesia is still developing in many ways, and is (when looking at GDP and other economical circumstances), not even close to the way that the Netherlands is concerning economics and business. Although the big differences, there is a lot of trading relationships between the two countries. For example in the Coffee business. Because of the big gap between the two countries, this research tried to scope more on Indonesia, so the management implications could benefit Indonesia in a positive way.

The suggestion that was made on Indonesia, were that Indonesia would handle a more effectual way of entrepreneurship. Collectivism is very high, with matched with a great amount of importance concerning sustaining the network. It is actually the case that individualism is the lowest in Indonesia, compared with all the other countries in the world. Means are used before even deciding on a goal, which could also be translated to friends, and family, which are very important in Indonesia, not only in literature, but also in my own experience, traveling and living in Indonesia for almost six months. Although this highly indicating factor for Indonesia being effectual, there are also elements which implicate that Indonesia could be causal, like having a high power distance score. Uncertainty avoidance gives a moderate score with Hofstede, which is conflicting with the findings of this research with a mean score of around 4 on a 5-point scale. Although these findings are also there, this research holds the general thought and proposition that Indonesia could be a more effectual country.

After looking at the results, this research shows some similarities, but also differences on the predetermined assumptions (hypothesis). The main findings can be found in the fact that the Netherlands is indeed holding a more causal entrepreneurial process, which is parallel with the proposition. Indonesia, in contrary, differs from the predetermined proposition, and is also holding a more causal process of entrepreneurship. So one finding is not stroking with the main propositions. Both countries show causal ways of entrepreneurship. So Holland matches more with the cultural, and experience more influence, compared with Indonesia. The two indicators used, were also investigated in terms of the dimensions of Hofstede. So, in this way it was possible to draw the general conclusions. Like the individualism and collectively of a country. Indonesia scores the lowest on individualism compared with any other country of the world. This meant that Indonesia should have a very high score on the dimension 'means driven' because the counterpart of individualism is

and which can be translated to a great amount of using means. Because this is a logical assumption, the data also backed up this finding. So Indonesia is very fond, using existing means, in the way of people, when starting and maintaining their business. Although Indonesia appears to have a very high score in a dimension of effectuation, generally, they are more tended to follow the causational process.

When looking somewhat deeper in the entrepreneurial processes in Indonesia some new assumptions can be made. The highest scored can be found in first K\_C, which implicates the dimension existing market knowledge. Indonesian entrepreneurs, really point out that they already know a lot from the market they want to use. Next to that, the R\_C pointing is also very high, which implicates that Indonesia is coping with a decision making process based on expected return. It is very important that the result is acceptable before taking a project, choosing a direction, instead of looking if they can carry the costs. So when approaching Indonesia, as a western entrepreneur, this research advices to focus more on the return when opposing for example a project, in stead of the costs.

The differences between Indonesia and the Netherlands are quite obvious. Indonesia scores very high in a means driven strategy. Additionally, they have a high score in controlling an uncertain future. They are very likely to change the future to their hand, and the way they want the future to happen. Holland, is more precautious, and goes from a more certain future, on which they rather adjust than feeling the way to change it.

So coming back on the research question, yes culture could be of influence on entrepreneurial processes, but is not always the case. The Netherlands shows that in line of the culture, entrepreneurial processes are followed. Indonesia on the other hand, shows a contradictive result, and is therefore not in line in what the culture would suggest. Differences can be found in the way they build there strategy, where Indonesia is holding a more means based strategy, the Netherlands is holding a more predetermined goal based strategy. The Netherlands is more fond of adjusting to a certain future instead of creating and controlling their own future, which Indonesia prefers. This research cannot state that the one process is better than the other. Although Alvarez and Barnsley (2007) state that entrepreneurship can be trained and improved, the actual poverty in Indonesia may partly be a result of entrepreneurial processes, but cannot be the only reason. The Netherlands is holding the same process and is way further in development in Indonesia. Looking at Indonesia separately, it shows that the processes are merely based on some very high scores in using existing market knowledge, deciding based on expected returns, rather make an alliance than a competitive analysis and a means based strategy.

## 8.2 Reflection

For starting, the fact that other EPICC members are already conducting further research in different countries, so more conclusions can be dawned to other countries in Asia. Putting all the results of the other EPICC members together could provide a more clear insight in the way that culture could be of influence on causal and effectual processes, or maybe even the other way around. This would implicate a whole new intercultural theory, which will fill the missing link among causation & effectuation processes and culture.

