

The Impact of Uncertainty Avoidance on Italian Entrepreneurs' Decision-Making

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ABSTRACT,

This paper aims to investigate the extent to which the cultural parameter of uncertainty avoidance for Italy, from the GLOBE project, is reflected in the way Italian entrepreneurs act. The cultural impact is assessed in order to see if it affects entrepreneurs' decision-making into relying either on effectuation or causation. Data confirm that this parameter has indeed an impact on entrepreneurs' actions, and specifically, the one reflecting the score of uncertainty avoidance for Italy, namely slightly higher than average. The discussion part addresses the practical implications for academics and non-academics, adding personal insights to enrich the results. For political institutions, banks and other financial institutions, important insights can be taken from this study. The role of gut feeling (effectual attitude) and its supremacy in the life of entrepreneurs is highlighted. This means that if these institutions were to make access to credit both bureaucratically and financially easier, they could then benefit from the birth of many new ventures which could otherwise never come to existence. The boost of entrepreneurship is to be welcomed as a means of supporting communities, cities, regions and nations. Credit should be made especially easier to access (watching for discriminatory regulations) for youngsters, as these might be the ones more willing to yield to their internal feeling that things might indeed work out for good.

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Keywords

Entrepreneur, culture, Italy, uncertainty avoidance, effectuation, causation

1. INTRODUCTION

There has been plenty of research in the entrepreneurship field (e.g., Gartner, 1990; Eckhardt & Shane, 2003; Bygrave & Hofer, 1992). Among others, of those who have tried to define 'the entrepreneur', Filion (2011) provided a holistic definition, admitting to the intricacy of such task. In his work, he argues that any respectable definition of the entrepreneur must include six elements which distinguish his/her activity from any other. He states that: "*an entrepreneur is an actor who innovates by recognizing opportunities; he or she makes moderately risky decisions that leads into actions requiring the efficient use of resources and contributing an added value.*" (Filion, 2011, p.47). It has been argued that the one thing distinguishing entrepreneurial activities from nonentrepreneurial ones is the nature of the risk entrepreneurs are willing to take towards entering an uncertain market (Alvarez & Barney, 2005). Uncertainty is one of the main aspects addressed in the study of entrepreneurs' behavior. The kind of risky decisions that entrepreneurs embark on are different from those of other actors such as managers. According to Alvarez & Barney (2005), nonentrepreneurial decisions (e.g., managerial) are strictly defined as risky because two aspects characterize such decisions: the *prior knowledge* of all the possible future outcomes; and the known *probability* of occurrence thereof. All given at the time the decision is being made. Conversely, in entrepreneurial decisions, both the possible future outcomes, and the possibilities attributed to each, are not known prior to the decisions being made (Alvarez & Barney, 2005). Entrepreneurs' decision-making process is therefore fraught with challenges because of the lack of reliance on objective data to support the decision-making.

In the literature it has been argued that there are two schools of thought for the way entrepreneurs go about making their decisions: planning vs emergence. These ways are either bound to logical and predicting ways or drawing on the gut feeling of the entrepreneur, making the process flexible (Brinckmann et al., 2010). Sarasvathy (2001) provided an example of emergence thinking which she defined as *effectuation*, opposing the planning thinking defined as *causation*. According to Sarasvathy (2001), expertise is the factor determining whether entrepreneurs will lean towards causation and as a result, prepare a business plan when entering a new venture; or rely on effectuation and therefore, leaving the process open to the different contingencies. The causation mode of action is characteristic of novice entrepreneurs and the effectuation approach of expert ones (Sarasvathy, 2001).

Culture

Research on entrepreneurial behavior has been extensively linked with the potential impact of the wider context in which entrepreneurs operate, namely, their culture (e.g., George & Zahra, 2002; Hayton et al., 2002). This relationship has been addressed by Hayton et.al. (2002) who found research in the field to have addressed the impact of culture on three levels of entrepreneurship. The first was in relation to the *aggregate* national levels of entrepreneurship such as the country's innovativeness output. The second addressed culture impact on *individual characteristics* of entrepreneurs such as values, beliefs, motivations and cognitions. The third level addressed culture impact on *corporate entrepreneurship*.

The second level will be the one of interest in this paper. I will be investigating the impact of a controversial variable, namely, uncertainty avoidance, and its impact on the way entrepreneurs act in their decision-making process. Later in the paper, arguments will be provided to justify the choice of this variable. This second stream of research followed two patterns of

investigation: in the first, researchers sought to find out whether national culture was associated with particular entrepreneurial characteristics; and in the second, researchers investigated whether entrepreneurs were similar or not to nonentrepreneurial actors across cultures (Hayton et al., 2002). This paper will be building on this second strand of research just described.

One of the most widely known studies on national culture is that of Hofstede (e.g., 1980; 2001), who categorized countries based on five dimensions, aggregating scores for cultural *values*. Another significant contribution to the study of culture, which built upon the work of Hofstede (Chhokar et al., 2012), has been provided by House et.al. (2004). In their work, they have partly drawn directly from Hofstede's work by using the same constructs, but also modifying it through substituting, splitting and adding variables (House, 2004). Furthermore, House et.al. extended Hofstede analysis by researching societal-level variables, organizational practices, and leader attributes and behavior (House et.al. 2004).

