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COGNITIVE ROOTS OF CAUSAL AND EFFECTUAL INTERPLAY DURING VENTURE DEVELOPMENT (SUMMARY)

Natalie den Engelse

University of Twente, n.engelse@utwente.nl

Raja Singaram

University of Twente

John Ettlie

Rochester Institute of Technology

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≈ SUMMARY ≈

**COGNITIVE ROOTS OF CAUSAL AND EFFECTUAL
INTERPLAY DURING VENTURE DEVELOPMENT**

Natalie den Engelse, University of Twente, the Netherlands

Raja Singaram, University of Twente, the Netherlands

John Ettl, Rochester Institute of Technology, USA

Principal Topic

Effectuation has been proposed as an alternative decision-making approach that takes into account the cognitive implications of uncertainty and the consequent constraints it places on both information processing and the use of planning heuristics in entrepreneurship (Gregoire et al., 2011). Effectuation is contrasted with causation, which represents the rational decision-making approach. Although individuals can use both causal and effectual reasoning at different times during venture development, prior research finds that entrepreneurs do not transition well between the modes (Sarasvathy, 2008). Literature has not sufficiently addressed the reasons that underlie an entrepreneur's tendency towards a causal or effectual approach. Considering that both approaches are believed to fundamentally refer to cognitive processes, our study probes the cognitive roots of causal and effectual logics. This paper attempts to study how entrepreneurs' stable psychological attributes such as thinking style influence entrepreneurial decision-making behaviors associated with the causal and effectual logics.

Methods

For measuring entrepreneurs' preferred reasoning logic – causal or effectual- scales from Chandler et al. (2009) were used. Causation is measured as an uni-dimensional construct that included 7 items. Effectuation was measured as a multi-dimensional scale: experimentation (4 items), affordable loss (3 items), flexibility (4 items) and pre-commitments (2 items). For measuring entrepreneurs' thinking style 'Linear and Nonlinear Thinking Style Profile' was used (Vance et al., 2007). This is a 26-item, forced-choice self-report measure of decision-making style. The sample included 59 entrepreneurs that had enrolled into a business development program of an incubator located in the Netherlands.

Results and Implications

This study contributes to the growing body of work on entrepreneurial cognition and decision-making behaviors. The empirical study found that entrepreneurs engage in both causal and effectual reasoning logics for new venture development. In addition, support was found for linking thinking styles to the frequency of utilizing activities that are associated with causal and effectual logics. The paper theorizes and discusses the implications of these findings for future research.

CONTACT: Natalie den Engelse; n.engelse@utwente.nl; (T): +31(0)53-489-2372; (F): +31(0)53-489-2159; P.O.Box 217, 7500AE Enschede, the Netherlands.