

To What Extent Does the National Culture of the Entrepreneur Affect His or Her Decision Making?

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ABSTRACT

Entrepreneurs are existent all around the world. They all have different ideas and business practices, but they have one in common: all saw an opportunity right in front of their eyes and therefore started a business. However, entrepreneurs all have different ways of how they make decisions, not only from country to country, but also from individual to individual. This research paper will focus on how German entrepreneurs make decisions and how much they are affected by cultural values in their decision-making process. Regarding the cultural values, Hofstede's five cultural dimensions will be a key theory in the process of this research, because these five dimensions enable us to compare the entrepreneur as an individual, with general scores given to the German population in each dimension. Further, for the decision-making process, this research is going to focus its efforts on Sarasvathy's Causation and Effectuation process. Effectuation assumes that the individual does not start with a specific goal in his mind. Causation however assumes that the individual does start with a specific goal and a strategy in his mind and how to get to his goal. This research is going to be qualitative research, where the results of the interviews are going to be analyzed by a content analysis. The results of the five interviews performed in this research, reveal that entrepreneurs use both, effectuation and causation for their decision making, as well as that entrepreneurs all have different personality traits, meaning that one is individualistic, while the other one is collectivistic.

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1. INTRODUCTION

The first definition of entrepreneurship occurred in the 18th century by Richard Cantillon, who has stated that 'entrepreneurship is entailed bearing the risk of buying at certain prices and selling at uncertain prices' (Stevenson, 1983, *Page 2*). This has been the first basic definition of entrepreneurship, but in the last few decades, this subject became far more complex: entrepreneurship is about solving big problems or creating new innovations, which improve our daily life (Ferreira, 2021). Furthermore, it is about being independent, which means no bosses or other things, which could or are stopping you from making the world a better place (Ferreira, 2021). Entrepreneurs are individuals, 'who started a new business where there was none before' (Cunningham and Lischeron, 1991, *Page 1*). Where others only see problems and chaos, entrepreneurs observe opportunities and solutions and take action to create a better tomorrow (Ferreira, 2021). Examples here are Steve Jobs, Carl Benz or Thomas Eddison, since without entrepreneurs like them, no innovations would exist, and we would not live in the world in which we live right now. However, all entrepreneurs differ from each other in the decisions they make, and one will have different ideas and use other practices than others, which is the reason, why there are so many different innovations and products in the world (Hayes, 2020).

Another great example for entrepreneurial decision-making is, when the entrepreneur faces an opportunity. Then, he must ask himself, if he takes it or not, which is dependent on his values and beliefs (Calza et al, 2020). According to Alvarez and Barney 'opportunities, like mountains, exist as a real and objective phenomena, independent of the actions or perceptions of entrepreneurs, just waiting to be discovered and exploited' (Alvarez and Barney, 2007, *Page 1*). In general, every individual has the same likelihood to explore the same new opportunities existing in the environment. Of course, everyone could discover the same ideas and opportunities as all other people, but as it is the case with mountains, entrepreneurs live in different parts of the world, meaning they can only see the mountains, which exist in their part of the world. Therefore, only a few can

see the mountains and even less have the capabilities and resources to get to the top of the mountain and it is always a competition who gets there first to gain a competitive advantage.

Looking at the decision-making process in a company, Brinckmann (2008) developed a framework, where she asks, if entrepreneurs should better plan before setting up a business or if they should just 'storm the castle' ([\(Brinckmann, Grichnik et al. 2010\)](#)). Research indicates that '...the business planning is crucial for the survival and development of both new and established small firms' and in the end will result in superior venture performance (Brinckmann et al, 2008, p.1). Especially for established small firms, business planning has a huge positive impact on their performance, since experiences are made from which everyone in the company can learn from (Brinckmann et al, 2008). On the other hand, the 'storming the castle' perspective indicates that when top management focuses on planning, it will result in lower profits, since this time can better be used to acquire resources, building the organization and results in less strategic flexibility (Brinckmann et al, 2008, p.2).

However, the decision-making model, which has gained the most interest is the *Causation* and *Effectuation* process by Sarasvathy (2001) (Pfeffer, Kahn, 2018). The article indicates that expert entrepreneurs only start with desires in their mind, not a real plan, such as getting a huge return on investment or pursue an interesting idea or opportunity that seems worth to be pushed forward (Sarasvathy, 2001). Additionally, it is important to know that if the entrepreneur knows which exact market he wants to tackle, he then can work with existing techniques and strategies to become successful, which is referred to as the *Causation* process by Sarasvathy (2001).

On the other hand, when entrepreneurs want to start in a market, which is nascent or even nonexistent, they have to understand how markets or firms come to be (Sarasvathy, 2001). Sarasvathy (2001) indicates that this can be the case for both, the effectuation and causation process. For the 'effectuation process' this means that the entrepreneur does not start with a specific goal in mind. Instead, he

takes a set of means as given and watches out for effects that can be created through these means (Sarasvathy, 2001). This decision-making process is used by expert entrepreneurs when facing uncertainties, since it enables them to create a certain number of small steps with specific goals, which need to be achieved in this certain step. It also enables expert entrepreneurs to remain very flexible along the whole process, which is very important, since the circumstances in the environment can change all the time. This is highly important for these kinds of entrepreneurs, because they constantly learn new things along the process and *Effectuation* enables them to remain flexible during the process (Sarasvathy, 2001).