In the House study, also known as the GLOBE project, culture has been conceptualized by using nine dimensions. The researchers went a step further than Hofstede by delving into countries' cultural *practices* as well as its values. The GLOBE project data were collected through interview with managers, and can therefore provide insights into such category only. When coming to the study of how these scores affect entrepreneurship rates, Stephan & Uhlaner (2010) argued that the use of descriptive norms (cultural practices), rather than values scores, should be preferred when assessing the impact of culture on entrepreneurship. This is due to people's low reliance to base important life decisions on personal preferences, expressed in values (Stephan & Uhlaner, 2010).

According to House (2004) culture can be defined in two ways. One by giving a definition of it as an *entity* and the other by defining its *attributes*. With regards to the entity definition, culture is intended as that *set of entities* which bring about the appearance of distinct traits among a set of individuals. These, make them different from other sets of individuals, and get passed on with time. These entities refer to the country's institutions, systems, language, religion, and history. These, in turn, affect the "*assumptions, values, beliefs, meanings, social identities, and motives of the members of the culture*" (House, 2004, p.484). With regards to the definition of its attributes, culture constitutes the widely held attributes just quoted above which, affected by the entities, allow "*meaningful interaction among members of the collective, differentiate one collective from another, and are passed on from one generation to another*" (House, 2004, p.484).

Culture has so far been studied from two standpoints: the *values* shaping it and the *practices* characterizing it in every-day life (Stephan & Uhlaner, 2010). These two constructs, differ in the way they have been measured. In fact, to grasp what values individuals held, cultural parameters were measured asking "*as should*" questions, whereas cultural practices were measured asking "*as is*" questions. The former would therefore be an expression of opinions held by individuals with regards to how they reckon things *should* be going; whereas the latter express the reality of how things are actually *perceived* to be happening (Autio et. al., 2013).

Research gap

According to Autio et. al. (2013) there have not been enough studies addressing cultural practices and its impact on entrepreneurs. I will therefore be exploring whether the GLOBE project data on cultural practices, and uncertainty avoidance specifically, seem to suggest an alignment of entrepreneurs' thinking and acting with that of managers. Hofstede has been the

first to investigate this construct influence on cultures (Hofstede, 2001). He argued that the highest concern of people in countries who score high on such construct is the drive towards avoiding ambiguity as much as possible. This tendency leads people to conduct highly structured lives and to expect to be able to exert control and predictability in their everyday aspects of life (Hofstede, 2001). Since Hofstede's work, many have benefited from his endeavor and further advanced his research efforts. The relevancy of uncertainty avoidance is dictated by the social impact (either for good with a successful enterprise or for bad after a failed enterprise) it can have on people wishing to undertake the entrepreneurial path, and by the ambiguous results that research has so far provided. The value of such investigation is further enhanced by the call advanced by effectuation researchers to explain *why* some antecedents; referring to the factors that might *cause* effectuation as opposed to the consequences brought about by it; such as culture in this case; might provide insights into entrepreneurs' choice of an effectual mode of action over a causation one (Gregoire & Cherchem, 2017). Having provided an initial argument for the potential impact of culture on entrepreneurs, I now address the dimension of culture which I will take into account.

Research question

This leads to the following research question:

To what extent do the cultural practices scores of uncertainty avoidance, as outlined in the GLOBE research, reflect the way entrepreneurs frame their decision-making process?

Addressing this question, will provide precious insights on which it will be possible to build personal but yet solid argumentations with regards to what these results tell about entrepreneurs. Furthermore, it will be possible to provide a contribution to the long-researched investigations of the factors that differentiate entrepreneurs from other people.

2. LITERATURE

Effectuation

The topic of effectuation has been started off by Saras Sarasvathy with her seminal publication in 2001. Since then, many have set out in the journey to further investigate this topic (e.g., Read et al., 2009, Chandler et al., 2011, Perry et al., 2011, Gregoire & Cherchem, 2017). Effectuation has been conceptualized and operationalized in a variety of manners. This had made the attainment of an agreed-upon definition problematic (Gregoire & Cherchem, 2017). However, the core of effectuation has to do with how entrepreneurs structure their *mode of action* in the face of hard or almost impossible to predict scenarios (Gregoire & Cherchem, 2017). That is when the outcomes probabilities of occurrence are not known, and neither is it possible to access this knowledge by any means. This is the first of the three types of uncertainties that constitute the effectual problem space, namely, Knightian uncertainty. It has been argued that entrepreneurial uncertainty even involves entrepreneurs' preferences. This means that it is not clear to them which specific outcome would be desirable. This is the second type of uncertainty of the effectual problem space, goal ambiguity. Finally, the third one is called isotropy, and it refers to the environmental ambiguity which makes it difficult to understand which specific aspects in the environment should deserve attention and which should not (Sarasvathy, 2014).

Sarasvathy provides an analogy for causation, comparing it to a jigsaw puzzle. In this case, the entrepreneur looks at the process of developing an enterprise as one in which s/he already possesses all the necessary pieces which need only be assembled together. In this case, the entrepreneur has a clear and vivid picture of where and what the enterprise needs to go and be.

His/her efforts will be aimed at achieving those means and resources which are necessary to achieve his/her predefined goals (Sarasvathy, 2014). I will now describe the components of the effectual mode of action and highlight the differences with the causation one.

Bird-in-Hand Principle

This principle characterizes the early stages of an enterprise development. It refers to the very first thoughts, that a person wanting to start a business ponders. This principle suggests that in order to enact an effectual mode of action, one needs to start with what is already in his/her hands. In terms of one's identity, the resources at hand and the people known (Sarasvathy, 2014).

