

# **What effect does Cultural Tightness have on Effectuation among entrepreneurs**

Author: Tim Samuels  
University of Twente  
P.O. Box 217, 7500AE Enschede  
The Netherlands

## **ABSTRACT,**

This paper seeks to investigate the effect cultural tightness and looseness has on the adoption of effectuation and causation practices. Cultural tightness refers to the degree to which deviant behaviour is allowed in a country. Tight cultures are more restrictive in their nature, with harsher punishments for norm violations. Loose cultures have weaker social norms, where there is a higher degree of toleration for stepping outside the social norms. Researchers believe this has to do with factors as population density, prevalence of diseases or the occurrence of natural disasters. But what effect does it have on effectuation practices? Entrepreneurial activities can be viewed as behaviour which deviates from the standard quo. Instead of doing the same job as their parents, entrepreneurs look for other ways to make a living. Is it possible that in some nations, there is less entrepreneurial activity because of cultural tightness? We assessed this by interviewing entrepreneurs via a semi-structured interview. And analysing the results via content analysis method. Which is a more naturalistic way of interpreting qualitative results.

## **Graduation Committee members:**

**First supervisor:** Dr. M.R. Stienstra

**Second supervisor:** Dr. D.E. Proksch

## **Keywords:**

Entrepreneurs, Effectuation, causation, culture, tightness, looseness, country, semi-structured interview,

# 1. INTRODUCTION

## 1.1 Background

Entrepreneurship as defined by Onuoha (2007) is the practice of starting new organizations, or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurial activities always involve some form of risk. As Peter Drucker (1970) said 'entrepreneurship is about taking risk'. It also requires a diverse set of skills. Hisrich (1990) defined that an entrepreneur is characterized as someone who demonstrates initiative and creative thinking. And can organize social and economic mechanisms to turn resources and situations to practical account.

*'The individual motivation and willingness to take risk, create and sustain a growth-oriented and profit-making enterprise'* (Sikalieh et al., 2012 p. 7).

In this paper we will use a broad definition of entrepreneurship. Both new-venture creation which is oriented towards growth and generates employment, and small businesses which mainly provides self-employment.

Entrepreneurs have and will always be a vital element for their environment. Their importance within a society can hardly be exaggerated. Schumpeter (1934) argued that entrepreneurial activities are an important source of technological innovation, and Birley (1987) stated it is also crucial for economic growth. However, there is something unusual going on in society. Which is that previous research has shown that entrepreneurs think different from what is being taught in MBA schools (Sarasvathy 2001). While doing business, entrepreneurs seem to take an approach which is called effectuation. This can be described as thinking means-end. This approach characterises itself by starting with what you already know, what you have, and who you know. And viewing the future as unpredictable but not uncontrollable. Causation is the inverse of effectuation; it's characterised by setting a clear goal and selecting the right means in order to achieve that. Drucker (1998) said companies who adopt the causation approach evaluate and select opportunities which will maximize their expected returns. Causation is according to Sarasvathy (2001) still the dominant decision-making model being taught in business schools. This is confirmed by Honig (2004) who did a study of the top 100 business schools in the U.S. and concluded that 78 offered courses on business plan preparation.

## 1.2 Effectuation / Causation

Effectuation will be the dependent variable in this paper. Sarasvathy, (2001) said effectuation practices can be described as taking a set of means and looking at all the possible outcomes that can be created with it. Ultimately going for the most desirable outcome. Entrepreneurs start with three categories of these means. Knowing who they are, what they know and whom they know. Their personal skills, traits and competencies, their knowledge, and the social networks they are a part of. Causation is the inverse of effectuation. It is consistent with planned strategy approaches, including such activities as opportunity recognition and business plan development (Sarasvathy., 2008). Its processes take a particular effect as given and focus on selecting between means to create that effect (Sarasvathy 2001). More concrete, in a causation process an individual makes rational choices based on all possible information relevant to his decision and an estimated expected utility for each option (Viale 1992). This end-means thinking is opposite of what we previously described as effectuation. A simple example can help to clarify the difference between effectuation and causation. Say

you are a teacher, and you are asked to teach a history class. You can do research beforehand what you want to know and tell the class, make a presentation, and stick to it. Or you can use the knowledge you already have, start by telling an interesting story and see where it leads. Maybe involving a couple of students while you are at it. The first option being causation and the second being effectuation.

