

# EFFECTUATION VERSUS CAUSATION: A CASE STUDY OF AN IT RECRUITMENT FIRM

**Henrik G.S. Arvidsson, University of Tartu, School of Economics and Business Administration**

**Dafnis N. Coudounaris, Aalborg University Business School and University of Tartu, School of Economics and Business Administration**

## ABSTRACT

*The purpose of this paper is to investigate the internationalisation process of an IT recruitment firm and follow the development of the firm from the idea stage to the post internationalisation stage. The study conducted deep-level interviews with the executive teams of the firm to examine the use of causation and effectuation respectively and to identify which decision-making logic was dominating, from the idea stage through to post internationalisation. The study revealed that the decision-making logic of effectuation vs causation was chosen based on the expectations and perceptions of the future, meaning that psychological factors intervened more often than the actual events unfolding. The study is based on only one case study of a firm operating as a recruiter in the IT sector and there should be caution regarding the generalisability of the findings.*

**Keywords:** Effectuation and Causation, International Entrepreneurship, Attitudes, Decision-Making Logic, Internationalisation, Case Study, IT.

## INTRODUCTION

Today, many firms, due to the rise of the new economy and globalisation, are internationalising much faster than what was common practice ten or twenty years ago. Johansson & Vahlne (1977) studied the internationalisation process of Swedish SMEs and found that they internationalised first to markets closer regarding physical distance and culture and then expanding further to more distant markets. They often followed a pattern that started with sales representation and ended with a physical presence. The change in the global business environment due to globalisation and the rise of the Internet as a significant factor changed how firms internationalise. The concept of the born global was a game-changer (Hagen & Zucchella, 2014). Firms no longer followed a series of steps but often started as international firms, and physical presence is not needed.

The advent of international entrepreneurship as a research area was marked by McDougall's (1989) study, where she compared domestic and international entrepreneurial firms and described how they differed. Operating in a global context was, according to McDougall (1989) very different than working in the national arena.

Internationalisation and international entrepreneurship are, to a great extent, studies of decision making. Decisions may affect the future of the firm and the direction the business will take. How decisions are made is an exciting research area, and in the previous decades causal reasoning was believed to be the predominant logic applied by business leaders rather than the

application of the effectuation logic. Saras D. Sarasvathy presented her theory of effectuation in 2001.

The main difference between causation and effectuation is that the first is ends-driven, and the latter means-driven (Sarasvathy, 2001). According to Sarasvathy, the predominant decision-making logic among small entrepreneurial firms is effectuation, mostly due to the lack of resources and the high level of uncertainty in which they typically operate.

In this article, we follow a newly established IT recruitment firm on its route to rapid internationalisation and entry into the world of international entrepreneurship. We focus on the adoption and importance of the decision-making logic of causation and effectuation and examine which was adopted and to what extent one can be regarded as dominant. We also discuss the process from idea, to forming of the company, then to internationalisation, and we put our observations into context using relevant literature.

## LITERATURE REVIEW

Here we will provide a theoretical framework to put the case study into context regarding the issue of decision-making logic, effectuation vs causation (Coudounaris & Arvidsson, 2019; Arvidsson et al., 2020), entrepreneurship, and the internationalisation of business.

### Causation

Causation is a typical ends-driven decision-making logic, where the management plans, implements and follows up on their strategic decisions that are aimed at achieving a specified target or goal. Sarasvathy (2001) defines causation as "processes that take a particular effect as given and focus on selecting between means to create that effect".

Causal logic is more common in larger firms operating in stable environments (Sarasvathy, 2001, 2008), even if elements of both causation and effectuation can be found in smaller firms as well as in emerging industries (Dutta et al., 2015).

According to Berends et al. (2014), firms in their nascent stages generally tend to opt for effectuation initially but later shift towards causation as the company grows and as their resources and networks grow (Sarasvathy, 2001).

### Effectuation

Effectuation can, in many ways, be regarded as the opposite of causation. It is a means-driven logic that does not focus on an end goal and the resources that need to be allocated to achieve that goal, but instead takes its vantage point in the resources possessed by the firm or the entrepreneur.

On the contrary, effectuation is seen as a "process that takes a set of means as given and focuses on selecting between possible effects that can be created with that set of means" (Sarasvathy, 2001).