As stated with the limitations, the sample in this study only consists of student entrepreneurs. Further research could implement more experienced entrepreneurs that could also be of great value because of their previous experience. An recommendation could be that for every year of experience, a different entrepreneur could solve the problems. For example problem ten, decisions had to be made in order to sell the company or let the company public. An entrepreneur with that experience could perhaps be better in judgement compared with an entrepreneur who lacks this experience.

Indonesian people are tending to be very proud of their country. They state a lot that they want to use the headline: "Enjoy the Indonesian tradition, drink at Coffee Inc.". They wanted to outsource the redesign to other local companies, in order to provide work for their people. It will be interesting to go somewhat further from there, and take a close look to the extend of which the proudness of a culture, of a country, could effect the results on the effectuation or causation process.

As mentioned, the education gap between student entrepreneurs' from the Netherlands, and student entrepreneurs from Indonesia, both studying on Universities is something to take in mind. Even though the Universities are (for Indonesian standards) very good, there is a difference in the understanding of the word good in the Netherlands.

Last, but not least, the conclusion gives information about the way that Indonesian and Dutch student entrepreneurs perform their entrepreneurial processes. It gives insights in the dimensions they come out very strong, and in which they come out somewhat weaker. The research could maybe give a deeper insight in the way entrepreneurship, especially in Indonesia, could be improved. This could be done by which resources there are needed, and could use this research as a control, because it gives information about the way it is done right now. As stated in the conclusion, Indonesian entrepreneurial processes could be the reason of poverty, but is not verified in this research. Further research could take this research in account and get behind the poverty, knowing that they generally have the same entrepreneurial process used in a western country, like the Netherlands.

### 8.3 Recommendations

Western and Asian business relationships, and a constantly growing globalisation is one of the main topics among companies right now. Asian companies are growing faster compared with western countries. This research has focussed on Indonesia and Holland, due to their western and Asian representatives and colonial relationship along 350 years. Although Indonesian companies and as a country itself, showed a bigger growth compared with Holland, poverty and a low GDP are still key problems for Indonesia to cope with.

When doing business with Indonesia and therefor being a part of the growth of this country, a manager should take certain principles in account. First, they need to appreciate the strong way of a means based strategy, which the Indonesian entrepreneurs are very fond of. Indonesians want to use their own network, provide their own people with work and be helpful of a growing country. A manager should take this to account, because an entrepreneur will always take the consideration of the benefit in a broader way, and not only for himself. So if a manager could make a deal with Indonesia, he or she should take in account that the proposition would also benefit others in their country.

In the decision making process, the majority of the entrepreneurs would do this in terms of expected returns. When doing business with Indonesian entrepreneurs, managers would create better chances when focussing on the returns they gain. This could be combined with returns in a beneficial way for their country or in financial terms. The opposed project or investment could be approached two different ways, pointing out the losses and look if they can be affordable for the approached entrepreneur, or to focus on the outcomes of the investment. Both methods are positively encountered, but proposing based on the expected returns are likely to have a bigger chance on success. The background of every entrepreneur is not of influence of the process of the entrepreneur. This research looked at educational experience, family background, gender and so on. So every Indonesian entrepreneur should be approached the same way because it wouldn't make a difference in the decision making process.

Potential new relationships can be made for sure, but a manager should take the differences in to account when doing business. The same is for Indonesian entrepreneurs, who want to do business in the Netherlands. The Netherlands is a more goal driven country, which will go from a predetermined goal before deciding. They want to gather means, and Indonesian entrepreneurs could play a part in being a mean. Indonesian entrepreneurs should be aware of that. The same is for the assumption of existing market knowledge. Dutch entrepreneurs really are growing from a point that they just know. Indonesian entrepreneurs should be careful with

proposing a complete different approach, which is not in line with the Dutch point of view concerning the market. This could cause some problems because Indonesia is also very strong in the assumption that they know the market. When, both Dutch and Indonesian entrepreneurs, have emphasises on this subject, making an alliance, is more likely.

Both countries prefer alliances above a competitive analysis, so taken these above-mentioned commendations in to account, it is more likely to succeed and start a fruitful and effective new business relationship. Managers should know about these really important dimensions to anticipate on the antecedents of the entrepreneurial processes. Below several recommendations are placed in a list to give an overview for the management implications. In sum, the following recommendation can be made:

- ② Approaching an Indonesian entrepreneur, a manager should take in account that Indonesia is strongly preferring a mean based strategy. So focus on the use of their own resources and if necessary, suitably try to fit in new resources.