## 1.3 Research gap

*'The existing literature asks research questions that are predominantly open-ended inquiries about effectuation as a phenomenon of interest'* (Perry et al 2011., pp. 847).

Sarasvathy (2001) introduced the term effectuation and described its characteristics. Harting, (2004) described that individuals may use more effectual reasoning in the beginning stages of a venture, whilst using more causal logic in the latter stages. Dew et al, (2008) found that expert entrepreneurs adopted more effectual logics than novice entrepreneurs. However, Perry (2011) stated only a few research questions have provided evidence which would translate effectuation in a more intermediate state. Edmondson & McManus (2007) also said that in an intermediate state, the focal point of research questions is more on relationships between new and established constructs. Additionally, Arend (2015) criticized research on effectuation because it was focused on 'expert' samples. He described these as outlier-successful and experienced. Instead, it should focus on when, how, and why effectuation principles were used and when they were not. Kelley et al (2012) performed research which shows that the degree of entrepreneurial activity can vary substantially between countries. Hayton George and Zarah (2002) have done a study where they reviewed the findings of 21 empirical studies about the relationship between national culture and entrepreneurship. They concluded that these studies were mainly focused on the value perspective and mentioned that an independent measure of cultural values in relation to entrepreneurship needs to be developed. They also said that most of the behavioural studies they reviewed were skewed toward cultural values and entrepreneurial activity based on Hofstede's work (1980). Which was carried out by doing surveys in 1968-9 and repeated in 1971-3. McSweeney (2002) was critical about this research for several reasons. One of which is because the survey was held in 66 countries, but only the data from 40 countries was used. And in only six of the countries (Belgium, Great Britain, Germany, France, Japan, and Sweden) the number of respondents exceeded 1000 in both surveys. And in 15 countries, the numbers were less than 200. Baskerville (2003) also criticized Hofstede's work for equation nation states with cultures. She said that in the Middle East, the Human Relations Area Files identified 35 cultures in 14 nations. And in Western-Europe, they identified 81 cultures in 32 countries.

Meanwhile, Gelfand (2011) wrote an article about the difference between tight and loose nations. She pointed out that in tight nations, there is a low tolerance for deviant behaviour and there are strong norms. Here, there are very clear expectations for how people are supposed to act. It may be possible that in these nations, entrepreneurial activities are discouraged. Since entrepreneurial activity is usually deemed behaviour which deviates from the norm. And maybe effectual behaviour is discouraged even more so than causational behaviour. Because when using causation principles, an entrepreneur at least does extensive market research and works in a prediction-oriented way.

Gelfand (2011) said tightness-looseness is related to but distinct from other cultural level data including Hofstede's five

dimensions. Which is individualism, power distance, uncertainty avoidance, masculinity index and long-term orientation index. Tightness-Looseness was expected by Gelfand to have a small to moderate correlation with the above-mentioned dimensions. Earlier studies saw tightness-looseness as the equivalent of Hofstede's uncertainty avoidance (Hofstede, 2011; Neumann 1999; Traindis 2004). However, Gelfand (2006) found this relationship weak and Uz (2015) said it was not related at all. Further illustrating its validity as a new construct. Gelfand (2011) also mentioned that the tightness-looseness scale is not significantly correlated with Hofstede's acquiescence index.

Gelfand concluded the tightness-looseness measure is valid and reliable. Analyses of the scale illustrate its high convergent validity and shows the distinction from the existing cultural values and axioms (e.g., Hofstede's 5). Together, this means the tightness-looseness measure is reliable and valid for further research. When combining the facts that entrepreneurial activity is of paramount importance for a country's development, the suggestion for future research for effectuation as a more intermediate state and the need for an independent measure of tightness in relation to effectuation. We think it would be very interesting to look what the effect is of tightness on effectuation. Maybe some entrepreneurs are better suited for adoption of effectuation practices than others based on their cultural tightness.