When dealing with decision making of which opportunity to take, the entrepreneur is also influenced by his environment, which has shaped him his whole life and will continue to do so, when making decisions (Sudin and Amina, 2021). When for example an entrepreneur in a country like Germany needs to decide if he will invest more capital into his company, he is not very likely to do so. The high score on the 'Uncertainty Avoidance' dimension by Hofstede (1980) indicates that German people in general prefer to live in structured situations and try to minimize uncertainty (Country Comparison, 2022). An example is that they must invest more money into the organization, which only creates a more uncomfortable situation (Codrina et al, 2012).

1.2 Research Gap

As observed above, significant research has been made in the fields of entrepreneurship and decision making, meaning in the case of e.g., *Causation* and *Effectuation*. However, there has not been a lot of research in how these two elements connect with culture. One of the few research projects in this field was performed about the link between culture and *Effectuation* by Magalhaes et al. (2018) and Kistler & Gillig (2015). Magalhaes et al. (2018) concluded that there is a clear link between the *Effectuation* process and culture, but there are also some things in the process that need to be adjusted to the different cultural settings. In this regard, Kistler & Gillig (2015) found out that e.g., German entrepreneurs follow

the *Effectuation* process more than American entrepreneurs do, which is most likely down to culture.

Since there is not a lot of existing research about this topic, I want to fill this research gap by looking at what effect or impact the national culture has on the entrepreneur and how this connects to his decision making. The frameworks, which I will use in my research are Hofstede's Five Cultural Dimensions (1980) and Sarasvathy's causation and effectuation process (2001). Hofstede's (1980) framework enables us to make a prediction, how individuals in general in a certain country tend to act and behave, which is very valuable for research like this one, since with these, we can make a prediction of how a certain dimension impacts a certain decision of the entrepreneur.

Additionally, the national culture of a country influences the ideas and intentions of the entrepreneur to set up a new business (Saijad, Shafi and Dad, 2012). The national cultures values, beliefs and norms have a huge impact on the decisions the entrepreneur makes for his business, and these not only differ from country to country, but also from individual to individual in a country (Saijad, Shafi and Dad, 2012).

1.3 Research Question

The main objective of this research is to find out, how the entrepreneur's culture, meaning values, beliefs and norms influence his or her ability in making decisions for his or her business. Regarding business decisions, this includes the exploration of opportunities that emerge, as well as everyday business decisions like who to hire or which supplier to choose. Therefore, the following research question should be answered in this article:

To What Extent Does the National Culture of the Entrepreneur Affect His or Her Decision-Making?

2. LITERATURE REVIEW

How entrepreneurs make decisions and how they are affected by the national culture of the country they are living in is a widely discussed topic in the entrepreneurial literature.

2.1 Hofstede's Five Cultural Dimensions

In the 1970s, U.S. psychologist Raymond Cattell got access to a large survey database about value and related sentiments of IBM employees in over 50 countries, made of 100,000 questionnaires (Hofstede, 2011). When Hofstede performed his analysis, he took 400 management trainees from 30 countries and asked them a certain number of the same questions from the original research, but totally unrelated to IBM (Hofstede, 2011). The result of the research was that there is a clear correlation between the mean scores of this research and the ones from the IBM database (Hofstede, 2011). In the end, Hofstede identified four common problems, with which every IBM employee had to deal with, but had his own profile of solutions from country to country (Hofstede, 2011). Out of these four problems, Hofstede developed the five cultural dimensions in his book '*Cultures Consequences*' in 1980 (Hofstede, 2011, Page 7). Since Hofstede's book (1980) about the discovery of the five cultural dimensions has been published, it has become the most widely used national cultural framework in studies like marketing and business and is widely used to create hypotheses for comparative cross-cultural studies (Soares et al, 2007). As Hofstede (1984) stated, nation could also be used instead of culture, because people from the same country tend to have the same language, history, religion, etc. which makes it an approach, that can be used to operationalize culture (Soares et al, 2007).

2.2 Hofstede's Cultural Dimensions and its Link to Entrepreneurship

As Shane (1993) indicated, there is a strong link between four of Hofstede's dimensions and the rate of innovation in a country (Eroglu & Picak, 2011). Especially a low uncertainty avoidance, high individualism and high-power distance are strongly associated with the national rate of innovation (Eroglu & Picak, 2011). According to Thomas & Mueller (2000), uncertainty avoidance and individualism are most strongly correlated to things as internal locus of control, risk taking and innovation, since these are associated to entrepreneurship (Eroglu & Picak, 2011).