②

Take the new project in a broader way, because Indonesian people really want to help their country growing with their own people. They create work for their people in order to help them. Suggesting a project that fits these implications, it will be more likely to gain an alliance.

②

Be aware of the fact that Indonesian base their decision making process in terms of expected returns. Really try to point out what outcomes there will be delivered instead of what's at stake. When combining the broader sense of return (creating work for others and enforcing Indonesia as a country) with financial returns, the expectation of accomplishment increases.

Every Indonesian entrepreneur could be approached the same because background is not of influence, which entrepreneurial process they are likely to execute.

Approaching a Dutch entrepreneur, it is likely that the culture should be taken in to account, because it's influence the entrepreneurial processes.

Gather information about a certain goal Dutch entrepreneurs might have. Dutch entrepreneur are likely to have a goal driven strategy, which means that they tend to have an already predetermined goal, which leads to gathering means to achieve this goal. The project another manager is suggesting could be a mean.

The assumption of existing market knowledge could cause some problems. Both countries, are assuming that they have a good knowledge of the market, if this not



strokes with each other it could lead to an unbeneficial negotiation. So some emphasis on both sides could lead to a solution in this case.

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## Appendix I: Questionnaire

Interviewer Name: \_\_\_\_\_  
 Interviewee Name: \_\_\_\_\_  
 Code number interview: \_\_\_\_\_ (same as for the biographical info)  
 Email interviewee: \_\_\_\_\_  
 Name / website of student company;: \_\_\_\_\_ -

Short description of student company (what business are you in):

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Founding date: \_\_\_\_\_  
 Founding place: \_\_\_\_\_  
 Number of founders (including entrepreneur): \_\_\_\_\_  
 Current number of employees (including all founders, in full time equivalents):  
 \_\_\_\_\_  
 Annual turnover in country currency: \_\_\_\_\_ (amount) \_\_\_\_\_  
 currency

To what degree did you start your enterprise because you had no other option for work?

Not at all	A little	Somewhat	To a large extent	absolutely

To what degree did you start your enterprise because you wanted to become independent or increase your income

Not at all	A little	Somewhat	To a large extent	absolutely

(Measures for necessity vs. opportunity taken from GEM)



Please answer this questionnaire on the basis of reflecting on your own company.

Please have a look at the following statements. Now, circle 1 answer out of 5, in which you indicate you to degree to which you do not agree or agree to the statement.

	Do not agree	Agree little	Agree somewhat	Mostly agree	Fully agree
We analyzed long run opportunities and selected what we thought would provide the best returns					
We developed a strategy to best take advantage of resources and capabilities					
We researched and selected target markets and did meaningful competitive analysis					
We designed and planned business strategies					
We organized and implemented control processes to make sure we met objectives					
We had a clear and consistent vision for what we wanted to do					
We designed and planned production and marketing efforts					
The ultimate product/service that I used to launch this business was quite similar to my original conception					
Our decision making has been largely driven by expected returns					
The ultimate product/service that I used to launch this business was quite different from my original conception					
It was impossible to see from the beginning where we wanted to end					
We have allowed the business to evolve as opportunities have emerged					
We evaluated the set of resources and means we had at our disposal and thought about different options					
We experimented with different products and/or business models					
We started out very flexibly and tried to					

take advantage of unexpected opportunities as they arose					
We used a substantial number of agreements with customers, suppliers and other organizations and people to reduce the amount of uncertainty					
Our decision making has been largely driven by how much we could afford to lose					
We analyzed long run opportunities and selected what we thought would provide the best returns					
We developed a strategy to best take advantage of resources and capabilities					
We researched and selected target markets and did meaningful competitive analysis					
We designed and planned business strategies					
We organized and implemented control processes to make sure we met objectives					
We had a clear and consistent vision for what we wanted to do					
We designed and planned production and marketing efforts					
The ultimate product/service that I used to launch this business was quite similar to my original conception					
Our decision making has been largely driven by expected returns					
The ultimate product/service that I used to launch this business was quite different from my original conception					
It was impossible to see from the beginning where we wanted to end					
We have allowed the business to evolve as opportunities have emerged					
We evaluated the set of resources and means we had at our disposal and thought about different options					
We experimented with different products and/or business models					
We started out very flexibly and tried to take advantage of unexpected					

opportunities as they arose					
We used a substantial number of agreements with customers, suppliers and other organizations and people to reduce the amount of uncertainty					
Our decision making has been largely driven by how much we could afford to lose					

## Appendix II: Case study

### THE CASE

#### Introduction

In the following experiment, you will solve ten decision problems. These problems arise in the context of building a new company for an imaginary product. A detailed description of the product follows this introduction.