## 1.4 Tightness/Looseness

Research has shown cultures can differ a lot between countries. Even between those who are geographically close to each other. Gelfand (2011) showed us that tightness is related to but distinct from Hofstede's five dimensions. The tightness of a country is the degree to which deviant behaviour (meaning behaviour which differentiates from the status quo) is allowed. There are more social norms that people are supposed to abide by. There are very clear expectations on how people should act, and others will strongly disapprove if you act in an inappropriate way. Tightness/Looseness will be the independent variable for this thesis. Some examples of countries which score high on the tightness-looseness scale are India, Malaysia, and Pakistan. Some examples of the lower end are the Ukraine, Estonia, and Hungary (Gelfand et al 2011).

## 1.5 Research Question

*To what extent does tightness/looseness influence the adoption of effectuation/causation practices by entrepreneurs?*

# 2. THEORY

## 2.1 Effectuation / Causation

*"Where do we find rationality when the environment does not independently influence outcomes or even rules of the game (Weick, 1979), the future is truly unpredictable (Knight, 1921), and the decision maker is unsure of his/her own preferences (March, 1982)."*

Recently, an intense debate emerged in the entrepreneurship research about whether entrepreneurs should carefully plan before starting their venture, or if they should just storm the castle. Researchers who are proponents of the planning-approach argue for doing intense business-planning. Which they regard as crucial to ensure success of the firm and guarantee its survival. The opposing group of researchers instead focus on learning, controlling resources and remaining flexible, especially in situations with high degrees of uncertainty (Brinckmann 2008)

Effectuation is a straight inversion of rational choice theory. Also referred to as causal or predictive rationality (Read, 2003). It inverts every aspect of causal rationality, including its solution process, fundamental principles, and logic. Causal rationality is goal-driven while effectuation is means-driven (Read 2003).

According to Sarasvathy (2008) there are a couple of principles at the core of Effectuation. One of these is the Bird-in-Hand principle. Which means creating opportunities instead of seizing them when they appear. While also thinking means-end instead of end-means. An entrepreneur looks at what he already has and builds further on those means (Who I am, what I know, who I know). The entrepreneur does not set a specific goal for the future but looks at what happens incrementally. Working from competence, know-how and using the network to envision opportunities. The second one is called the Lemonade principle. This means looking at mistakes and surprises as being inevitable and can be used to look for new opportunities while learning from them. The future is unpredictable, so these mistakes and surprises are sure to happen. Entrepreneurs view these as both good and bad which can make their business case stronger. The third principle is Crazy Quilt. Which states that entering new partnerships can be used to give the project a new vision, and new funds. The fourth one is called the Affordable Loss principle. Which basically says that one should only invest as much as one is willing to lose. Entrepreneurs are viewed as risk-takers, but entrepreneurs view risk differently than other people. They take calculated risks which they carefully manage. For the interviews we will not be asking about specific numbers since this is not the norm in the Netherlands. However, we can ask if they invested more than they originally wanted to. The last principle is called Pilot-in-the-plane. Which means that one's primary focus should be on activities with their control, via this, expert entrepreneurs know their handling of things will result in the outcomes they desire. It is a worldview with the belief that the future is unpredictable but not uncontrollable. They believe that people create the future and believe they can have a major influence on it. The most accurate way of assessing this may be by the overall tone of the interview. Since you cannot really ask a question about this. The underlying logic of effectual methods is to the extent we can control the future, we do not need to predict it. (Sarasvathy 2001).

Causation is the inverse of Effectuation. Causal rationality takes the environment as mostly uncontrollable for the decision-maker. Thus, seeking to predict it and adapting to it (Read 2003). When using causal methods, the outcome is given, and one will select between means to achieve that outcome. The ends are already clear. The expected returns are already analysed and there will be competitive analysis. It involves identifying and exploiting opportunities in markets which already exist. Thus, having lower levels of uncertainty for everyone involved. The venture has a clear vision from the beginning, and everything is directed toward achieving this pre-determined state. However, it means one will always be among the later entrants into a new market. The underlying logic is that to the extent we can predict the future, we can control it. Sarasvathy (2001) said causal methods are more useful in static linear and independent environments.

## 2.2 Tightness / Looseness

Tightness will be the independent variable for this thesis, and we will be looking at the effect it has on the adoption of effectuation practices on entrepreneurs.