Effectual logic is more common in smaller entrepreneurial firms working with limited resources and in environments with a high degree of uncertainty. Smaller firms often seek to team up with other actors in the market to draw from each other's strengths. Over time, and as the firm grows, the size and composition of the network also tend to change (Sarasvathy, 2001).

However, according to Matalamäki (2017), there is still an ongoing debate as to whether firms apply effectuation and causation to different extents in different periods of their lifespan,

such as during times of uncertainty and internationalisation, or if the logics are used in parallel to each other at all times. Others, such as Alsos et al. (2016), stress the personality traits of the entrepreneur as a factor that influences the choice of a decision-making logic. The process of internationalisation into a foreign market often involves a high level of uncertainty, and in the case of a smaller entrepreneurial firm a considerable strain on its resources, hence making it challenging to apply causal logic, a conclusion also supported by Chetty et al. (2013). The paths to internationalisation and international entrepreneurship are, according to effectual logic, not so much dependent on the setting of goals and allocating the means to achieve those goals, but rather on what can be achieved with the means the firm has at its disposal.

### **International Entrepreneurship – A Definition**

The study of international entrepreneurship perhaps started with a review by McDougall (1989), in which she compared domestic entrepreneurial firms with the operation of entrepreneurial firms in a global setting. The field has also been explored by, amongst others, McDougall & Oviatt (2000); Oviatt & McDougall (2005); Coviello et al. (2011); Zuchella et al. (2018).

McDougall (1989) identified three differences between international entrepreneurial firms and their domestic counterparts:

1. Concerning marketing strategy: "The variable that contributed the most to the discriminant function was the distribution and marketing strategy. This is a rather comprehensive strategy, with the international new venture pursuing a strategy of broad market coverage through developing and controlling numerous distribution channels, serving numerous customers in diverse market segments, and developing high market or product visibility. Thus, the emphasis is on high market awareness, market channel control, and overall market penetration".
2. Competitive environment: "The intensity of international competition was the second most important variable distinguishing international and domestic new ventures. Whereas both groups characterised domestic competition as being relatively intense, the international new ventures compete in industries with higher levels of the international competition".
3. Grand entry strategy: "This strategy, emphasised by international new ventures, builds on outside financial and production resources to enter numerous geographical markets on a large scale. Securing patent technology is also an important component of this strategy. Research has indicated that patent technology is important to the success of new ventures". Firms have traditionally started their operations in the domestic market and later internationalised their operations. This, however, is a process that has changed in nature during recent decades.

### **Internationalisation**

The way firms internationalise has traditionally been gradual. Johansson & Vahlne (1977, 1990) conducted a study of Swedish SMEs, and the conclusion was that after deciding to internationalise, firms followed a gradual pattern, where they first established representation in the target market, and later on advanced to a physical presence. The firms also tended first to establish themselves in markets that were culturally, institutionally, and geographically close. Later, they expanded to markets more distant and different from themselves. A later study was also conducted by Vahlne & Ivarsson (2013), focusing on Swedish multinational corporations and their globalisation, offering a more contextual and updated framework. The work of Johansson and Vahlne has, according to Knight & Liesch (2016), produced one of the most prominent and lasting theories regarding internationalisation.

However, in the last decades, due to the rise of the new economy, many firms are now what is referred to as born global, a concept opposite to the gradual process described in the

Uppsala model presented by Johansson & Vahlne (1977). Although attempts have been made to incorporate the importance of relationship networks to explain the early internationalisation of born global companies, the majority of studies consider the theories of born global and the Uppsala model as bipolar opposites (Clavel San Emeterio et al., 2020).

Born globals establish themselves immediately, not only in their home market but also in foreign markets. This has been made possible due to globalisation and the reduction of the importance of physical borders. The rise of the Internet and the new digital economy is also a factor as well as a labour market that is more international than national, and where people, services and goods move freely across borders (Hagen & Zucchella, 2014).

In the case of the European Union, its single market and the four freedoms - the free movement of goods, capital, persons, and the freedom to establish and provide services - have led to a greater degree of mobility in the way companies operate and also changed the way firms recruit their workforce (Leslie & Elijah, 2012).