2.3 Uncertainty Avoidance

Uncertainty avoidance is, based on Hofstede's definition, '*the degree of comfortability which individuals feel towards unstructured situations and ambiguity*' (Hofstede, 2011, Page 10). Societies with a high score in this dimension, try to keep the chance of an uncertain situation as minimal as possible through e.g., '*behavioral codes and laws, disapproval of deviant opinions and belief in absolute truth*' (Hofstede, 2011, Page 10). On the other hand, when nationalities score low in this dimension, they are more tolerant to opinions to which they are not used to. They try to have less rules and accept different opinions or currents to exist at the same time (Hofstede, 2011). When Hofstede measured the *Uncertainty Avoidance* level among his interview partners, he used three questions focused on stress, employment stability and rule orientation, since as he explained, they all referred to three components of *Uncertainty Avoidance* (Brewer & Venaik, 2010). However, in future research, Hofstede removed the employment stability question and replaced with other items, due to the lack of empirical validity in representing this dimension (Brewer & Venaik, 2010). According to Hofstede, *Uncertainty Avoidance* has a positive relationship with things as national stress level or alcoholism and a negative correlation with good health and happiness (Brewer & Venaik, 2010). Therefore, Hofstede's *Uncertainty Avoidance* index represents the national level of stress as well as the national rule orientation values (Brewer & Venaik, 2010).

2.4 Individualism

The other cultural dimension is *Individualism*, which indicates the degree of integration of society members into groups (Hofstede, 2011). Individuals in a society with a high score in this dimension only take care of themselves and their immediate families (Hofstede, 2011). A society, which scores low in this dimension, expects people around an individual to look after him or her in exchange for loyalty, since the people's self-image is 'we' not 'I' (Hofstede, 2011). Also, Hofstede concludes that there is a '*...negative relationship between collectivism and prosperity*' (Brewer & Venaik, 2010, Page 2). However, there is the issue that '*...Hofstede provided few theoretical arguments for the significant correlation between the I-C*

dimension and the external variables' (Brewer & Venaik, 2010, Page 3). Therefore, it can be '...assumed that there is either a cause-and-effect relationship between individualism and wealth... or whether both could be caused by a third variable' (Brewer & Venaik, 2010, Page 3). Additionally, there has been further critique about Hofstede's research by Oyserman, Coon and Kimmelmeier (2002), who criticized Hofstede for the questions he has used to assess *Individualism* and *Collectivism*, because these were only focused on the workplace of the interviewed person (Brewer & Venaik, 2010, Page 4). Due to this critique, Brewer & Venaik (2010) suggest that the *Individualism* vs. *Collectivism* dimension should better be named Self-Orientation vs. Work-Orientation (Brewer & Venaik, 2010, Page 7).

2.5 Focus of this Study

Therefore, based on what I have discussed above in this paragraph, I have decided to focus on two out of the five cultural dimensions by Hofstede (1980), which namely are uncertainty avoidance and individualism. Also, I have decided to only take Germany as the country of my research, since my aim is to observe, if the scores given by Hofstede in the 1980s are still applicable in today's world. Of course, I will not be able to give exact scores as Hofstede (1980) did, but my aim is to observe, if entrepreneurs nowadays tend to go towards the direction, as the scores in each dimension have indicated, or if they are completely different right now.

2.6 Sarasvathy about Effectuation and Causation

Sarasvathy (2001) has developed a very interesting framework of how entrepreneurs can plan their business. She introduced the concept of 'Effectuation' and 'Causation' which is about, how an individual plans his activities. Sarasvathy (2001) gave the following example: imagine that you want to cook something. You do not know what you want to cook yet, since you start without a real plan in your mind. Instead, you inspect what kind of groceries and cooking utensils you have at home and out of these, you will create your meal (Sarasvathy, 2001). This is an example of the Effectuation process, since the individual has not started with a specific goal in mind.

On the other hand, imagine you want to cook a steak and some fries. In this case, you already have a clear plan of what you want to cook, so you make sure that everything you need, will be in your house when you want to cook this particular meal. This process is called causation, since you start with a clear goal in your head and based on this, you develop a strategy, in this case cooking the meal, of how to get there (Sarasvathy, 2001).

2.7 Differences Between Effectuation and Causation

To take a closer look at both theories, we will observe some differences between the two processes. Regarding the decision-making criteria, the causation process is effect dependent, which means that the decision maker will make his decision based on the characteristics of the effect he wants to create, as well as his knowledge about possible means and the expected return (Figure 1). Looking at *Effectuation*, this process is actor dependent, which simply means that the choice of effect of the decision maker is based on the actor's characteristics and abilities, as well as on affordable loss or acceptable risk (Figure 1).

Another difference between the two is that *Causation* is good in exploiting knowledge, since it is used in static, linear and independent environments (Figure 1). With the knowledge an individual gets, he tries to focus some predictable aspects in the uncertain future, because the approach is that the more we can predict the future, the more we are able to control it (Figure 1). On the other hand, *Effectuation* is applied when exploiting contingencies, since it is used in dynamic, nonlinear and ecological environments (Figure 1). Here, the individuals focus is based on the controllable aspects of the uncertain future, because the approach here is that the more we can control the future, the less we have to predict it (Figure 1). However, even with the differences, you cannot say that *Causation* is 'better' than *Effectuation* or the other way around, when creating things like markets, firms and economies (Sarasvathy, 2001). The advantages and disadvantages of each process in a certain situation, need to be discovered in future research, says Sarasvathy (2001), but this is not the focus of our research.