Like mentioned above, tightness is the degree to which deviant behavior is allowed in a country. In tight countries, there are strong expectations concerning adherence to social norms and little tolerance for deviating from these norms. On the contrary, in loose countries the expectations for conformity are lower and new forms of behavior and social interactions may even be encouraged Dunaetz (2019). Gelfand et al (2011) performed a study on 33 nations to illustrate the degree to which this can differ.

Gelfand (2011) claimed tightness-looseness to be part of a complex system comprising of historical and ecological threats. There are many factors influencing the tightness or looseness of a country. Peltó (1968) said that difference in kinship systems is one of them. He distinguished unilineal or bilateral kinship systems. In unilineal kinship systems, descent and group membership are traced through either the male or the female ancestor. In bilateral kinship systems, they are given equal weight (Peltó 1968). Other examples are the availability of crops, the scarcity of resources, the population density, occurrence of natural disasters, history of human conflict and prevalence of diseases. Cultures who have a history in dealing with these types of threats will be needing strong norms and laws to prevent this in the future and will become tighter. People in these tight cultures have less variation in their behavior and are held more accountable for their actions than in loose countries Dunaetz (2019). Punishments for deviating from the standards are harsher than in loose countries. Gelfand (2011) said Tightness-looseness is reflected in societal institutions as well. There is an increased probability of autocratic rule that suppresses dissent. Freedom of press is lower as well as access to new communication technologies. Additionally, there are fewer political rights and civil liberties. In tight countries there are also more police per capita, lower murder and burglary rates and the overall volume of crime is lower. Punishments are harsher, (i.e., the retention of the death penalty is higher in tight countries). The amount of people who are religious is also higher in tight countries, they attend more religious services per week than in loose countries and the belief in the importance of God in life is also higher. The amount of participation in collective action is also lower in tight countries. Fewer people would sign petitions or attend demonstrations compared to those in loose countries. Gelfand et al (2011).

One would expect cultures who are close to each other have relatively similar scores on the tightness-index. To some degree this is true since a couple of the tightest countries are Pakistan, India, Malaysia, Singapore and South-Korea. However, the Netherlands scores 3,3 on the scale while Germany scores 6,5 (former west) and 7,5 (former east).

### 2.3 Hypotheses

We will derive our hypotheses from these variables, Culture (tightness/looseness) and effectuation and causation.

- **Hypothesis 1 (H1):** *Entrepreneurs from countries which are classified as “loose” show a tendency towards more effectual behaviour in their entrepreneurial activities*
- **Hypothesis 2 (H2):** *Entrepreneurs from countries which are classified as “tight” show a tendency towards more causal behaviour in their entrepreneurial activities*

## 3. METHODS

We set out to link the above-mentioned theoretical variables with each other by doing an independent measure of tightness in relation to its effect on effectuation.

### 3.1 Sample

We will be doing research by interviewing a certain number of entrepreneurs. We will try to interview entrepreneurs with different backgrounds. Meaning their field of expertise, age, educational background et cetera is as diverse as possible. There is a bit of convenience sampling here as described by Etikan (2011). Since the researcher personally knows 5 out of 6 interviewees (including the pilot-interview). Which also had an effect on the age of the entrepreneurs. However, other factors were more diverse. Factors including background, education, branch, geographic area and more.

Our entrepreneurs had an average age of 38.2, they founded 8 companies, which means an average of 1,6 companies per entrepreneur. The average years of experience as an entrepreneur was 9,1. Four out of five entrepreneurs are doing this more than three days per week. And for the entrepreneurs who had more than five of experience, both ventures were still around after those five years.

Pilot-interview – Creative Designer

Entrepreneur 1 (23) – Website designer

Entrepreneur 2 (59) – Consultant

Entrepreneur 3 (23) – Installation services

Entrepreneur 4 (24) – Multiple IT companies.

Entrepreneur 5 (62) – Cleaning company

### 3.2 Method

We will do our research via semi-structured interviews. In these meetings we will not follow a strictly formalized list of questions, but we will be asking open-ended questions with follow-up questions if it suits the situation. Thus, enabling the possibility of opening a discussion with the interviewee instead of getting simple yes and no answers. The goal is to collect qualitative open-ended data and exploring the interviewee's feelings and beliefs on these topics. These interviews will be held in Dutch since the interviewee's native language is Dutch. With this we guarantee quality and a smoother conversation.