For example, a motorbike enthusiast wanting to pursue financial independence through entrepreneurship, might think to open up a shop supplying motorbike equipment. If this person is to follow an effectual mode of action, s/he would need to be asking questions with regards to the people s/he knows. In other words, does s/he personally know anyone else who shares this passion and would be willing, for example, to join and provide equity? Or, what are his/her resources at hand? For example, what is the capital or the knowledge s/he possesses at the moment? For example, if this person is widely known for having joined multiple bike rides events and for being an excellent driver, this would provide potential customers with the feeling that this person is worthy to be trusted, given his/her well deserved and earned experience.

Sarasvathy (2014) argues that starting from these questions could also lead to the birth of other businesses, which were totally foreign to the person's mind when s/he first thought of pursuing the entrepreneurial path. This potentiality is the core difference between effectuation and causation. In fact, a causation mode of action would require the discovery of an already existing market to be targeted and of already existing needs to be met in some specific class of individuals. Once this is understood, strategies can be developed and plans followed through in order to make a particular idea (already fully developed) into a reality (Kotler, 1991, as cited in Sarasvathy, 2014).

Affordable-Loss Principle

The logic of effectual entrepreneurs is to start by what one is willing to *lose* in starting the venture and making the best use of the resources held to creatively find both new means and ends. Partnerships play a crucial role in this, with self-selected stakeholders being the added element to the affordable-loss principle on which effectuation decisions, such as which venture to start, are taken. The ability of such stakeholders to influence the environment is deemed crucial when selecting the most desirable venture, contrary to the one with the highest expected return (Sarasvathy, 2014). An individual affordable loss is deductible from his/her current capital owned and the psychological commitment of the entrepreneur in the worst-case scenario (Sarasvathy, 2014). This approach is contrasted with the classic use of decision trees, real options and min-max logic. Although Sarasvathy recognizes the usefulness of such techniques in coping with uncertainty, she argues that a different logic underlies effectuation. It is not a logic of accurate prediction and of working towards predetermined aims, as it is for causation. Rather it is about using the current resources and allow these, to dictate the direction of the efforts and, as a consequence, the effects sought to be brought about (Sarasvathy, 2014). The techniques mentioned earlier are used in causal approaches and presuppose certain assumptions. For example, they assume outcomes to be predictable and enumerable, independent of each other and nonoverlapping, and with probabilities and resulting outcomes which are not part of the decision-maker sphere of control. For effectuation, there is no

need for outcomes to be enumerable or nonoverlapping and, on the contrary, outcomes are influenced by decision-makers (Sarasvathy, 2014).

The Crazy-quilt principle

This principle name is due to the unknown direction that any effectual entrepreneurial endeavor might lead to. To better grasp the concept of effectuation, Sarasvathy likens it to the process of making a patchwork quilt. In this process, the crafter has a set of patches to choose from and can arrange them as s/he wishes. S/he will need to work with other actors to bring the process to completion. And finally, the process must ultimately lead to the product itself, which has, in this case, its *raison d'être* in providing warmth (Sarasvathy, 2014). There is a marked difference between the way effectual entrepreneurs act and the way non-effectual entrepreneurs do. This has to do with the way the enterprise is given birth to. Non-effectual entrepreneurs would craft a vision and then work towards that in a variety of ways, one of which might for example be, ensuring that specific stakeholders who will contribute to the enterprise do join their efforts. On the contrary, effectual entrepreneurs do not act based on the recognition that a market presents a gap that could be filled. And as a consequence, market research does not have a crucial role, as it does instead in causation. Furthermore, effectual entrepreneurs give more attention to those stakeholders which show a real interest in joining the venture, rather than ensuring that a set of specific stakeholders, deemed to be desirable, are convinced to join hands (Sarasvathy, 2014). This is a dynamic process that might eventually lead to scenarios which were not even conceived of in the first place. So, the stakeholders' partnership could in the end enter the market it had planned to enter in the first place, or enter one which sprout out of the interactions among the various stakeholders (Sarasvathy, 2014).

Lemonade Principle

This principle's rationale finds its root in the notorious proverb which states: "When life gives you lemons, make a lemonade". It aims to draw a further distinction between the way effectual efforts are carried out versus traditional entrepreneurial efforts, specifically with regards to the varied contingencies arising during the entrepreneurial journey. In traditional cases, aspiring entrepreneurs would prepare a business plan and work their way towards it. They would consistently acquire resources according to their predetermined plan and navigate their way to its realization *in spite of* the challenges encountered (Sarasvathy, 2014). On the opposite hand, effectual entrepreneurs take advantage of the challenges encountered by trying to strategically have them work *for them* rather than against them. They are open to have their plans change as a result of new data or unplanned events which seem to suggest the possibility of a different way forward. They are also open to the possibility of such contingencies being the determining factor of serendipity which might lead to the success of their efforts or to the realization that something completely novel has just become possible. It should be noted, however, that it is not the contingencies in and of themselves which could constitute a value-adding element. But rather, it is still on the entrepreneur/s to be able to strategically make use of the contingencies to their advantage (Sarasvathy, 2014).

The Pilot-in-the-Plane Principle: Non-predictive control

Both of the two approaches which have so far been described; the causal one vs. the effectual one; try to deal with an uncertain future. In the first case, uncertainty is dealt with by trying to grasp the predictable aspect of the future. The underworking assumption in this case is: *to the extent that we can predict the future, we can control it* (Sarasvathy, 2014, p.89). In the second

case effectual entrepreneurs refute the predictive endeavor by focusing on the control they can assert on the future (Sarasvathy, 2014). Here, instead, the assumption is: *to the extent that we can control the future, we do not need to predict it* (Sarasvathy, 2014, p.90).