Before you start on the product description and the problems, I do need one act of creative imagination on your part. I request you to put yourself in the role of the lead entrepreneur in building this company -- i.e., you have very little money of your own to start this company, but you have about five years relevant working experience in the area.

#### Description

Since some time, you have been thinking of starting a coffee-corner at your university. Your inspiration for this came from the fact that when you, as a student, want to get a fresh cup of coffee, there was no possibility. You did not like the coffee from the machines which are available in the university buildings. Next to that, you had to pay an amount of money, which was in no relation to the quality of the coffee. You have been working in a coffee corner in your hometown for 5 years so you know what goes around

You saw the success of other coffee corners, but since these were from expensive franchisers, you thought that it should be possible to still start your own. In several reports in newspapers and magazines you read that there is an increasing demand for drinking coffee in your home country.

You have taken all possible precautions regarding intellectual property. The name of your company is *Coffee, Inc.*

Problem 1: Identifying the market

Before we look at some market research data, please answer the following questions -- one at a time:

1. Who could be your potential customers for your coffee corner?
2. Who could be your potential competitors?
3. What information would you seek about potential customers and competitors -- list questions you would want answered.
4. How will you find out this information -- what kind of market research would you do?
5. What do you think are the growth possibilities for this company?

## Problem 2: Defining the market

In this problem you have to make some marketing decisions.

Based on secondary market research (published sources, etc.), you estimate that there are three major segments who are interested in drinking coffee at your coffee corner:

<u>Segment</u>	<u>Estimated total size</u>
Students	40.000
Staff members	20.000
Visitors (annually)	10.000

- The estimated value of regular coffee sales in your home country is 5,355,000,000,000 Rupiah
- The estimated value of specialized coffee sales 1,200,000,000,000 Rupiah.

Both are expected to grow at a minimum rate of 5% p.a. for the next 5 years.

The following are the results of the primary (direct) market research that you have completed.

***Survey #1 – Students, staff members and visitors were asked via questionnaires to express their interest in a coffee corner. Also, they were asked to indicate what they were willing to spend on coffee.***

In total, 1000 people were asked and 500 filled out the questionnaire.

<u>Willing to pay (RPH)</u>	<u>Students (%)</u>	<u>Staff members (%)</u>	<u>visitors (%)</u>
3.000 – 5.000	52	26	45
5.000 – 10.000	30	38	32
10.000 – 20.000	16	22	15
20.000 – 50.000	2	9	8
50.000 – 60.000	0	5	0
Total	100	100	100

***Survey #2 -- The prices of coffee, offered during lunch breaks in between lectures***

<u>Willing to pay (RPH)</u>	<u>Students (%)</u>	<u>Staff members (%)</u>	<u>visitors (%)</u>
3.000 – 5.000	65	21	51
5.000 – 10.000	25	49	42
10.000 – 20.000	10	19	7
20.000 – 50.000	0	8	0
50.000 – 60.000	0	3	0
Total	100	100	10

### ***Survey #3 -- Focus Group of educators (high school and community college teachers and administrators)***

Staff members of the university who participated in the focus group found the plan of the coffee corner very interesting – but indicated that the range of coffee could potentially be expended before they would be willing to spend 30.000 rupiah or more. With the current offer, they would be willing to pay 10.000 – 20.000 rupiah and would demand a bonus system in which they could save up for discounts after a certain amount of coffee drunk. Both at the lunch and the focus group, participants are very positive and enthusiastic about the coffee corner. They provide you with good feedback on specific features and also extend suggestions for improvement. But the staff members are particularly keen on going beyond the regular coffee aspect; they make it clear that much more diversity would be required in trying to market the product to them. They e.g. indicate that there are companies which might be capable of printing advertisement on cups for discounts on the coffee.

Based on all your market research, you arrive at the following **cost estimates for marketing** your product.

Internet 2 million rupiah upfront + 5 million rupiah per month thereafter  
 Relatively cheap -- but ads could cost 4,5 million upfront  
 15 million to 25 million rupiah per month, with 7 million rupiah upfront  
 Commercials on Local TV 55 million to 100 million rupiah upfront

Direct advertisement elsewhere (think of sport-canteens, handing out lighters with  
 Involves recruiting and training 'sales representatives')

### Competition

None of the following four possible competitors sell cheap quality cups of coffee in the center of your hometown - you are unique in this respect.