Workers and employers situated in different countries can now meet and match, giving a more significant amount of possibilities for both job seekers and their future employers (Arpaia et al., 2015). This is true, especially in the case of the younger portion of the workforce. However, forces are seeking to slow down this process, causing a risk factor for businesses (Ellison, 2017; Ferrera & Pellegata, 2018).

In the case of many firms born in the EU, for example, in the field of recruitment and staffing, perhaps the term "born global" is less suitable than the term "born regional" (Lopez et al., 2008) since the EU as a block creates a large single market (Leslie & Elijah, 2012) that can be exploited. Outside of the inner market, there are, however, obstacles to trade that limit firms in many areas such as the firm we will now describe.

The firm in question is also a firm owned by so-called expat-reneurs, meaning entrepreneurs who were not born in the country from which the firm operates (Selmer et al., 2018). This constitutes hurdles that the firm must overcome, since the firm does not have access to networks (Clavel San Emeterio et al. 2020). The firm is also not familiar with the formal and non-formal institutions of the target market (North, 1991). Institutions, both formal and informal, vary to a high degree even amongst EU countries, making the inner market more challenging to navigate than one can be led to believe (Pasimemi & Pasimemi, 2016).

All this leads to an interesting case, where the owners and managers of the firm establish themselves in a Baltic country where they have no origin. They are battling the liability of foreignness (Bernard, 2010), but despite this rapidly expand to other markets where the firm has a varying degree of network connections and institutional knowledge. We aim to examine how this will affect the decision-making process in the firm, and if there is a difference in the application of effectuation vs causation between markets where the managers/owners have network connections and institutional awareness and those markets where such connections and knowledge is missing.

## **THE CASE: BACKGROUND**

### **The Firm: A brief Description**

The firm in this study will remain anonymous, and specific details regarding the firm will be masked or altered to preserve its anonymity. In doing this, we made the judgement that the managers of the firm would be more open with details that would otherwise not be revealed, and also due to the intense competition in the market the firm was hesitant to be reveal its identity.

The name of the firm has been altered to X. X is a recruitment and staffing company based in one of the Baltic countries. The firm was founded in the first months of 2020, but the planning of the business had been ongoing since mid-2019. The business concept of the firm is to recruit personnel in the eastern part of the EU and either employs them directly or use them as subcontractors and rent them out to firms primarily based in the Nordic countries but also other western EU countries.

The firm seeks to draw on the salary gap between the eastern and western parts of the EU, offering them a salary higher than in their home country, and by doing that supplying scarce talent to their clients. The idea is to brand itself as a long-term "one-stop shop" HR partner for western IT firms. The firm so far employs ca 30 persons either through direct employment or subcontractor agreements. Those working as subcontractors usually work remotely.

The firm is organised according to a functional structure (Fairfield, 2016), where founder A is a CEO; founder B serves as a HR and financial manager, founder C is a director of business development and founder C a director of sales. As the firm is a start-up, each manager is so far the sole person responsible for their respective area.

## **The Founders**

The founders, as previously mentioned, consist of a group of 4 people with highly different educational and job experience. None of the founders originates from the country where the firm is based, making them expat-reneurs (Selmer et al., 2018).

Founder A is a man born in Sweden, in his early 40s, with higher education in business, with marketing and international business management as a speciality. He also has a Master's degree in commercial law. He has vast experience of owning businesses in varying sectors such as transportation, business consultancy, and fiduciary, amongst others. He is married to founder B, a woman in her late 20s, originating from Ukraine. She has a higher degree in political science and is the manager of a research institute aimed at researching the areas of innovation and public policy. Founder B also has experience in HR.

Founder C is a man in his early 40s, originating from Finland, with higher education in business, and having over 15 years of experience in international business, both as a business owner and as a consultant in business development and board member of international trade organisations.

Founder D is an expert in sales with 40 years of business experience from the IT and high-tech sector. He has managed international sales and been a driving force in the internationalisation process of major Nordic firms within the IT sector.

## **How Did ALL Start?**

The group that formed company X met through various projects and started to socialise. In the end, they became friends, and together decided to start a firm in which they could all draw from their respective expertise.

This corresponds to the basic principles of effectuation, as described by Sarasvathy (2001). The founders complemented each other in terms of knowledge, network and educational profile. This was a venture that none of the founders would have started by themselves because they are highly specialised but lack experience in one or more of the other areas they deemed necessary to make this venture a success. If doing it alone, they all felt that it would have involved high start-up costs since external expertise would have been needed.