This name of this principle finds its meaning in people's manifested reluctance to put their entire trust in intelligent machines; such as an automated plane; and to require the presence of a human mind too. The analogy works in the case of entrepreneurship as well. It is argued that; especially in connection with the third type of uncertainty (isotropy); the presence of the entrepreneur is fundamental. This was first argued by Knight who claimed that in conjunction with the elements of land, labor and capital, the entrepreneur's involvement in these activities was pivotal (Knight, 1921). This principle relates to situations in which decisions are extremely uncertain, and to how such decisions are taken. Sarasvathy (2014) argues that it is the entrepreneur himself/herself the determining factor in such scenarios, and the "*window to unexpected opportunities, and the key to outliving disasters*" (Sarasvathy, 2014, p.90). The way effectual entrepreneurs operate in the face of uncertainty is by rejecting any predictive effort. They instead rely on what they experience as a consequence of their actions to confirm the validity or the inconclusiveness of their chosen course of action (Sarasvathy, 2014). Sarasvathy (2014) provides an example of this in the world of business. She refers to the suicide quadrant which is that target niche in which an entrepreneur aims to bring a new product in a new market. It is here; where decisions are extremely uncertain and no one in hindsight could have thought of what then came to pass; that the entrepreneur himself/herself is a non-negotiable. And it is also here that the value of predictive models is extremely questionable at best. It is the entrepreneur the added element that can lead to a positive outcome. This can happen because the entrepreneur is providing a value (his/her own sophisticated judgements) which goes beyond intelligence and capital availability. Elements, that would instead easily grant higher chances of success, to the one who possess them in higher quantity.

Uncertainty Avoidance

One of the dimensions addressed by House et.al. (2004) is that of uncertainty avoidance. This variable will be the object of focus of my research. The choice of a single variable is fundamentally dictated by the nature of this research, being a narrower one. But also, by the potentially indefinite number of variables affecting entrepreneurial behavior, which would require more research to be explored as best as possible. Furthermore, as uncertainty avoidance has been argued to be the most discouraging factor for aspiring entrepreneurs; given the negative social stigma that a failed enterprise could bring in the eyes of others; it makes it all the more worthy to be further investigated (Autio et.al., 2013). To make the choice of uncertainty avoidance even more meaningful, studies have provided mixed results when addressing the impact of variables affecting entrepreneurship, among which uncertainty avoidance, showing both low and high level thereof to be associated with entrepreneurial behavior (Stephan & Uhlaner, 2010). It will therefore be interesting to see whether uncertainty avoidance seems to play a role in entrepreneurs' actions.

The Uncertainty Avoidance Construct

Autio et. al. (2013, p.340) provided a list of elements characterizing countries where uncertainty avoidance scores are high. These countries show high levels of "*orderliness and consistency even at the expense of experimentation and innovation; most people lead highly structured lives, with few*

unexpected events; the society has rules or laws to cover most situations; and societal requirements and instructions are spelled out in detail, so citizens know what they are expected to do". The conceptualization just described is the one that was used for describing uncertainty avoidance in GLOBE. These, were also the four "as is" questions that managers were asked to rate on 1-7 Likert scale, expressing their perceived uncertainty avoidance practices in their societies. GLOBE researchers drew from Hofstede's antecedent conceptualization, as Venaik & Brewer (2010) report.

Just as previously mentioned for the variables potentially affecting entrepreneurial behavior, uncertainty avoidance too, is a wide scope concept whose entire impact cannot be assessed thoroughly in this paper. Furthermore, research has addressed the conflicting results obtained when using the alleged same constructs of uncertainty avoidance in Hofstede and GLOBE. It has been found that the former study mainly addressed the *stress* factor associated with uncertainty avoidance whereas the latter the *rule orientation* factor (Venaik & Brewer, 2010). This is further corroborated by Stephan & Uhlaner (2010) who developed two constructs describing two different cultures and clarified that in their work, they acknowledged Venaik & Brewer (2010) findings on the nature of the measurement, that the uncertainty avoidance construct in GLOBE provided.

Therefore, for the remainder of this study, it should be clear that the only dimension of uncertainty avoidance that can be argued to have been addressed is solely that of rule orientation, which refers to *"the level of rules and orderliness in their societies"* (Venaik & Brewer, 2010, p.1305).

The underlying assumption is that a country that scores low on uncertainty avoidance would be associated with higher levels of effectuation, given its more dynamic mode of action. On the contrary, a country scoring high on uncertainty avoidance would be associated with higher levels of causation, given its inclination towards structure and predictability

3. METHODOLOGY

3.1 Italy as a case study

The choice to focus on Italy is dictated by the advantage provided by my geographic position and nationality. As research is conducted in Italy, the access to multiple perspective from Italian entrepreneurs will lead to precious insights in the field for Italy. The results gathered, accompanied by the insights that an Italian researcher can provide, will significantly contribute to the value of the conclusions that will be drawn, especially in the discussion chapter. Therefore, even though limited in scope, the results will provide a major contribution to the understanding of individual-level entrepreneurial dynamics in Italy.

According to the results obtained from the GLOBE research, Italy stands in a slightly above medium position in terms of uncertainty avoidance, scoring 4,47. Comparing this to some of the countries defined as medium in uncertainty avoidance such as Israel, Mexico and Kuwait with 4,01, 4,18 and 4,30 respectively (Javidan & House, 2001), we notice that Italy scores marginally above that. This means that equal results of tendencies, towards both a causal and effectual mode of action in Italian entrepreneurs are to be expected, with exceptions lying more on the choice of a causal mode of action. I therefore come to the following hypothesis:

Italian entrepreneurs will show slightly higher tendencies towards a causation approach than an effectuation one.