Categories of Differentiation	Causation Processes	Effectuation Processes
Givens	Effect is given	Only some means or tools are given.
Decision-making selection criteria	Help choose between means to achieve the given effect Selection criteria based on expected return Effect dependent: Choice of means is driven by characteristics of the effect the decision maker wants to create and his or her knowledge of possible means	Help choose between possible effects that can be created with given means Selection criteria based on affordable loss or acceptable risk Actor dependent: Given specific means, choice of effect is driven by characteristics of the actor and his or her ability to discover and use contingent means
Competencies employed	Excellent at exploiting knowledge	Excellent at exploiting contingencies
Context of relevance	More ubiquitous in nature More useful in static, linear, and independent environments	More ubiquitous in human action Explicit assumption of dynamic, nonlinear and ecological environments
Nature of unknowns	Focus on the predictable aspects of an uncertain future	Focus on the controllable aspects of an unpredictable future
Underlying logic	To the extent we can predict future, we can control it	To the extent we can control future, we do not need to predict it
Outcomes	Market share in existent markets through competitive strategies	New markets created through alliances or other cooperative strategies

Figure 1: Differences between Causation and Effectuation (Sarasvathy, 2001, p.251)

2.8 Propositions

Proposition 1:

As already stated in 2.2, individuals who tend to feel comfortable, when taking risks, are more likely to become entrepreneurs, since founding a company already is a risk in multiple dimensions as e.g., financially. The *Effectuation* process therefore fits perfectly to these kinds of entrepreneurs, because when dealing with uncertainties, which entrepreneurs do all the time, it is highly important to remain flexible in your company. Additionally, the *Effectuation* process is used when the entrepreneur starts without a specific goal of e.g., a project, which of course only risk-taking individuals would do. Because of this, the first preposition is: *entrepreneurs, who tend to score low in the uncertainty avoidance dimension, favor Effectuation before Causation.*

Proposition 2:

People who score low in the individualism dimension focus more on the ‘we’ than only on themselves, as already explained above. For such an entrepreneur, this would mean that he e.g., would want that not just he, but rather everyone will profit from a collaboration between two companies. The *Causation* process enables the entrepreneur to e.g., carry out a negotiation with a real plan, since he makes use of the existing techniques and strategies, which suit the negotiation. Especially, when the entrepreneur wants to make sure that both parties profit from a deal, it is important to exactly know what the goal is and which strategy needs to be chosen, so that no

mistakes or problems can occur along the way. Therefore, the second preposition of this research is: entrepreneurs, who tend to score low in the *Individualism* dimension, favor *Causation* before *Effectuation*.

3. Methodology

3.1 Sample

I plan to interview up to 5 entrepreneurs from Germany, who preferably all come from different branches. My interview partners will obviously depend on the number of entrepreneurs that are willing to make an interview with me. Additionally, they should vary in their age so that I will have nascent and novice entrepreneurs in this interview series. Therefore, I will be able to investigate, what influences these different individuals when they make decisions as entrepreneurs.

Since I have already mentioned that my aim is to observe, if the scores in the *Uncertainty Avoidance* and *Individualism* dimension by Hofstede (1980) are still applicable in today’s time in Germany, I am going to introduce the scores of the two dimensions in this part. Germany scores quite high in the individualist dimension with a score of 67 (Country comparison, 2022). This means that the German society tends to be very individualistic, which indicates that there is a strong belief in the ideal of self-actualization as well as that loyalty is dependent on the individual’s personal preferences as well as its sense of duty and responsibility (Country comparison, 2022). Looking at the *Uncertainty Avoidance* dimension, Germany with a score of 65 also score quite high in this dimension, meaning that Germany tend to not favor uncertainty (Country comparison, 2022). The high score in this dimension indicates that Germans always need a systematic overview over a certain topic to be able to proceed as well as an expertise where they can rely on, since this creates certainty, which is highly valued by German society (Country comparison, 2022).

3.2 Method

The research of this thesis is going to be qualitative one. It will be addressed through semi-structured interviews, where the concepts and frameworks explained in the Literature Review part are going to be discussed. In the interviews, I plan to ask dichotomous questions. For

example, if the entrepreneur favors the *Causation* or *Effectuation* process by Sarasvathy (2001) and why this is the case. Based on these questions, many valuable interpretations can be made about the interview partner and his personality. Since I also use Hofstede's cultural dimensions in my research, I am also going to ask questions about these dimensions to my interview partners, to indicate how they relate to the different dimensions and where they stand compared to the overall adoptions of their country. This will give me as the researcher the chance to observe to what extent Hofstede's dimensions are relevant to this study.

3.3 Analysis

For this research, the most important parts of the interviews will be analyzed and based on them, a content analysis will be performed. A content analysis is defined as 'a research technique for the objective, systematic and quantitative description of the manifest content of communication' (Berelson, 1952, from Columbia Public Health). This means that the efforts of this research will be mainly focused on the data of the interviews, which are relevant to the theories, already mentioned above in the Literature Review. That data then makes it possible to make conclusions about how applicable Sarasvathy's (2001) framework of *Effectuation* and *Causation* and Hofstede's (1980) scores in the *Individualism* and *Uncertainty Avoidance* dimension are to this study and what then can be concluded about the research question. Additionally, the two propositions under the research question will be checked, if they can either be accepted or rejected. For this, a table will be made, where the answers of the various interview partners will be put in, meaning if they are e.g., *Uncertainty Avoidant* or not and based on this table, it will be decided, if the propositions can be accepted or rejected. However, to be able to assess if the interview partners are either A or B, questions need to be asked, which are directly aimed to give an answer to the propositions. As an example, take a look at question 6: this question aims to assess, if the individual is individualistic or collectivistic (Appendix 2). This is the reason, why this question was made so specific, since it should observe, if the interviewed individual either only wants to get the best result for himself, which would mean that he tends to be