	Price level per cup of coffee (RPH)	RPH)	Where found
		0.000.000	es / global
		.000.000	es / mostly USA
in		.000.000	es / global
offee		00.000	es/ Indonesia

The coffee corner companies are making a **net return of 25% on sales**.

At this point, please take your time and make the following decisions: (Please continue thinking aloud as you arrive at your decisions)

Which market segment/segments will you sell your product to?

How will you price your product?

How will you sell to your selected market segment/segments?

### Problem 3: Meeting Payroll

You have started the company on a shoestring, using face to face promotion as your primary source of marketing. You are six months into marketing your product. You have priced the products at the low end of the surveys at 3.000-5.000 rupiah. You have about 3000 customers per month. Based on numerous suggestions provided by your customers, you believe you can start selling special coffees in the range of 20.000- 35.000 rupiah. This would especially be the case when you would redesign the interior of the coffee corner to make it into a more upscale coffee corner.

You have invested the last of your savings and maxed out your credit cards in order to make sure you have the coffee asked for in stock-- You need this to participate in a competition on where 'Architecture meets Catering', where you will get a lot of exposure.

You have four employees -- and you are out of cash to meet the next payroll. You estimate you need 350 million rupiah to survive the next three months and to come up with a supercool store design to be able to participate in the competition. You have the following four options:

1. Borrow from your girlfriend's parents -- they are not overly wealthy, but could probably get their hands on 350 million rupiah if they needed to.
2. Borrow from some old friends from the university and your old student job.
3. Convince your parents to take out a mortgage on their house.
4. Convince your employees to wait out the period.

Which of these options would you choose? Why?



Problem 4: Financing

Your store design has won the first prize in the New talent category at the 'Architecture meets Catering' competition. This in turn has led to inquiries from large coffee suppliers such as Nestlé Globe to market the concept (with full multi-media exposure) nationally. You estimate that it will take you six months to develop the concept in more detail and about three months after that to actually roll it out on three main channels -- Web, national newspapers and national TV. The coffee will be priced at 50.000 rupiah per unit. You estimate that you will need 1.8 billion rupiah till break even (by the third quarter of the second year) -- this includes enhancing the concept, putting in place excellent (support) staff, full-blown advertising and web links, and the development of a small direct sales staff for selling on site.

You estimate the following sales projections for the first five years (You are at the beginning of Year 1 now):

	Year 1 (RPH)	Year 2 (RPH)	Year 3 (RPH)	Year 4 (RPH)	Year 5
<u>(RPH)</u>					
Sales	1.1 billion	1.7 billion	3.5 billion	6 billion	11 billion
Profits	loss	235 million	470 million	2.3 billion	3.5 billion

You have three financing options:

Option 1

A venture capitalist who specializes in startup companies in catering and adjacent areas, is willing to finance you 1.7 billion rupiah for 48% of your company.

Option 2

A friend of the family who has extensive experience in catering is eager to go into partnership with you -- for 33% of the company. He is able to invest 1.7 billion rupiah but wants to work for the company at a base salary of 470 million per year. He agrees to accept a minimum level of 350 million for the first two years to keep his family going and defer the rest to when the company starts making money. You like and respect this man and have no personal feelings against him.

Option 3

You can continue the company with internal cash flow -- grow at a much slower pace.

Which option would you choose? Why?

If the venture capitalist is also willing to take only 33% of the company, which option would you choose?

### Problem 5: Leadership/Vision

You have found the financing and have signed a contract with two major coffee suppliers to market your product. You have hired new staff and moved into new premises. A national newspaper is doing a series of stories on local entrepreneurs and wants to do a story on you -- you know that this interview would be a defining moment in the development of your company and you see this as an opportunity to convey to the world (and to your new employees) your vision for your company's future. This newspaper article series has been very successful; it routinely gets picked up by other national papers and TV networks. One of the reasons for its success is its headline which consists of a one-line quote that captures the entrepreneur's vision for the company -- to be achieved by the year 2012.

You have come up with several possibilities for the one-liner:

1. Starbucks is the past -- *Coffee inc* is the future.
2. We aim to have at least a thousand employees by the year 2014.
3. The fastest growing coffee caterer.
4. Invest in *coffee inc*—Enjoy the Dutch tradition.

Which one of the above do you choose? Why? If you do not choose any of them and want to come up with ideas for an alternative, please do so.