3.2 Sample

The final sample was composed of seven entrepreneurs. The sample can be said to be representative for Italy as I interviewed

entrepreneurs operating in the most known Italian industries such as consumer electronics field, accident prevention clothing, boilers and air conditioners, house furniture, construction building, sports club made of swimming pool, gym and other services, and finally in the sector of food and beverages with a pub owner. The sample is highly representative with regards to the size of the entrepreneurs interviewed as well. The range starts from an annual revenue of multiple hundreds of thousands of euros until multiple dozens of million euros. Unfortunately, the interview with the owner of a big club for gym, swimming, and wellness had to be disregarded as it failed to provide any actionable insights.

3.3 Method

This research falls into the category of qualitative research. It was addressed through semi-structured interviews brought forth by the set of questions in Appendix 1. The interview questions have been developed in a dichotomous way, translating elements of the literature of effectuation and causation into questions that are able to provide insights into the extent to which the interviewed entrepreneurs lean either more on one approach or the other. The most relevant parts of the interviews have been transcribed in order to look for correspondences to the literature framework, namely, data coming from the GLOBE project. The interviews have been recorded and can be requested from the author. The interviews were conducted in Italian. During the interviews I realized that some questions from my initial interview protocol such as question 11 were redundant and therefore it was not asked as I had already got the information I was looking for. Some other questions such as the 7th partially helped to get the answers I was looking for. This was probably due to a mistake on my side to make the question more apt for the entrepreneurs to relate to. Furthermore, the mention of the predicting methods compared to the incremental goals in question 7 was omitted as I felt it could be perceived as redundant. So, I only asked regarding the incremental goals to check if they were open to unpredicted changes along the way, as opposed to the following of a predetermined vision regardless of adversities (lemonade principle). Some other questions like the 6th were not asked altogether as I no longer saw the value of it already from the first (pilot) interview. The interviews had an average duration of 45/50 minutes, with the shortest being 30 minutes and the longest around 1h and 15 minutes.

3.4 Analysis

Given the time constraints imposed on this project, a thorough analysis through coding techniques is not possible. I have conducted an analysis by going through the most relevant parts of the answers obtained from the interviews. This is what, in the methods literature, is described as content analysis, and specifically to the second definition thereof, namely: *"An interpretive and naturalistic approach. It is both observational and narrative in nature and relies less on the experimental elements normally associated with scientific research (reliability, validity and generalizability)"* (from Ethnography, Observational Research, and Narrative Inquiry, 1994-2012). (Columbia Public Health, 2019). The most relevant parts have been transcribed and then entrepreneurs' answers will be translated back to the abstract concepts of theory outlined in the literature section. In this way it will be possible to categorize different entrepreneurs according to the two modes of entrepreneurial action. The answers were analyzed and categorized according to whether entrepreneurs exhibited causation or effectuation modes of action. The answers can be consulted in the table in Appendix 2.

For the sake of transparency, I have not filled some of the boxes as I either did not ask directly that question or I did not receive

any actionable insights to the question asked. Although I feel answers to those questions could be extrapolated by other answers given, I have decided not to do this in order to draw conclusions only based on answers that I have *explicitly* received. The interviews took different directions, and therefore in some cases strictly following the script of questions would have resulted in a lack of flow in the interviews; and given the answers I had already received, it could have been perceived by the entrepreneurs as redundant and lacking consequentiality. This is signaled in the table in Appendix 2 with the symbol (/). Where the boxes are filled with both effectuation and causation, it was not possible to classify the entrepreneurs' answers as either falling into one or the other. Entrepreneurs explicitly showed to favor a mix of the two approaches based on the circumstances at hand. These answers were assigned one point for both effectuation and causation, resulting for some entrepreneurs in a total score higher than the number of questions asked.

A final note should be reserved for the boxes who show the triple *. Effectuation research indicates, as described earlier in the theory section that effectual entrepreneurs show high levels of openness when undertaking an entrepreneurial journey, even to the point of forsaking the original vision at the expense of a new one that was previously unknown and arose as the result of new contingencies. So, these entrepreneurs were scored as effectual because they did show to esteem the little objectives as very important but only in relation to a predetermined vision. I do not have the data to infer whether they would have been open to a complete change in direction of the enterprise pursued. After this, the scores were added to come up with the most objective measure possible. Once this is done it will be possible to assess the impact of uncertainty avoidance on entrepreneurs' actions.

4. RESULTS

I will start from E#1 as a benchmark, as he was asked all the questions and compare other entrepreneurs' answers along the way. E#1 inherited the business from his father whom, as he worked, realized a gap in the market. We can notice here the opposite of the crazy-quilt principle at work (question 9) and how his dad recognized an unmet need in the market. However, he embodied part of the bird-in-hand principle, as he was a technician and started by his identity as such to move to the pursuit of opening a shop. For this question, counting E#1, 2/5 were categorized as causation, 2/5 as effectuation and the remaining one as both. E#2 stated: *"my decision was born regardless of the market. I would see my uncle's shop full of people and said to myself this is the thing I want to do"*. If, on the one hand, E#2 showed to have started regardless of a need in the market he, however, showed to not having being open to new possible directions for the enterprise. Rather, that was the vision he had and the one that he chose to stick with. Answering to question 7 he said: *"I have always continued with this activity, I have not diversified, and I have always asked myself the problem of increasing and expanding in all regions of Italy. I open this shop, then this, then this. The goal is always to move forward with what we do."*