They all had an interest in IT, and the sentiment within the networks mainly of founders C and D was that the difficulties in finding personnel that matched the needs of the employers were challenges for many firms. One of the firms that founder D has been active in implemented a reward system whereby employees would be rewarded if they could recruit candidates to the firm that would later be hired. They also researched the previous history of the IT sector in the EU and the outlook for the coming years. One thing that was striking was the fact that, according to Eurostat (2020), the number of employees in the IT service sector grew by 22.7% between the years 2012-2017. In 2019 system analysts were the second largest subgroup of the workforce and there was a deficit in this workforce, with software analysts and developers also among the professions where demand was higher than the supply, making it difficult for firms to recruit the talents needed to build their businesses (European Commission, 2019).

This information led the company founders to believe their business idea was viable; the downside risk, however, was that finding the right competence sought by their clients would be difficult and would require a lot of effort and out-of-the box thinking. Founder D stated that "our main worry wasn't the sales side of the business, but rather the supply side. We already envisioned a scenario where we had to attract potential candidates from several regional markets and that the firm would have to invest perhaps even more effort in marketing not towards the potential clients but rather towards the potential employees".

The original business plan was that the firm would be a staffing company that hired out workers to IT companies, and that the firm would not use subcontractors or recruit for firms other than those which hired their staff. (I think this is what you mean?)

The firm was formally founded at the beginning of 2020, when the owners had already started the process of finding potential clients in other EU countries. The firm was already at the point of its legal registration and ready to initiate business within the EU, and therefore, in this regard, it was born regional according to Lopez et al. (2008). The firm also focused on a broader market, covering many segments within the IT industry, in line with the definitions of international entrepreneurship given by McDougall (1989).

One difference between the firm and what McDougall stated is that the grand entry strategy does not require outside capital or other resources, given the new environment that many firms operate in and with the Internet as a means of working across distances and penetrating several markets at the same time. This was something that founder A specifically stated: "Our strategy was to avoid the risk of going to the bank or bringing in outside investors. We wanted to keep control of our firm ourselves and minimise the need for foreign capital as we wanted to utilise our network at both ends of the business, meaning both sales and recruiting". The firm was all set for launch, not in one market, but many markets at the same time. The determinant of the penetration strategy was the network of the founders. They had already made inquiries in their respective networks and received a positive response. Their network was denser in Northern and Central Europe and North America, but the choice was made to focus on Northern and Central Europe initially.

### **The Internationalisation Process of the Firm and the Decision-Making Logic Applied**

From the planning and the first month of operation, the founders all agree that they applied a mixture of causal and effectual logic. Causal in terms of everything being planned in detail, with a rigorous business plan set up, and they had together analysed the market and possible strategies, ways to implement and also set up functions to follow up on the progress of

the firm. It was also effectual in the sense that the founders started a viable business, given the means at their disposal.

The first month after the establishment of the firm involved intense usage of each member's networks, both in terms of finding clients, employees and signing several contracts with clients, mainly from the collaborative network of the founders.

At the beginning of February 2020, the first contracts had been finalised, and recruitment started. In the middle of March, the first employees started to work at their respective workplaces. The first markets penetrated were Finland, Sweden, Denmark and Germany, all North European countries, later followed by Ireland. At the beginning of April, it was clear that the Covid-19 pandemic would harm the business as contracts that were being negotiated were put on hold and in one case cancelled due to the travel restrictions that had been imposed between many EU countries, amongst them Finland.

This increased the uncertainty of the business environment, and the initial plans had to be modified. The management team quickly understood that sending personnel between countries would not be as easy as predicted.

Founder A stated that "within a few weeks of the pandemic's spread in the EU, we noticed a higher level of hesitation among clients and potential clients: they did not want to physically bring staff to their workplace as many of them decided to close their offices and work from home. We then sat down and rethought our idea. If we cannot bring the person to the country where they should work, a lot of problems would arise, such as the issue of residence permits. Residence permits within the EU are a formality, but to get a permit, you must physically reach the country where you should work, and that was no longer an option. We then came up with the idea that the best solution would be that the worker would become a subcontractor to our firm and we later sold his or her services to the client whilst the person worked from home". The company had to rethink its business concept and not work according to the causal planning, but rather do what could be done given the conditions set and the resources at hand.