individualistic, or if he would like both parties to be satisfied, which then would mean that he tends to be collectivistic. As explained in this example, this is the way how all the other questions are constructed in this questionnaire. Additionally, a table will be made, which will provide the important information about the interview partners e.g., his/her age, gender or sector in which they are working in. This enables this research to create even better assumptions about the interview partner, because it can now put their answers given in the interview in context with their personality, because the entrepreneurs personality plays a very crucial part in this research. Also, extra information about the interview partners will be researched on the internet through websites like LinkedIn or newspaper articles, to see what they have been doing in the past and how this connects their personality in the present. However, it is of course not possible to, due to the limited amount of time and number of pages to analyze every single aspect of this table, neither is this the case for the information gathered through the internet about the interview partners. Therefore, only the type of information will be taken, which are and can be well connected to the most important parts of the various interviews, as well as the ones which support this research to find answers to the research question and propositions.

4. Results

I am going to start with E#2, because I have asked him all the questions, and therefore, it is easy to compare him to the other entrepreneurs and the answers they gave. E#2 inherited a clothing store business from his uncle, who has founded the company in the 1940s. He inherited the business at a time, when it had a high risk to go bankrupt. Therefore, E#2 directly needed to watch out for practices of how to financially recover the company, meaning that he also made risky decisions. In the end, he was able to get his company back into a financially healthy position. When E#2 was asked about his definition of risk (Question 1, Appendix 1), he defined it as '*an investment that you make, which could damage or endanger the future of the company and can only be taken when you have the liquidity to take this risk*'. When the definition of E#2 is compared to the other definitions, which the other interview partners have given, it can be observed that

everyone has a slightly different definition of the word risk, but in the core sense, they all define it in the same way, because they all have the opinion that entrepreneurs as they all are, have to take risks to be and become successful.

I have also asked each of my interview partners, to give me an example of a situation, where they took a huge risk in their career (Question 2). Of course, since they all work in different industries, they all have different examples, but there are also similarities in these examples. As E#2 explained, he always took a high risk, when he ordered high warehouse stocks of one collection from one of his suppliers. The reason, why he went for this decision several times in his career was in the first place, because he was convinced that he is able to sell all pieces, since the collection is, as E#2 called it 'very attractive' for the customer. The second reason is of course that when you sell the complete higher warehouse stock, it results in a higher profit for the company (Question 2, Appendix 1). Obviously, you can never be certain that all pieces of the stock will be sold, and this might result in a financial damage, but as E#3 stated, '*When there is no risk, why would you even need entrepreneurs then?*'.

For the first three questions, which all were about the level of comfortability when facing risk and therefore focusing on Hofstede's (1980) dimension 'Uncertainty Avoidance', I have observed that 2/5 of the interview partners are uncertainty avoidant and 3/5 are the opposite (Table 2). Of course, they all have certain practices to minimize the uncertainty, which they face and interestingly, they are very similar. As E#1 and E#4 explained, the first thing they do, when e.g., starting a new project or buying a new machine is a risk analysis. Here, they start to ask themselves several questions as E#1 stated. These can e.g., be '*What does the market?*', '*Which potential is there?*', '*What is our ROI?*' and these questions need to be answered to assess, if the project seems to be worth to be pushed forward or not. Additionally, it is highly important, as E#1 said, to also ask for the probability of the project to be a success. When all these questions can be answered positively, E#1 feels very comfortable when he takes the risk. However, when the very high uncertainty of the project still remains after these questions, E#3 said that he then tries to '*watch out for alternatives with a lower uncertainty*'. Another very important point, which E#2

mentioned was that when you take risks, an entrepreneur always needs to look at his financial position. When he has a lot of capital, the entrepreneur can make projects with a higher uncertainty and risk, but when he has less capital, he needs to be more cautious. However, in the end there will always be a certain level of uncertainty and risk in the decision, which you take, because as E#1 said, '*there is no decision, which is always right*'.

In the 'Individualism' dimension matrix, 3/5 of my interview partners are collectivistic, when e.g., decisions need to be made in their company, whereas in their personal life, 4/5 are individualistic (Question 6,7,8; Table 2). As E#2 said '*I have always tried to be and I hope that I always got recognized as an individualist by others, because it is the worst to be a mass person*'.

E#3 explained, Individualism for him is that every person is different, which means that different people make different decisions and have different feelings (Question 7). Comparing E#3's definition of *Individualism* with the definitions of the other four interview partners, it can be observed that all five agree on the point that every person is different and has other qualities, but there are also aspects, which the others defined differently. As E#1 elaborated, when he thinks of individualism, he always thinks of the Marlboro Cowboy advertisement, where in the western countries, only one cowboy was in the advertisement, whereas in Asian countries, a total of three cowboys were placed in this advertisement, which let him conclude that western countries are more individualistic. This is a very interesting point, which E#1 makes here, since it shows that not only individuals are individualists, also countries and regions are.