E#1 found methods such as market researches and business plans (question 2, 3, 5, 8, 9, 11) as *vital* for his decision-making processes. This was also shared among all the other entrepreneurs. Only E#4 reported that he would use such tools not as decision-makers but as benchmark for his own ideas, *"if you got an idea, who tells you that is the right one? As you compare you can find answers"* E#1 said to have never followed his gut feeling (question 4) even though it would press him at times. He was the only one who did not emphasize the dominance of gut feeling, which was instead crucial to all entrepreneurs. E#4 defined gut feeling as what *makes* an entrepreneur such. His/her

sine qua non. In terms of partnerships (question 8), E#1 would find them useful only with the big companies as he felt they provided a more secure path to follow and had no second interests; as opposed to partnerships with local entrepreneurs who were believed to have hidden agendas behind their alleged willingness to engage in a partnership. He found regional partnerships, on the contrary, to be useful, especially for the purchasing power that they would provide when approaching their common suppliers. He was, together with E#4 the only to be categorized as effectuation for this question. These entrepreneurs showed to rely on the Affordable-Loss principle, given the importance they attributed to partnerships. Contrary to this, was E#6 who showed utter reluctance towards partnerships. He stated: *"I only rely on market research and never on people I know, because they always have commercial interests. I rely on market research, the business plan and my intuition."*

With regards to the future (questions 7, 10, 11, 12), the big companies previously mentioned, functioned as a way of predicting the future too. The way they followed indicated with reasonable probability the way the future for E#1's company would turn out to be. This was in stark contrast to all other entrepreneurs who all showed the effectuation principle of non-predictive control, with the exception of E#3 who was categorized as both. E#3 stated: *"you have to work on both prediction and planning. One does not exclude the other, (...) If you only work on one or the other you are automatically projected to end up off the road"*. E#5 said: *"controlling the future is impossible, it would mean controlling others"*. E#5 would instead focus on the aspects under his control such as governance or, as E#4, on ensuring he operates in sectors which the multinationals (being a threat to him), cannot enter. E#1 was willing to accept in his decision-making process, information esteemed reliable in terms of prediction of the future. Together with E#6, he manifested trust in those who produce market researches for work, as they were deemed expert in their fields. In total contrast to this was E#4, who, showed distrust in market researches as ultimate decision makers for the very same reason, namely, that they are produced by people in the field. These would lack that experiential knowledge of the market which according to him was gainable through acquaintances. E#1's learned at his own expense the necessity of developing incremental goals (question 7), after a flop he experienced in his career. He started to supply refrigeration material and immediately built a warehouse to support the expected sales, which failed the expectations. This shows a tendency opposite to the effectual lemonade principle, which suggests to take advantage of the challenges faced, rather than working in spite of them. If less hastiness in incurring the costs for the warehouse would have been showed, maybe he would have received the signals from the market that this was not a profitable route. E#3 instead, showed an effectual attitude towards the lemonade principle. Providing a metaphor of some donuts which come out with no hole, he mentioned that those challenges, which cause the hole to not be there, need to be faced carefully and be resolved. Even though he did not explicitly mention whether these challenges would have him contemplate a total change of direction on his entrepreneurial efforts, he showed an effectual attitude of being positive towards challenges. He would think what could be done about them, and how they could be used for his advantage.

E#1 also held the market direction to be predictable (question 12), and to be linked to climate change. For this question, 3/5 entrepreneurs were categorized as causation. Believing the market to be predictable or not, is another nuance of the way entrepreneurs deal with the future. And in these cases, the opposite sign of the non-predictive control of effectual

entrepreneurs (Pilot-in-the-Plane). Contrary to them, were E#3 and E#5. E#3 stated that: *"the market is also made of gut feeling, of wanting to jump in"*. He also mentioned that problems are inevitable and will definitely arise, but one need not worry in advance, but rather adapt on-the-go. E#5 gave the example of how during pre-covid times, people who bought houses would not find open spaces (e.g. gardens) to be worthy extra money. But after covid he experienced an unexpected turnaround in consumers' preferences who are now ready to pay more in order to secure some open space.

Other noticeable results

I found confirmation in my interviews of the claims from Sarasvathy (2014), with regards to the usefulness; contingent on circumstances; of both approaches and the need to be able to adapt to one or the other when circumstances call for it. In fact, many of the entrepreneurs interviewed highlighted the fact that one *cannot* and *should not* lean on either one or the other, but rather should skillfully move at the rhythm of the different contingencies. E#5 responded to question 2 by saying: *"you are asking me: which part are you on black or white? But it is wrong, success is given by a right mix of both"*. I also found multiple entrepreneurs linking the impracticality of taking sides for one of either approaches to the change the market experienced from the days they started until the current days. Namely, the market does no longer allow for many mistakes to occur, and therefore one cannot rely only on gut feeling.

It was remarkable to find out, the pivotal role that entrepreneurs assign to their gut feeling. The entrepreneur operating in the consumer electronics field, started in the 60s, at the age of 17 with his first electronics shop. He was driven by a strong internal conviction that that was the thing he should be doing. That initial feeling has led him to open 31 shops throughout the Mid and South Italy, generating revenue of multiple millions of euros every year. He outlined the process he goes through when deciding whether to expand by opening a new store (ca 3000 mqs each). After gathering the data about the number of people in that area, the competitors and other similar data, he totally and wholeheartedly relies on a split-second decision coming from his gut feeling which he gets after a short look around. The process ends by one of these two statements: *"we're going to open here"* or *"we're not going to open here"*.