All the founders agree that this was a fundamental shift towards effectual logic because now the firm no longer worked according to an ends-driven logic but rather a means-driven one, in accordance with Sarasvathy (2001, 2008), who states that firms working under uncertainty and limited resources tend to opt for effectual logic. This also corresponds with the findings of Berends et al. (2014), who conclude that firms in their nascent stages tend to opt for effectuation due to lack of resources and uncertainty.

The firm entered a period in which the uncertainty level was high, and the extreme conditions the firm faced due to the Covid-19 situation forced it to rethink its very core business ideas and it entered a period where effectuation was dominant as a decision-making logic. Nummela et al. (2014) state that there are periods in a firm's life where one decision-making logic can dominate. This was true in the case of firm X. According to all four founders, the combination of the firm's age and the level of uncertainty it found itself in, made it impossible to apply any form of causal logic in the short term, even if long term plans still existed but were deemed not to be of any use at the point of internationalisation. This contrasts with Chetty et al. (2013), Sitoh et al. (2014), as well as Maine et al. (2015), who all conclude that firms apply and benefit from the application of both logics simultaneously.

Founders C and D said that they usually apply elements of both decision-making logics, but entering a new market of which they have little or no prior knowledge usually means a higher degree of effectual logic being applied. Founder B said she tried, if possible, to "at least in

her mind stick to the business plan", which she perceived as strongly causal. However, the extreme conditions the firm faced, not only due to Covid-19, but also a general feeling of uncertainty as the venture was new, she describes in terms of reaching a tipping point, when a means-driven logic was the only viable option.

Founder A described a similar feeling, but as a serial entrepreneur, he felt that diverging from the original plan was not something that worried him. The business had already been set up using a mixture of effectual and causal logic.

In the coming months between April and June, the firm continued to operate in an environment of high uncertainty, but in the middle of May, contracts started to be signed again. The firm could continue its operation as a born regional, a definition that all the founders agree upon as a fitting description of the internationalisation process of their firm. The difference was that now most contracts were signed not according to the original concept but the new and modified one. The firm, which initially planned to employ its workforce, now operated to a high degree with the idea of subcontractors working from home.

In June and July, when the travel restrictions started to ease within the EU, more contracts were signed. These now began to be in accordance with the original concept, and the firm continued to directly hire staff who were later hired out and physically worked at their clients' workplaces.

On August 5, the firm had a board meeting. It was decided that the firm should try to steer the business back to the original long-term concept, but as long as uncertainty remained in the market, the firm would push both the original business concept and the new and modified concept where subcontractors working from home would be a part of the firm's concept. The board concluded that this would make the marketing effort more difficult and branding less clear.

However, the level of uncertainty meant that the firm had to be sensitive to the mood of the market, and rigid business plans could not be implemented. Instead, the firm's short-term goal was decided to be that of providing the most viable option for the client due to the external restraints imposed by the Covid-19 pandemic. Founder A, who is a serial entrepreneur and the CEO of the firm, and Founders B and C all state that they, in general, favour a mix of causation and effectuation, whilst Founder D leans towards the application of causation, and he expresses a reluctance to adopt a higher degree of effectual reasoning. One thing they all agree on is the fact that the decision-making logic in the firm was to a high degree affected by psychological factors such as to what extent the information they received, not only from the market but from media and other sources, was positive or negative.

## **Future Outlook**

The management team of the firm concluded that the level of uncertainty in the market would remain high for an unknown period. The management viewed the original business concept as the best option long-term, but in the short-term, due to uncertainty and the risk of contingencies, the firm decided to continue to offer: 1) recruitment as a separate service, where the client is later the employer; 2) recruiting and later hiring out the personnel to the client; and 3) being a subcontractor to the client, who in turn uses subcontractors in other EU countries working from home.