With questions 1 to 4 we want to obtain some basic information regarding experience and hours worked. Questions 5 to 10 are designed to get an understanding of the degree to which the entrepreneur uses effectuation or causal principles. And questions 11 and 12 will tell us something about the entrepreneurs' view of tightness in the Netherlands.

Some of these interviews will be done in person. However, due to Covid-19, the interviews with some of the more senior entrepreneurs will be done via a zoom-meeting for safety reasons. We will ask each entrepreneur the same questions and we will be recording it to work it out in the aftermath. During the interview we will be paying close attention to the language used

by the interviewee since this may already implicitly answer other questions.

Before the interview, we will shortly describe the purpose of this study while not naming any terms like effectuation or tightness to guarantee non-biased answers. We will be telling them that we are researching if national culture influences entrepreneurship in a country. After the interview we will elaborate further on the purpose of the study and go into more detail.

### 3.3 Analysis

To properly analyse our interviews, we will be using the content analysis method. Which is more of an interpretive and naturalistic approach. Both observational and narrative in nature. It relies less on the experimental element normally associated with scientific research. We will mostly be using our own observations and take out the most important elements of the interviews. After the interview, we will be listening to the voice recording to take out important elements. Elements like the intention and communication trends of the individual, the attitudinal responses to our questions, the emotional state of the person and the overall tone of the interview. (From Ethnography, Observational Research, and Narrative Inquiry, 1994-2012).

Gelfand (2011) gave 33 countries a tightness score. The Netherlands scored 3,3. This is on the lower end of the spectrum. We therefore expect that the entrepreneurs believe the Netherlands is a relatively loose country. With few constraints and where deviant behaviour is allowed. And we also expect their entrepreneurial activities to show a lot of effectual behaviour because of this.

## 4. RESULTS

The pilot-interview had proven to be useful. Questions 5,7 and 9 were a bit too vague which led to some confusion. After the pilot-interview I rewrote these questions in a clearer manner. Since the questions were adjusted after the pilot-interview, the pilot-interview cannot be taken into the research.

The results of the research were the following. Five out of five entrepreneurs showed a strong tendency towards effectual behaviour regarding question 5. The Bird-in-Hand principle. They all made great use of their personal skills and network to create something. For example, entrepreneur 1 used his knowledge about making websites, and entrepreneur 3 used his know-how on installation services. The Bird-in-Hand principle was perhaps the most universally visible trend among the entrepreneurs. They all used their personal capabilities and network to position themselves in the market. They also spoke with passion about their work, it sounded like they turned their hobby into their work.

Four out of five entrepreneurs also showed a tendency towards the effectual behaviour regarding question 6. They admitted to starting their company without a very well laid-out plan. Entrepreneur 2 said it was a little bit opportunistic. And entrepreneur 3 said "take what you can, while you can". And proceeded to say that he also learned what he did not want to do now. I think entrepreneur 4 described the shared attitude among my interviewees with the following quote: "I just wanted to make a lot of money so yeah.". Entrepreneur 5 was an exception to this, he had a very clear plan to begin with, including goals and a desired state. He had to have this since he had to get a loan to

start his company. And the bank wants a comprehensive business plan before they give you a loan.

Question 7 was based on the Crazy Quilt principle. And it was answered differently between the entrepreneurs. Most of them entered some form of partnership during their career. But entrepreneur 3 admitted to having both positive negative feeling about this. He disliked a partner he had in a previous company which made him wary of any future partnerships. And he also said he found himself to be a difficult partner to others. He can be very conscientious at times and if the other is not on the same page, it causes friction. Entrepreneur 1 did not enter any partnerships during his career aside from a deal with his employer. Entrepreneur 2 said partnerships are valuable since you can expand your network even more. He also said that maintaining to be up-to date is a lot harder alone than with partners. Entrepreneur 4 was especially enthusiastic about his network since it generates a lot of new business. Entrepreneur 5 started his company alone and later merged with someone else. And said that bigger companies need more than one person running it. There are multiple opinions needed to properly run a business. To summarize, there was a positive feeling about forming partnerships except for maybe entrepreneur 3. The rest showed a lot of enthusiasm when thinking about starting a company with close friends. And everyone spoke of great appreciation about the network they had built up around them.