Another interesting data came from the interview with the house furniture entrepreneur. Here too, multiple millions of euros are generated annually. He owns a show room, a big shop supplying furniture and has diversified by building a hotel and recently by assuming charge of the management of the port of the city of Manfredonia. When asked about the tendency to rely either on market research or on partnerships, E#3 highlighted to be lacking in that regard, as in his opinion the territory was *culturally* unfit to support partnerships. After my follow-up question he argued that the culture was in his opinion characterized by high levels of *individualism* which had impeded the entrepreneurial efforts to grow, as opposed to what happened in North Italy. He argued that the South of Italy was never a territory devoted to the person of the entrepreneur, and therefore that he and others had to improvise at times. This cultural lag would not favor the development of partnerships. And, as a result everyone would tend to care about his/her activities only. This was further corroborated by the answer given by E#1 to question 8. He showed reluctance in signing partnerships with local companies because of suspicions of them not being really willing to row in the same direction. Very similar was E#6 who did not consider partnerships because of his suspicion of people being truly willing to join hands towards a common goal. Going back to E#3, he also outlined the importance of knowledge and the expansion

thereof in the personal life of an entrepreneur. Out of knowledge, he argued, successful gut feeling decisions can be born. He explained how his decision to start the home collection showroom was born out of an intuition he had while reading a book from an American economist.

Question 7 was aimed at testing whether entrepreneurs; as Sarasvathy (2014) indicated effectual entrepreneurs do, would be open to complete new ventures than the original one in mind, were one of the incremental goals seemed to suggest a new direction forward. However, I did not find any confirmation about this. I found that entrepreneurs would indeed develop smaller goals and build upon those, but only to reach a predetermined vision. They would be open to make changes and adapt to what the circumstances would call for, but not to the point of abandoning the previous developed vision in the pursuit of a completely new idea that arose afterwards.

5. CONCLUSIONS

The research question this paper set out to answer was:

To what extent do the cultural practices scores of uncertainty avoidance, as outlined in the GLOBE research, reflect the way entrepreneurs frame their decision-making process?

I conclude that the cultural practices scores of uncertainty avoidance seem to suggest the expected alignment with the decision-making of the interviewed entrepreneurs. In fact, the sum of the answers given (see Appendix 2) leads to a score of 25 for effectuation and 29 for causation. Causation is lightly above effectuation just as Italy's slightly-than-average score for uncertainty avoidance suggested.

6. DISCUSSION

The conclusions drawn from the results might appear as puzzling as one would expect to observe low levels of alignment in entrepreneurs' mode of action compared to managers' score of uncertainty avoidance. One would intuitively expect to discover uncertainty avoidance to exert low levels of impact on entrepreneurs thinking, as entrepreneurs are willing to embrace risks that other people are not. Studies have traditionally held personality traits to be the factors yielding the most meaningful conclusions with regards to entrepreneurs' differential characteristics. However; although these should not be disregarded; recent studies have focused on cognitive processes as the factor which differentiates entrepreneurs from non-entrepreneurs (Baron, 1998). So, research suggests, that it is something related to entrepreneurs' ability to process information, the thing that differentiates them from others. In light of this, I will provide in this section some considerations which may help to re-think the results.

Being an Italian myself and having lived in Italy for most of my life, I found at first sight, the score of uncertainty avoidance to *not* reflect what I personally experienced in my life. I would claim that, when compared to other countries, I would have expected the score of Italy to be higher than 4,47. If Italy, as mentioned above, only stands in a slightly higher position of uncertainty avoidance than Israel, we would expect these countries to show almost *equal levels* of propensity to encourage the entrepreneurial process.

Yet this is not what data tell. Based on an index of the countries with the best conditions for entrepreneurship, Italy and Israel stand very far from each other. Out of the 44 countries in the table, Italy stands on the 35th position compared to Israel 11th position. These data tell a very different story, showing that contrary to the GLOBE data, Italy presents great challenges to anyone wanting to open a business, especially regarding times

and procedures (*Top 10 challenges of doing business in Italy*, 2019).

There have even been comedy movies which have joked on the “obsession” some Italians have with what is called in Italy “*posto fisso*”. This, translated means *fixed or permanent place*, referring to the highly sought-after undetermined contract of employment, which would secure a safe and stable future. This, strongly indicates how Italians do value stability and predictability and how they are less predisposed to embrace risks. There are many other examples which would require more space but another one may help a non-Italian reader to enter into the way things are conceived among Italians. Many parents strongly encourage their children to pursue both a bachelor and a Master’s degree as that would in their mind secure a safer future and more possibilities. Even though it is common in Italy to hear that there are multiple graduates unemployed and working jobs totally unrelated to their field of expertise, graduating is still thought as a good path to follow and something which provides more stability. So, youths are led to follow a known path in order to feel more secure at the expense of embarking on an entrepreneurial journey or at times to follow their *true* interests.

Therefore, I submit that the weight attributed to the scores for effectuation should be held in higher consideration with regards to the insights they provide in shedding light into the way entrepreneurs act and ultimately, to the study of entrepreneurship and to the notorious investigation of what really makes entrepreneurs different from other people. To humbly provide an answer, and to give my contribution to the search for new insights, I would argue that the one thing that makes entrepreneurs different from other people in Italy is that effectual attitude of acting upon that internal feeling which indicates that a specific path is the best one and the most appropriate to follow. To borrow from the words of one of the entrepreneurs, “*in myself I know that I am not mistaken*”.