Concept number 2 is viewed as the most profitable option. Still, due to the factors previously described, the board chose to pursue all three concepts, and in the sales process, make extra effort to analyse the needs and also the sentiment of the client regarding the Covid-19 situation. The managers have a positive outlook regarding the long-term perspective, and,

according to founder A, the IT demand has not decreased. He stated: "At this moment in time we are working on a market that is highly driven by psychology, which is something highly evident in the negotiations with potential clients: the sentiment can be positive one day and by the time of the next meeting things have changed so all the time we have to experiment with our offering and the fact that we are not in control of the situation. One day positive news can come out regarding the opening of the borders, and then the client suddenly wants to discuss our original business idea. Then negative news can come out through the media, and we are back trying to sell in a distance working option. One problem is also that we feel that we do not fully understand the culture and the way the society of the home country of the firm works. This makes it difficult for us in one way since we cannot access information that the locals can and nor can we predict where things are going since we can't fully understand everything that is going on due to the cultural and language barrier. This combined complicates not only our sales process but also the legal aspects such as hiring people. We do not know how the market will change from day-to-day, and it is not straightforward; but still, we are moving forward with our internationalisation process. I would say we are a born – regional and the EU is our market, but our business concept is fluctuating, so we have shifted from an ends-driven logic to a situation where we do what we can with what we have". All the founders agree that the long-term outlook of the firm is good, but due to the high level of insecurity, the short-term risks are high.

## METHODOLOGY

### Case Study Method

We decided to conduct a case study where we followed a single firm in its nascent stages of internationalisation after its founding. We performed deep level unstructured interviews with the founders and obtained access to protocols and correspondence between the founders and outside parties.

Our aim was to: a) describe the firm and its founders, as well as the market it operates in; b) examine which decision-making logic was dominant during the nascent stages of the firm's internationalisation, and whether any drivers could be identified if the decision-making logic shifted during the period of observation; and c) describe the internationalisation process itself and connect it to existing theories of the Uppsala model of internationalisation, "born global" and "born regional", in order to examine which one was mostly applicable to the firm in question, and why. The founders of the firm stated that they wanted to participate in the study on condition of anonymity. This made it possible for them to disclose certain information that could otherwise potentially damage their business and leave them vulnerable to competition and made it possible to gain access to a deeper level of information and openness in terms of the events that unfolded.

### Data Collection

The study used deep-level interviews with the founders, both individually and together as a group. These interviews took place once every second week for eight months. In addition, the authors examined official and unofficial documents concerning both the internal and external nature of the firm. The study took precautions so that the information in the article could not damage the image of the firm and its owners.

The study also examined news and reports corresponding to the period of the interviews, as well as official governmental policies in relevant areas such as travel restrictions. The

definitions of causation and effectuation were given to the interviewees based on the descriptions provided by Sarasvathy (2001) earlier in the article.

## RESULTS

The firm indeed had an "interesting start" as founder D put it in our discussions. In the beginning, the firm operated according to a balanced mix of causation and effectuation: causal in the way that there were a clear vision and an ends-driven strategy, and effectual in the way that the business idea was discussed in terms of "what we can do with our knowledge and resources", as the founders all agreed on in our conversations. They all agreed that there was a balanced mix according to the definitions of causation and effectuation provided by Sarasvathy (2001).

The founders all agreed that the reason why they started their business was so that they could tap into the synergy of their respective networks and skills. They also had a limited amount of resources at their disposal compared to the leading actors in the market. Therefore, they adopted a decision-making logic that was balanced and a mix of causation and effectuation.

The events that soon followed led to a higher level of uncertainty in the market and society in general, and the management team found it impossible to continue with the business plan and the strategies previously formulated and implemented. The level of uncertainty and contingencies in the firm's surroundings made the management team shift towards effectuation as a dominating decision-making logic. Since the firm is organised according to a functional structure (Fairfield, 2016), the shift of decision-making logic can easily be examined. The change could be seen across all functions of the firm.

The firm can also be characterised as a "born regional" according to the definitions given by Lopez, Kundu & Ciravegna (2008). The founders made the strategic choice to adapt the business concept according to the profile of their respective skills. They also sought to draw advantage from their combined network, spanning across the globe. Sarasvathy (2001) stressed that firms seek to establish and draw benefits from their network. This case, however, has proven that there is also a likelihood that the individual network is a factor since the founder of company X decided to start a venture where they could tap into each other's strengths and extended networks. Networks are in this respect essential both on the individual level in the period leading up to and after the launch of the business and on the intra-firm level, since firms with limited resources, according to effectuation theory, often seek partners for cooperation or co-creation (Read & Sarasvathy, 2012).

