WHERE DOES EFFECTUAL DECISION MAKING ORIGINATE FROM? A MULTILEVEL, 12-COUNTRY EXAMINATION (INTERACTIVE PAPER)

Klaus Willmann
Technical University of Dortmund, Klaus.Willmann@tu-dortmund.de

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WHERE DOES EFFECTUAL DECISION MAKING ORIGINATE FROM?
A MULTILEVEL, 12-COUNTRY EXAMINATION

Klaus Willmann, Technical University of Dortmund, Germany

Principal Topic

Research has revealed that entrepreneurs decide in a causal or effectual way, or use both approaches of decision making. A major concern of scholars and practitioners is to get an understanding, when to decide causal or effectual or use both approaches. In order to get a more fully understanding of the relationship of national culture on effectuation as well as causation, this study explores the influence of Top Management Team's (TMT) values related to their degree of uncertainty avoidance on both effectual and causal decision making in a corporate context.

Methods

We contacted TMT managers of small and medium companies in diverse industries from different countries to participate in our survey via a 3-wave-mailing process. Our emails were received by 5070 companies from 12 countries in 6 different cultural areas, including e.g. Australia, China, Germany, India, Spain, UK and USA. In order to derive a useful sample, we removed all incomplete survey responses, and those which were completed by participants not part of the TMT. Our final sample totals 1,151 participants. We used OLS regressions to analyze national differences regarding TMT’s uncertainty avoidance on their effectual and/or causal decision making.

Results and Implications

The results of this study show that TMTs in cultures with a high level of uncertainty avoidance use causal decision making processes in ambiguous and complex situations. Causal decision making is characterized by goal-driven planning and analyzing processes to screen for exogenous factors and activities. Additionally to causal processes these cultures use although effectual decision making processes, which have a more endogenous focus. They calculate the loss there are willing to lose in a worst case scenario and they try to stay flexible to react fast on new possibilities. They use pre-commitments to choose their stakeholder by themselves and involve them in a creation process. Due to their uncertainty avoidance these cultures avoid projects to experiment with different products or services and business models.

CONTACT: Klaus Willmann; Klaus.Willmann@tu-dortmund.de; (T): +49 231 755 3229; (F): +49 231 755 5228; Technical University of Dortmund, Martin-Schmeißer-Weg 12, 44227 Dortmund.