Academic implications

This paper provides a first step towards the call to investigate the impact of cultural practices on entrepreneurs. Furthermore, it contributes to the call for investigation of antecedents (in this case culture) causing either an effectuation or causation mode of action. I contribute with this study by supplying first insights into the way Italian entrepreneurs act and to what extent they are influenced by the cultural construct of uncertainty avoidance in GLOBE. To my knowledge, this is one of the first studies that provide empirical data on the decision-making process of Italian entrepreneurs and particularly of South Italian ones, and further relating this to cultural parameters. This research could provide some useful groundwork or a starting point for anyone who wished to further pursue research in this direction.

Practical implications

For someone who aspires to pursue self-employment, this research can be a source of encouragement to be willing to step into the unknown, following that deep conviction that things can indeed turn out for good. Especially if one considers that the entrepreneurs interviewed who scored the highest for effectuation are those who are now enjoying widespread success in their enterprises and the ones who have grown the most. Therefore, it could be carefully argued, that the more one is willing to embrace an effectual attitude, the higher the returns that such attitude could yield. Political moves should be taken in the direction of making credit as much easily accessible as possible to young aspiring entrepreneurs. The younger, the easier it should be to access credit (ensuring no discriminatory behavior takes place), as young people could be the most willing to pursue their internal (even irrational at times) convictions, which in the

end might prove winning, and ultimately contribute to move the economy through investments and the creation of new jobs.

Future research

Finally, for anyone who wishes to further advance in this area of study, attention should be given to what one of the entrepreneurs mentioned with regards to the lack of partnerships in his entrepreneurial activities. As already mentioned, individualism (which is the name of a construct in Hofstede and is looked at in GLOBE as well, under the name of institutional collectivism) was believed to be the cause of lack of partnerships and therefore it would be worthwhile to follow along the lines of this research and assess the extent to which this construct influences the way entrepreneurs act.

7. LIMITATIONS

The specificity of this study and the targeted results it provides, is also its limitation. In fact, due to time restrictions and the difficulties in ensuring a representative sample of various Italian regions, care should be exercised in extending these results to entrepreneurs operating in regions other than those of the South of Italy. Another limitation has to do with the gathering of the data that ended up added to make the final score of each entrepreneur. Some interviews lasted longer than others and to some entrepreneurs, as already mentioned, not all questions were asked because of the redundancy and lack of flow that I perceived it could have generated. So, it could be that some entrepreneurs, had they been willing to talk more, would have provided more insights and maybe classified differently.

8. ACKNOWLEDGMENTS

First and foremost, I want to thank my Lord and Savior Jesus Christ. I do not even know where I would be right now without Him. His grace has been the fuel of my breath for the last four years. Next, I want to thank my parents. You are truly a blessing to my life. Your undivided support and love have blessed me through the years with all kinds of opportunities that many have not experienced. I want to thank my sister. You are really just another part of me. I want to thank my grandmother for always supporting me and pushing me forward every time she would hear about another exam in the books. I want to thank all my family and the friends who supported me when I decided to move to the Netherlands. I want to thank Daniel Seabra and Jan-Marteen Lubberts, as you know the same kind of blood flows in our veins and your support, friendship and brotherhood have made the permanence in Enschede amazing. I will never forget all the nights and time spent together. I want to thank Erik and Faith Hendriks. You have been some of the first people to talk to me and always ready to help, even to the point of opening your house to me. I want to thank Alan and Ioana Koh for the help they have always been ready to give, especially in the ugliest tasks such as moving my stuff. Last, but not least, I want to thank my friends Ron Kassies and Jannes Creutzmann. I have loved sharing these three years with you and you have always made me feel that we were in the same boat towards this moment. I really hope that our friendship will last.

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Appendix 1

Interview question

- 1) Could you introduce yourself and tell me about how you started?
- 2) There are two approaches described in the literature (planning vs emergence). Which one do you feel you lean on more? Would you say it changed with time?
- 3) Going back to an uncertain decision, to what extent do you feel you have tried to cope with your circumstance using predicting methods (market analysis) or experimenting and trying to innovate?
- 4) To what extent does your gut feeling play a role in the direction you take when faced with a challenging decision?
- 5) To what extent do you find methods such as business planning to be helpful in your decision-making process?
- 6) What is the strongest support you could think of that you wish you had available when faced with a challenging decision?
- 7) Looking back at the way you took decisions so far, to what extent did you rely on predicting methods or developing smaller and incremental goals and see what happens?
- 8) To what extent do you rely on market research or on building partnership in making your decisions?
- 9) Was your decision to undertake your enterprise motivated by a recognized unmet need in the market or did it arise regardless of it?
- 10) To what extent are your efforts aimed at predicting what the future will be like or at trying to control the most you can of the future?
- 11) To what extent do you welcome in your decision-making process information which are supposed to carry a trustworthy predictive value in them?
- 12) To what extent do you think your market is or is not predictable?

Appendix 2

Entrepreneurs’ answers

E= Effectuation

C= Causation

	Questions										
Entrepreneur	Q2	Q3	Q4	Q5	Q7	Q8	Q9	Q10	Q11	Q12	Total
#1	C	C	C	C	C	E	C	C	C	C	1E+9C
#2	/*	E	E	C	C	C	E	E	/*	C	4E+4C
#3	E	/*	E/C**	/*	/*	C	C	E/C**	/*	E	4E+4C
#4	/*	E	E	C	E****	E	E	E	E	/*	7E+1C
#5	E/C**	C	E	C	/*	C	/*	E	/*	E	4E+4C
#6	E/C**	C	E	C	E****	C	E/C**	E	C	C	5E+7C