However, in this case, as the firm is managed by a group of expat-reneurs, the lack of knowledge of the firm's home country made it more difficult to follow the events there. This was a problem since the managers found it difficult to make predictions regarding legislative actions because they did not understand the language. Expat-reneurs, therefore, work in a more challenging environment than international entrepreneurs operating from their native country. This was evident in this case and caused a greater level of uncertainty, due to lack of understanding of rules, narratives, and political events. Perhaps this forced the firm to prepare itself for a more significant number of possible scenarios.

Additionally, due to restraints in the form of regulations and resources, the firm focused on the inner market of the EU. All managers stress the importance of the EU for the possibility of carrying out rapid internationalisation. Internationalisation in this case was very different from the one described by Johansson & Vahlne (1977), where physical distance and culture was the determinant of a gradual internationalisation process. In this case, internationalisation occurred

instantaneously, and the determinant factor of which market was penetrated to a higher degree was not physical distance or culture, but rather the density of the network. The decision-making logic applied was, according to all founders of the firm, a mix of both causal and effectual decision-making logic, with a leaning towards effectuation.

All the founders, except for B, have vast experience in entrepreneurship, and they are all that is commonly referred to as serial entrepreneurs. Despite this, B, with her background in innovation, states that she favours effectual reasoning. In the beginning, the firm operated with a balanced mix of logics, however, with a tilt towards effectuation. Still, as events unfolded, the use of effectual logic became dominant since the environment became less stable and unpredictable. The events that unfolded were also outside the firm's control, so an ends-driven decision-making logic became increasingly redundant.

This case also shows a reality different from the one described by McDougal (1989), where the grand entry strategy, as she called it, meant that the firm must have vast resources at its disposal. In this case, the situation was quite the opposite, and the firm managed to survive and grow in a difficult time due to its capability of adapting to a changing reality. The isomorphism showed by the management team was one reason why the firm survived its initial stage of development, despite the difficulties associated with the outbreak of Covid-19, a pandemic that forced many firms out of business. Flexibility and an ability to quickly adapt to a new reality was a factor that made it possible for the firm to survive. The founders shifted and re-shifted their decision-making logic, and that made the firm more resilient in overcoming the challenges it met. The founders stated that they used a combination of both decision-making logics. Still, in a time of uncertainty, the decision-making logic shifted towards effectuation, and the focus shifted towards what could be done and not what should be done.

## CONCLUSION

The decision-making logic of this firm was initially formed according to the usage of both logics, as stated by Chetty et al. (2013); Sitoh et al. (2014), as well as Maine et al. (2015). As the level of insecurity in the market grew, the firm's logic shifted more towards effectuation, as stated by Sarasvathy (2001, 2008). The rapid changes in the market environment also support the notion that decision-making logic shifts and re-shifts, as described by Nummela et al. (2014). Therefore, our case study concludes that decision-making logic is not only determined by the stage of development of the firm, the level of uncertainty of the environment, and events affecting the firm, but is also influenced by the management's expectations of the future.

This study shows that in periods where the management team expected the situation of the market to stabilise, they made attempts to adopt a more causal logic, and when the expectations or fear of a worsening problem grew stronger, they shifted towards effectuation, even before the anticipated situation occurred. The application of decision-making logic was in this case driven by expectations and perceptions of the future, meaning that psychological factors played a larger role than the actual events unfolding.

A reason why the firm survived was its ability to shift and re-shift its decision-making logic, therefore making it more adaptable to an uncertain future where the level of contingencies was fluctuating.

The firm is also an example of a born regional, where a free trade zone or a large single market in combination with technology makes it possible to achieve rapid growth. The study also shows that a wide network gives a competitive advantage.

## Limitations

The study acknowledges that there are certain limitations in the data collection and analysis. Notably, there is a limitation associated with our subjective interpretation of the answers given during the interviews, which are subjective to our understanding, as well as a subjective interpretation of events and circumstances by the interviewees. Furthermore, the study faces a limitation regarding the fact that it cannot be generalised. The study of one firm cannot be representative of a larger population of firms. However, it can be argued that a deep-level case study can give insights that cannot easily be obtained in a meta-analysis or a literature review study, since the study follows events as they unfold and gets real-time information on how the managers felt, acted and reasoned through the course of events.