### Problem 6: Product Re-development, Part One

You are almost at the end of your fifth year in operation -- you have just managed to break even (later than you projected). You have opened the doors to all three segments (students, staff, visitors). Sales, while they are steady and continuous, are rather 'colourless' and you start doubting whether you will ever reach your growth targets. You decide to conduct a serious market research initiative in order to find out how to grow your sales. You organize focus groups with both existing customers and potential new customers. The main problem seems to be the "great divide" between the regular coffee and the specialized products. Over 90% of the participants in your focus groups find the regular products very interesting. But when it comes to the specialised coffees, there is a clear division of opinion. The participants who primarily enjoy the regular coffees almost *never* bother to go and buy more expensive coffees and wonder why all that '*elite stuff*' is there; and those who are primarily interested in the specialised coffees think that the regular products downgrade the atmosphere.

How do you respond to this feedback?

### Problem 6: Product Re-development, Part Two

You go back to the origins and think of a concept which could provide solutions to both parties. You come up with a solution in which you have 1 existing shop and 1 new shop. Shop number 1 (the existing shop) is for more regular coffees, the new shop is for exclusive coffees and teas. With the exclusive shop one should think of specialized Asian, South American and African coffee specialties, which would result in a total amount of 30 different types of coffee. Teas will come in a variety of 20 types. Also, exclusive cakes and pastries are sold. Next to this, customers can also borrow books, read newspapers and have access to free wireless internet. In the regular coffee booth, you plan to sell 8 different regular coffees, like plain cappuccino, espresso, etc, and add 5 regular teas (e.g. China Blossom and Rooibos) and limited variety of donuts and muffins.

You first start to promote the idea with the exclusive shop with a variety of 15 different coffees and 15 different teas, and also a smaller variety of cakes and pastries than you eventually will include. This together with free newspapers and free wireless internet is what you show to the focus group. It turns out that especially the exclusive shop is received very enthusiastically and customers are willing to pay 2 to 2,5 times as much as asked previously.

One of the requirements is however that you have to extend to what you had in mind (the 20 teas, 30 coffees, the books, newspapers and free wireless internet). You have to decide whether to undertake this massive concept change or to focus completely on one of the two concepts. If you want to extend it will cost you as much as 2.3 billion rupiah and a separate marketing effort.

Year	1	2	3	4	5	6	7	8
Estimated Sales (RPH in B.)	1.2	5.9	11	71	143	215	286	358
Actual Sales (RPH in B.)	1.6	5.7	10	33.4	50.1			

Which of the two options do you choose? Why?

Assuming you have decided to go in for the extension, you have to choose one of the following three options:

1. Undertake the redesign effort in-house -- Estimated Cost: 3 billion rupiah.
2. Out-source the redesign to the new company within your home-country-- Estimated Cost: 2.3 billion rupiah
3. Out-source the redesign to the new company outside your home-country-- Estimated Cost: 1.1 billion rupiah

Which option do you choose? Why?

### Problem 7: Growing the Company, Part One

You are almost at the end of the sixth year of business. You are now running two types of shops—under the umbrella of Coffee inc.

- Plain Coffee (sales between 7.000 – 60.000 rupiah) where you sell a limited amount of regular coffees and teas and a basic amount of donuts, muffins and chocolates
- Exquise (sales between 60.000 – 100.000 rupiah) where you offer the 'complete picture'

Your number of outlets and therewith the new coffee shop managers has swelled to twenty from the original three and you are continuing to expand your sales force and develop an even better concept of Exquise for more upscale areas in town. Greg Thomas, who is an excellent salesman (dealing with the regular coffees previously) and has headed the sales team since Day One, has clearly not kept up with the issues of growing the company -- he is definitely not the person to lead the new Exquise. How will you deal with this situation?

Year	1	2	3	4	5	6	7	8
						Revised		
Estimated Sales (RPH in B.)	1.2	5.9	11	71	143	71.7	143	239
Actual Sales (RPH in B.)	1.6	5.7	10	33.4	50.1	102.75		

Would you:

1. Fire him?
2. Hire a new sales manager to head the sales team? If so, would you consult with Greg before doing so? How would you break the news to him?

Please feel free to elaborate on any other way of dealing with the situation.

### Problem 7: Growing the Company, Part Two

Although the company has been growing for a while now, you are trying to keep the entrepreneurial culture of the company alive. But you begin to notice that your partner is fostering a more “corporate ambiance” -- long and unnecessary meetings, complicated organization charts, colorful expense accounts, “consultants” to “optimize market potential”, and so on. When you try to talk with him about it, he argues that it is time for the company to go “corporate” -- that such a “professional” image would actually be good for the bottom line.