Question 8 was answered differently between the entrepreneurs as well. Entrepreneurs 1 and 2 were both enthusiastic with finding a group of people and then determining the goal of the enterprise. In other words, the effectuation method. Entrepreneur 3 said he did not like the effectuation and causation way but later in his answer he leaned towards effectuation by saying "I think it's for the best if you have a slight idea what you want to do and just see where it leads you". In my opinion, he disliked not being independent. The overall tendency here was that with an enthusiastic group of people, you can move mountains. And starting something with a committed group is better than doing it alone.

None of the entrepreneurs did any serious extensive market research before starting their company. Most just asked around a little bit and assessed if they or their product was needed in the market. Entrepreneur 3 humorously mentioned that market research would have been useful when starting his first company because then he would have known not to pursue the idea. They all claimed that in the future, they would do market research if starting a new company or launching a new product. Entrepreneur 5 said "it was arrogance which led me to do no market research". He did not regret this by the way, but he just already had the know-how and connections, and market research was not needed.

Question 10 was based on the affordable loss principle. Which is that one should only invest as much as one is willing to lose. One of the entrepreneurs got a bank loan prior to starting their company. Entrepreneur 5 had no money, so he had to get a loan to start his company. He did mention that he disliked this and would not do it unless necessary. He mentioned negative consequences involved with getting a loan. Consequences like being a 'slave of the bank', constantly having to justify business-decisions and showing debtors lists. Some of the other entrepreneurs had to invest a little bit but most of the equipment was already present. Entrepreneur 1 stated he would get a loan if needed in the future since "you have to invest a lot of money in order to earn a lot of money". Entrepreneur 4 however had another approach to this which I found very clever. He said he

would strongly dislike getting a loan from a bank to start a company. He did not fully exclude it as a possibility, but he thought he would never need it because of the following reason: "I would design it in a way that in the earlier stages it would only cost time instead of money". Some entrepreneurs would get a loan if it were necessary, but the overall tone was the same. They all viewed it as a sub-optimal solution and would prefer investing their own money instead of going to the bank.

The last two questions were designed to find out if our interviewees think the Netherlands is a tight or a loose country. There was a clear tendency here to describe the Netherlands as free, and some even described it as very free compared to religious countries. However, they all mentioned that we are quick in lifting a finger to tell someone they are wrong. And both entrepreneurs 2 and 5 said there is a lot of regulation. Still the degree to which they believed the Netherlands was free outweighed these judgmental attitudes we might have. To conclude, when hearing the overall tone of the entrepreneurs when asked these questions, they described the Netherlands as a loose country.

The expectation as described in the analysis turned out to be correct. The entrepreneurs showed a tendency to describe the Netherlands as a loose country. There were multiple mentions of the Netherlands being very free. Especially compared to very religious countries. There was also a visible trend towards the effectuation principles as written down by Sarasvathy (2008). There were exceptions at almost every question, but it is safe to say they all shared a lot of character traits. Especially the Bird-in-Hand and the Affordable Loss principles were visible among the entrepreneurs. There was also a shared motivation to start the ventures, which was money and, especially for the senior entrepreneurs, a need for independence. Everyone also valued partnerships except one, who was hesitant because of a previous experience. They all showed a tendency to view a comprehensive network as one of the most important elements of an entrepreneur. All five entrepreneurs did not do extensive market research before starting their company, but they all want to do this at future ventures or with new products/ideas for their existing businesses.

## 5. CONCLUSION

The research question of this study was: "To what extent does tightness/looseness influence the adoption of effectuation/causation practices by entrepreneurs". The overall feeling of the entrepreneurs was that the Netherlands is a loose country. Where we are free especially compared to religious countries which they described in a manner one would describe it as tight. However, there was a tendency to think that in the Netherlands, people disapprove quickly when you do something inappropriate. The entrepreneurs all showed a very clear tendency towards effectual behaviour. Most questions were answered towards the effectuation side of the spectrum. Some causal aspects of the entrepreneurs were the desire to do extensive market research at future ventures.