When asked about 'Individualism' in business, 3/5 interview partners answered that you need to be collectivistic rather than individualistic in today's world (Question 6; Table 2). As E#3 defined it, '*in business, you are surrounded by partners and your partners are your suppliers, employees and customers*'. The relationship that you build up with your partners needs to be, as E#4 said, '*an equal and harmonic one*', meaning a 'take and give' relationship. On the other hand, 2/5 entrepreneurs are in between the *individualistic* and *collectivistic* dimension, because it is important to have a harmonic relationship with all your partners, but a very important point, which

E#1 and E#2 made was that *'you may never forget your own interests'* (Question 6, Appendix 1).

When the interviewed entrepreneurs talked about how they make decisions in their company, it was clear to observe that 5/5 entrepreneurs always take team decisions, meaning that they take a collectivistic rather than an individualistic approach, because as E#3 said, *'team decisions are always better'* (Question 4, Appendix 1). They all sit down together with a team, where everyone comes from a different department of the company with different interests. The goal of such a team is that in the end, as E#2 said *'the team identifies itself as much with the goal as the entrepreneur does, to be able to reach the goal together'* which also results in a higher motivation of your staff, because they feel valued and involved in the decision-making process. However, there are also decisions, where one or two team members do not agree with the final decision. If this is the case, E#3 defined it as *'not good'* since it will be difficult for these two people to further communicate the decision to others.

Regarding the *Effectuation* and *Causation* process by Sarasvathy (2001), 2/5 entrepreneurs indicated that they favor *Causation* before *Effectuation*, 1/5 favored *Effectuation* before *Causation* and 2/5 sometimes favor *Effectuation* and sometimes *Causation* (Question 9, Table 2). As E#3 explained, he and the leaders of the different departments of his company, always make a business plan at the start of the year, where questions like *'What are our goals?', 'What is our company philosophy?' and 'Do we want to generate profit or go into a new market?'* will be answered. Based on this business plan, plans for the different departments of the company are made, as well as boundaries, which are set for the leaders of the different departments and their team in which they are allowed to move. An example given by E#3 was that imagine, you want to increase your profit in your photography department from 4 to 5€ million. To reach this goal it was determined by the business plan team that an investment of 500.000€ needs to be made and 20 more employees need to be hired. These instructions are transferred to the photography department, and they have all the freedom to move inside of these instructions/boundaries. This means that they do not need to ask the CEO, if they are allowed to hire a new employee, because as E#3 said, *'as long as*

you are in the plan, you have all the freedom to make decisions, which enable you to achieve the goal'.

For E#5 who works in the steel industry, the size of the project determines, if he favors *Causation* or *Effectuation*. The reason for this is that as he said, *'bigger projects need more planning'* meaning projects in the six-figure range or more, you e.g., need to look if you have the machines and materials to successfully complete the project, which is the reason, why he favors *Causation* here. For smaller projects, meaning projects in the lower five-figure range or lower, not a lot of planning is needed, since most of them are standardized products, which do not take a lot of time and can quickly be included in the current manufacturing plan.

Effectuation was the process, which E#2 favors in his company. He said that he *'always started quite planless at the start'* and *'often made decision out of my belly'* because the fashion industry in which he is working in is a constant change, meaning that you always need to be flexible, because in his opinion *'a decision in the fashion industry is more emotional than in other industries'*.

4.2 Other Noticeable Results

During my interviews, I have also asked questions of how other aspects of culture affects the entrepreneur and his decision making.

Especially company values are highly valued by all my interview partners, since they were all convinced, as E#3 said that *'every company needs and should have a mission statement'* and it is very important that this mission statement, by others called company values, fit to the company, their CEO, employees, etc. and that decisions inside of the company will be made based on these values (Question 5). Additionally, it is crucial that everyone in the company lives after and makes decisions based on these company values, because if this is not the case, you show your environment that this mission statement is not more than empty words. In E#1's opinions, the managing directors are in duty to behave based on these values, because when they do, the rest of the company will most likely behave in the same way. For E#4, his company's values decide, if they take a client or not, since as he said, *'the client needs to match our culture'*. A very important company value for E#4 is to build up partnerships, which

is the reason, why they do not take any one-time orders by somebody.

Entrepreneurs Answers

NUA = Not Uncertainty Avoidant
 UA = Uncertainty Avoidant
 I = Individualist
 Co = Collectivist
 E = Effectuation
 Ca = Causation

	Question			Hypothesis	
	Q3	Q7	Q9	H1	H2
Entrepreneur					
#1	NUA	I	Ca	No	No
#2	NUA	I	E	Yes	No
#3	NUA	Co	Ca/E	No	No
#4	UA	Co	Ca	No	Yes
#5	UA	Co	Ca/E	No	No
			Result	Reject	Reject

Table 2: Results of this research

5. Discussion

The main objective of this study was to find out, how the entrepreneur's culture, meaning here based on Hofstede's (1980) *Individualism* and *Uncertainty Avoidance* dimension affect the entrepreneur's decision making, in which the focus here was based on Sarasvathy's (2001) *Causation* and *Effectuation* process. As already mentioned in the introduction of this article, not a lot of research about the link between the entrepreneur's culture and the decisions he makes has been made. However, this research presumed that entrepreneurs who score low on the *Uncertainty Avoidance* matrix, favor to use *Causation* instead of *Effectuation*, because individuals who feel comfortable with uncertainty, do want to start with a broader plan, where only the most necessary things are

defined, since a broader plan provides them with more flexibility of where they can end up with their e.g., project. Furthermore, it was assumed that entrepreneurs, who have a tendency to score low on the *Individualism* matrix, prefer to use *Causation* instead of *Effectuation* in their decision-making process, because they are more focused on the 'we' than the 'I'. Furthermore, looking after the well-being of several other people needs more planning and a good strategy to be able to keep everyone happy and satisfied in a e.g., negotiation. Based on the findings of this research, we can reject both propositions.