Year	1	2	3	4	5	6	7	8
						Revised		
Estimated Sales (RPH in B.)	1.2	5.9	11	71	143	71.7	143	239
Actual Sales (RPH in B.)	1.6	5.7	10	33.4	50.1	102.75	239	328

How will you deal with this situation? Do you think it is time for *Coffee Inc.* to go “corporate”?

### Problem 8: Hiring Professional Management

You are now in the eighth year of your company. You are doing very well -- surpassing growth targets and building reliable market share. Your sales are 328 billion and you project a growth rate of at least 25% per year for the next three years.

Year	1	2	3	4	5	6	7	8
						Revised		
Estimated Sales (RPH in B.)	1.2	5.9	11	71	143	71.7	143	239
Actual Sales (RPH in B.)	1.6	5.7	10	33.4	50.1	102.75	239	328

Your Board’s advice is to hire professional management to run the company so you can focus on issues of new growth and new strategic initiatives. Assuming you have already developed a short list of three high-potential candidates to interview for the position of **Chief Operating Officer** (COO), how would you prepare for the interview?

List questions you would ask, techniques you would use, and critical issues you would take into account in hiring this person.

### Problem 9: Goodwill

At this point, you are approached by the principal of an inner city school in your area, who also works with 10 other schools such as hers -- she believes that Exquise could be a perfect learning environment for her students in her Catering study program.

She requests you to work with a couple of really enthusiastic teachers to develop some elementary learning materials for the students to work on in the Exquise shops. The project would mean not only an investment of €100.000 (approx.) for modifications, but also a substantial chunk of your time for about six months during development and then about 10 sessions of classroom participation per year for a couple of years at least.

Note: Your sales are 328 Billion and you project a growth rate of at least 25% per year for the next three years.

Will you take the initiative for this project?

If not, why not?

If yes, would you:

- a) Donate the product?
- b) Sell it at cost?
- c) Sell it at your regular profit margin?

Why?

Problem 10: Exit

You are now in the tenth year of your company -- *Exquise* is a great success and thanks to your new targeted strategies, even *Plain Coffee* is growing satisfactorily. You have acquired three other profitable catering concepts. You are doing 527 billion rupiah in sales and project that you will reach 836 billion rupiah within a year. At this time you face two possible directions for your company.

Direction 1

Your accountants and bankers think that this is a good time for you to take the company public. The Initial Public Offering (IPO; new stocks) market is booming and catering is in a solid upward trend. They estimate you should make an initial public offering of 2 million shares at €30 per share. The company has a total of 12 million shares outstanding.

Direction 2

At this point in time, Starbucks approaches you and makes an offer for your company -- it seems they have decided to get in on the more exclusive segment and have decided to enter the arena through acquisitions -- they see you as a perfect fit for their strategy and offer you €300 Million.

Year	1	2	3	4	5	6	7	8	9	10
						Revised				
Estimated Sales (€M)	0.10	0.50	1	6	12	6	12	20	30	45
Actual Sales (€M)	0.14	0.48	0.84	2.8	4.2	8.6	20	27.5	38	70

Which of the above two directions do you choose? Why?

End

## **Appendix III: Interview Questions**

### **Interview questions – referring to the case**

**Please discuss these questions with your fellow student**

1. At what points in the case did you choose an option or direction that was not mentioned in the case description?
2. In case you chose an option not mentioned in the case description, could you explain what the alternatives were and what your motives were for selecting your option of choice?
3. Were there any moments when you felt like you could not proceed with the assignment, for example because of missing background information, unclear questions, or for another reason? In case this happened, how did you deal with this situation – how did you proceed?
4. In this assignment, you came up with a way of starting and growing a new venture. Could you explain your rationale for this in a nutshell?
5. If you had to do the assignment again, would you do anything differently?
6. Was there enough time to execute the assignment?
7. Did you find it difficult or annoying to discuss your ideas while working through the case?
8. Do you feel that you have been able to express your thoughts properly and completely?

End



## Appendix IV: Example Coding

### Combined Coding –Yeyen - 15 December 2011- EPPIC Project

Michelle Weynschenk

Causal	Effectual
G – Goal Driven	M – Means-based
R – Expected Returns	L - Affordable Loss
B – Competitive Analysis	A – Use of Alliances or Partnership
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)

Open spots mean that the respondent is talking about the case.