## 6. DISCUSSION LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

### 6.1 Discussion

This study investigated the impact of national tightness and looseness on the adoption of effectuation and causation practices by entrepreneurs. Tightness may play a bigger role in the adoption of effectuation practices than what is currently known. We expected entrepreneurs in a tight country to demonstrate a lot of causal behaviour because it involves a lot less uncertainty. And in contrast, we expect entrepreneurs in a loose country to show a lot of effectual behaviour since this deviates from the status quo, which is tolerated in loose countries. In her research, Gelfand used students to assess the degree of tightness of a country. The Netherlands received a tightness-score of 3.3. Which is on the loose end of the spectrum. We expected the entrepreneurs to demonstrate the Netherlands as a loose country via two ways. One of which was by the last two questions in the annex. And secondly by demonstrating a lot of effectual behaviour. Both expectations were confirmed by our results. The findings of this study show that entrepreneurs in the Netherlands, a loose country according to Gelfand and my results, show a tendency of demonstrating more effectuation practices than causation practices. Both are present but there is a clear distinguishable difference in the degree to which they occur. Thus, confirming the expectations as mentioned in the Analysis.

My findings also shows that the entrepreneurs showed a lot of effectual reasoning in the earlier stages of their venture, while showing signs of causal reasoning in the later stages. This was best expressed by the desire to do market research for future ventures, business ideas and products. This is in concurrence with Harting's (2004) claim that entrepreneurs use more effectuation reasoning in the earlier stages and move to more causal reasoning in the latter stages. My findings also show that effectuation principles are not only used by expert-entrepreneurs. The average years of experience was 9,1. Therefore differing from the belief that only expert-entrepreneurs apply these effectuation methods as mentioned by Sarasvathy (2001).

### 6.2 Limitations & Recommendations for future research

There were multiple limitations for this study. Firstly, for this study we conducted qualitative based semi-structured interviews. This is very time consuming and because of the limited amount of time, only six interviews were held (including the pilot-interview). To draw conclusions from five interviews can lead to inaccurate results. Also, there were three young entrepreneurs interviewed and two senior entrepreneurs with a lot of experience. There was a lack of entrepreneurs with moderate experience to give a more objective view. Also, 3 of the 5 entrepreneurs did not have any staff working for them which may skew the results. Expanding the small sample size and interviewing people in multiple countries with a more diverse background will significantly increase the quality of further research on this topic. Also, expanding the sample to include some expert-entrepreneurs and if possible, some failed entrepreneurs can give an even better result.

Secondly, the researcher personally knew all the interviewees which can be seen as convenience sampling. This made the

interview go in a smoother manner so that is an upside, but it is sure to influence the results. If performing a study in multiple countries on a lot more people, you cannot personally know all these people and will produce less biased results. In his work, Etikan (2011) gave a couple of reasons for researchers to use convenience sampling. One of which is limited time and/or resources. Which is true for this thesis. I think it is safe to say that personally knowing the interviewees skews the results of the research.

Thirdly, since this was done with qualitative research, there is always the risk of bias. Either on the part of the researcher or on the part of the interviewee. The researcher may have to give examples to explain questions to interviewees. Thus, inevitably influencing the results. Interviewees may also be tempted to give answers they view as socially desirable. Or may promote themselves in a better way than they are. Future researchers can use the triangulation method as described by Fusch et al (2018) to mitigate as much bias as possible.

Finally, this was the first research I ever conducted so there were obviously many mistakes made which influenced the results.

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## 8. ANNEX

Pre-interview: Name / Age / Gender / Which branch

1. How many ventures did you start?
2. How much experience in terms of years do you have as an entrepreneur?
3. Are you doing this more than three days in the week?
4. Were these ventures still around after five years?
5. Which personal skills and means (e.g., network, relatives, financial means, character traits what I know, who I know and who I am) you already possessed did you use when you started your venture?
6. Did you start out flexible and tried to take advantage of opportunities as they arose?
7. Which partnerships did you enter into and why?
8. To what extent do you prefer the people who come on board determining the goal of the enterprise?
9. To what extent do you prefer doing extensive market research?
10. Did you start your business with your own money to 'see where you end up', or did you get a loan and worked to pay that back and more?
11. Do you think there are many social norms that people are supposed to abide too in this country?
12. Do you think others will strongly disapprove if you do something inappropriate in this country?

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