The results show that an individual who scores low on the *Individualism* matrix can either use *Causation*, as well as *Effectuation*, which is the same case for the other hypothesis (Table 2). One reasons for the rejection of the first proposition is that even though you have a tendency to score low in the *Uncertainty Avoidance* dimension, *Effectuation* does not work in a company with e.g., 100 or more employees, because the larger a company gets, the more complex the projects will be, and the more people you have the more planning needs to be made, because otherwise, the company might do too many projects at a time and this results in chaos and a huge loss of resources. Of course, the possibility that projects can be carried out based on the *Effectuation* process is existent, but this will and can only be very small ones as e.g., E#4 indicated, or in start-up companies, where a high degree of flexibility is key in the beginning, as Sarasvathy (2001) indicated. Additionally, the bigger a company gets, the less flexible it will be in the decision-making processes as well as in projects, which as mentioned above is one of the main characteristics of the *Effectuation* process.

Regarding the rejection of the second proposition, a reason for the rejection of this proposition is that also *Individualistic* individuals as e.g., E#1 uses the *Causation* process, which is the evidence that you do not have to be a *Collectivist* to use *Causation*, it is rather more dependent on the industry and the size of the company the entrepreneur owns, to assess, which process you use (Table 2).

However, the results of this research also show that you do not need to choose one side, meaning either *Causation* or *Effectuation* (Table 2). You can also use both practices, depending on which situation and which approach is best.

Support for this approach is also given by Kickul et. Al (2009, *Page 9*) who say that the switch a company makes from one decision-making process to another one can be beneficial for the business. For the interviewed entrepreneurs who are using this hybrid approach, the scope and amount of money of the project play a significant role, in deciding which approach to use.

Additionally, this research found out that 3 out of 5 interviewed entrepreneurs are collectivists rather than individualists. This stands in contrast with what Eroglu & Picak (2011) and Thomas & Mueller (2000) found out, because they indicated that high individualism is a main predictor for innovation and therefore for entrepreneurship. The reason, why these three entrepreneurs described themselves as collectivists in business is, because they are convinced that a healthy business, can only exists when long-term partnerships with other companies can be made. Support for this can also be placed by J. H. Tiessen (1997), who indicated that a collectivistic orientation is positively associated with gaining the use of external resources from firms across all cultures.

Another result of this research is that three out of five interviewed individuals have a tendency to not be *Uncertainty Avoidant*, while the other two tend to be. A possible reason for this could be that all five entrepreneurs work in different industries. Of course, every industry is different from the other one and in an industry like the fashion industry where E#2 works in, an entrepreneur needs to take more risks, because this industry is so volatile, while other industries only change slowly and not a lot of risks needs to be taken, since uncertainty is low, because the processes are very predictable based on past experience.

Practical Implications

The research performed here should be a help for novice and expert entrepreneurs, as well as for employees. It should help the reader to get more knowledge of how an entrepreneur makes decisions and the complexity that some decisions have. Also, the research should motivate novice entrepreneurs and people who always feel a bit

uncomfortable when making decisions, because this study shows that even entrepreneurs face uncertainty, but they have developed methods of how to deal with them. Therefore, readers of this article could be able to copy some of this article's findings and try to use some of these in their own life. In the end, this research should motivate individuals, but especially individuals who plan to start a company, because entrepreneurs are the fuel of our economy. They create jobs, innovation and in the end a better life for us all.

Future Implications

For people who are willing to perform further research in this field, I would recommend to them to not only focus on the *Individualism* and *Uncertainty Avoidance* matrix from Hofstede. Instead, they should consider all five dimensions and what effect each of these dimensions have on the decision making of an entrepreneur, and if a certain combination of the five dimensions makes an entrepreneur more favorable for the *Causation* or *Effectuation* process by Sarasvathy.

6. Limitations

Firstly, the amount of time which was available to perform this research was very limited. Therefore, it was only possible to interview a total of five entrepreneurs, which of course is better than nothing, but for a research with significance, a lot more interviewed entrepreneurs are needed to have a meaningful result.

Secondly, the kind of entrepreneurs, which were interviewed during this research are another limitation. The majority of them are part of the authors own network, which means that the selection was biased, because these entrepreneurs were more likely to accept the interview request. Further, some answers the interview partners gave might be biased. This is because their own perceptions about themselves or what is socially desirable could have influenced their answers.