### Coding results

	Causal	Effectual
<b>Problem 1</b>	11-12 <b>K1</b> knows the targets 12-13 <b>K2</b> Knows the competitor 16-18 <b>Z4</b> Wants to have data on preferences 18-19 <b>Z5</b> Using Questionnaire and interviews to find out 19-20 <b>R6</b> Knows that the growth will be big 20-21 <b>K7</b> Coffee is important for the target group	13-16 <b>E3</b> Tries to seek for contingency
<b>Problem 2</b>	29-30 <b>K8</b> Knows when the target group will buy. 29-30 <b>R9</b> Return 31-32 <b>P11</b> He thinks that the customer will come to his store to ask about his product 30 <b>R12</b> Match demand and price 36-38 <b>R13</b> Match demand and price 38 <b>K14</b> Knows that this	33-34 <b>C10</b> Making plans for change 40-42 <b>A15</b> Partnership with SOP

	market wants cheap coffee 42-43 <b>P16</b> Knows what will happen in future 45 <b>K17</b> Sure that target market will respond on promotion 47-49 <b>K18</b> The product is for old people	
<b>Problem 3</b>	75 <b>G21</b> Suggestion to get means from the bank 80 <b>G23</b> Of using bank 80-82 <b>G24</b> Second change to go to a bank.	74 <b>M19</b> Using his own connections 74 <b>A20</b> Partnership with old friend from university 77-80 <b>M22</b> Deciding using means
<b>Problem 4</b>		109 <b>M25</b> He will use his money available 110-112 <b>M26</b> Reasoning using his own means 112-113 <b>M27</b> Points out using own means is his style 114-115 <b>M28</b> Will definitely do it by himself
<b>Problem 5</b>	141 <b>P31</b> Country will proud of him 141-142 <b>P32</b> Increasing country income.	134-135 <b>M29</b> Using own language strength which is available 135 – 140 <b>M30</b> Proud of his culture
<b>Problem 6</b>	162 <b>K34</b> Market knowledge 165-167 <b>B37</b> Compares with Starbucks (wants to beat)	162 <b>E33</b> Depends on the target market 163-164 <b>E35</b> Can change 164 <b>C36</b> No control in Uncertain future 193-195 <b>M38</b> Undertake the redesign inhouse, using own means 196-197 <b>M39</b> Good quote 'Its from my mind, I think that from advertisement, it comes from you'
<b>Problem 7</b>	237-239 <b>P45</b> knows the consequences of going corporate 2411-242 <b>P46</b> Knows the consequences of going corporate 219-222 <b>G47</b> Growth and progress	217- 218 <b>M40</b> Keep Greg for his competence 219-222 <b>M41</b> earlier investment in Greg and he don't want to lose that 222-224 <b>A42</b> Get a consult 225 <b>M43</b> Keep Greg 235-237 <b>A44</b> Partnership to go corporate
<b>Problem 8</b>	251-253 <b>K48</b> Knows what is important in this market.	256-259 <b>M49</b> He has knowledge of the way a COO





G										
R										
B										
K										
P										
Z										
X										
	41	42	43	44	45	46	47	(8) 48	49	50
M										
L										
A										
E										
C										
D										
N										

G										
R										
B										
K										
P										
Z										
X										
	51	52	(9) 53	54	(10) 55	56				
M										
L										
A										
E										
C										
D										
N										

Table 4: Temporal presentation of the entrepreneurial process  
IND04

## Appendix V: Coding questionnaire

We analyzed long run opportunities and selected what we thought would provide the best returns (C)

We developed a strategy to best take advantage of resources and capabilities (E)

We researched and selected target markets and did meaningful competitive analysis (C)

We designed and planned business strategies (C)

We organized and implemented control processes to make sure we met objectives (E)

We had a clear and consistent vision for what we wanted to do (C)

We designed and planned production and marketing efforts (C)

The ultimate product/service that I used to launch this business was quite similar to my original conception (C)

Our decision making has been largely driven by expected returns (C)

The ultimate product/service that I used to launch this business was quite different from my original conception (E)

It was impossible to see from the beginning where we wanted to end (C)

We have allowed the business to evolve as opportunities have emerged (E)

We evaluated the set of resources and means we had at our disposal and thought about different options (E)

We experimented with different products and/or business models (E)

We started out very flexibly and tried to take advantage of unexpected opportunities as they arose (E)

We used a substantial number of agreements with customers, suppliers and other organizations and people to reduce the amount of uncertainty (C)

Our decision making has been largely driven by how much we could afford to lose (E)