Thirdly, four out of five entrepreneurs do not want me to use their personal data in this study, meaning that I was not allowed to use things as the industry where they are working in or the number of years that they were working

in this industry. Therefore, I was not able to include and analyze these things in my research, which would have been very valuable, as I have pointed out above.

Fourthly, all interviewed entrepreneurs were born and live in the same region in Germany. Therefore, a statement about entrepreneurs in a region of Germany was made in this study, rather than a statement about German entrepreneurs. Because of that it would be important for further researchers to interview entrepreneurs from various German regions.

Lastly, because of the different backgrounds and industries in which the interviewed individuals were working in, it was sometimes not possible to ask all interview questions to an interview partner.

6.2 Academic Implications

This paper provides a first insight of the link between the entrepreneurial personality traits and how those affect his decision making in Germany. The focus for the entrepreneur's personality traits in this research was placed on two out of five cultural dimensions, namely the *Individualism* and *Uncertainty Avoidance* dimension by Hofstede (1980). The goal was to investigate, how these two dimensions influence the entrepreneur to either use a *Causation* or *Effectuation* mode of action by Sarasvathy (2001). This study wanted to give an insight, in how German entrepreneurs behave and react to certain situations and how they make decisions. However, as I have already mentioned above, all of the five interviewed entrepreneurs come from the west of Germany, so for future research, I would recommend to interview entrepreneurs from all the different parts of Germany. Also, it will be important for future researchers to interview more than only five entrepreneurs, because only then, you will get reliable and meaningful results, out of which you can make real conclusions. As far as I am informed, this is one of the first researches performed in the field of decision making affected by culture in Germany and it could be used as a cornerstone, to further investigate the field of how entrepreneurs make decisions, affected by their culture.

7. Conclusion

The goal of this research paper was to answer the following question:

How Does the National Culture of the Entrepreneur Effect His or Her Decision Making?

I would personally conclude that *Individualism* and *Uncertainty Avoidance* definitely impact the entrepreneur and his decisions, which he makes. However, this research was not able to make a real connection between the entrepreneur's personality traits and the *Effectuation* and *Causation* process (Appendix 1). Based on the results of this research, it can be said that the decision-making process is not dependent on the personality traits of the entrepreneurs, but rather it is dependent on the kind of challenge or project and the number of people involved, of to either use the *Causation* or *Effectuation* process. Also, findings as e.g., by Eroglu & Picak (2011) and Thomas & Mueller (2000), who indicated that entrepreneurs have to be individualists, cannot be confirmed by this research. As a main reason for this, the time we are living in right now, is not focusing anymore on what do I need to do that I can go out as the 'winner' of a e.g., negotiation. Rather, the focus in business is now placed on how the negotiation parties can both be winners and be happy with the result of the negotiation. Today's business is not so much focused on *Individualism*, this research showed that the focus has shifted to building long lasting partnerships with your suppliers, customers and employees. This is how most successful businesses operate in today's world.

Also, to become an entrepreneur, an individual does not need the tendency to score low on the *Uncertainty Avoidance* dimension, as this research showed (Table 2). Rather it is important to minimize uncertainties, which can and might come up in the future, to be able to react to any upcoming event in a professional way. Of course, the way and the number of practices you put in place to minimize uncertainties, are always dependent on the industry and the entrepreneur. However, it is also important to note that too much planning can hinder you and your company in successfully completing your project, which means that you need to be careful to assess, how much planning you need to do.

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Field Code Changed

Appendix 2

1. How do you define the word risk to yourself?
2. Can you name an example where you have taken a high risk? Why have you done this?
3. Do you feel comfortable when taking risks or do you try to avoid as many risks as possible when taking business decisions?
4. When you take a business decision, what is the process/procedure that you go through? Everyday decisions and highly important decisions
5. Do you think that for you personally, cultural values like diligence influence you and your decisions you make for your company?
6. In business and your personal life, do you always try to only get out the best for yourself, or do you also want the other group/individual to be satisfied either with the result of e.g., a negotiation? → Influenced by cultural values?
7. How do you define the word individualism to yourself?
8. Can you name an example where you have acted very individualistic? Why have you acted like this?
9. In your job, do you prefer to stick to rules and principles that you/all have to follow, or do you rather prefer to have 'more freedom', meaning that you try to have as few rules as possible and want to listen to opinions which are opposite to the ones you have?
10. When you are e.g., doing a project, do you prefer to plan as many things as possible in advance meaning that you exactly know which market you want to tackle and what techniques to use (causation), or do you rather want to start without a specific goal for the project and see where it will take along the process (effectuation)?
11. Do decisions taken for the company differ from country to country?

Brinckmann, J., et al. (2010). "Should entrepreneurs plan or just storm the castle? A meta-analysis on contextual factors impacting the business planning–performance relationship in small firms." *Journal of Business Venturing* **25**(1): 24-40.

Entrepreneurship research engages in an intense debate about the value of business planning. Prior empirical findings have been fragmented and contradictory. This study contributes insights to the business planning discussion by following an evidence-based research approach. We conduct a meta-analysis on the business planning–performance relationship and specifically focus on contextual factors moderating the relationship. Results indicate that planning is beneficial, yet contextual factors such as newness of the firms and the cultural environment of firms significantly impact the relationship. Based on this evidence, we propose a concomitant and dynamic approach that combines planning and learning.