## REFERENCES

- Alsos, G.A., Clausen, T.H., Hytti, U., & Solvoll, S. (2016). Entrepreneurs, social identity and the preference of causal and effectual behaviours in start-up processes. *Entrepreneurship and Regional Development*, 28(4), 234-258.
- Arvidsson, H.G.S., & Coudounaris, D.N. (2020) The shift from causation to effectuation for international entrepreneurs: Attitudes and attitude change versus social representations. *International Journal of Entrepreneurship*, 24(3), 1-23.
- Arpaia, A., Kiss, A., Palvolgyi, B., & Turrini, A. (2015). Labour mobility and labour market adjustment in the EU. 539, December 2014.
- Barnard, H. (2010) Overcoming the liability of foreignness without strong firm capabilities-The value of market-based resources. *Journal of International Management*, 16(2), 165-176.
- Berends, H., Jelinek, M., Reymen, I., & Stultiens, R. (2014). Product innovation processes in small firms: Combining entrepreneurial effectuation and managerial causation. *Journal of Product Innovation Management*, 31(3), 616-635.
- Chetty, S.K., Partanen, J., Rasmussen, E.S., & Servais, P. (2013). Contextualising case studies in entrepreneurship: A tandem approach to conducting a longitudinal cross-country case study. *International Small Business Journal*, 32(7), 818-829.
- Clavel San Emeterio, M., Juaneda-Ayensa, E., & Fernández-Ortiz, R. (2020). Influence of relationship networks on the internationalization process: The moderating effect of born global. *Heliyon*, 6(1), e03148.
- Coviello, N.E., McDougall, P.P., & Oviatt, B.M. (2011). The emergence, advance and future of international entrepreneurship research — An introduction to the special forum. *Journal of Business Venturing*, 26(6), 625-631.
- Coudounaris, D.N., & Arvidsson, H.G.S. (2019). Recent literature review on effectuation. Academy of Marketing Conference 2019, International Marketing Track, 2-4 July, London, UK, pp. 1-18.
- Dutta, D.K., Gwebu, K.L., & Wang, J. (2015). Personal innovativeness in technology, related knowledge, experience and entrepreneurial intentions in emerging technology industries: A process of causation and effectuation? *International Entrepreneur and Management Journal*, 11, 529-555.
- Ellison, M. (2017). Through the looking glass: Young people, work and the transition between education and employment in a post-Brexit UK. *Journal of Social Policy*, 46(4), 675-698.
- European Commission (2019) Analysis of shortage and surplus occupations based on national and Eurostat Labour Force Survey data.
- Fairfield, K.D. (2016). Understanding functional and divisional organizational structure: A classroom exercise. *Management Teaching Review*, 1(4), 242-251.
- Ferrera, M., & Pellegata, A. (2018). Worker mobility under attack? Explaining labour market chauvinism in the EU. *Journal of European Public Policy*, 25(10), 1461-1480.
- Hagen, B., & Zucchella, A. (2014). Born global or born to run? The long-term growth of born global firms. *Management International Review*, 54(4), 497-525.

- Johanson, J., & Vahlne, J. (1977). The internationalization process of the firm - A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Johanson, J., & Vahlne, J. (1990). The mechanism of internationalisation. *International Marketing Review*, 7(4). <https://doi.org/10.1108/02651339010137414>
- Knight, G.A., & Liesch, P.W. (2016). Internationalization: From incremental to born global. *Journal of World Business*, 51(1), 93-102.
- Leslie, J., & Elijah, A. (2012). Does N=2? Trans-tasman economic integration as a comparator for the single European market. *Journal of Common Market Studies*, 50(6), 975-993.
- Lopez, L.E., Kundu, S.K., & Ciravegna, L. (2009). Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry. *Journal of International Business Studies*, 40(7), 1228-1238.
- Maine, E., Soh, P., & Dos Santos, N. (2015) The role of entrepreneurial decision-making in opportunity creation and recognition. *Technovation*, 39/40(1), 53-72.
- Matalamäki, M.J. (2017) Effectuation, an emerging theory of entrepreneurship-Towards a mature stage of the development. *Journal of Small Business and Enterprise Development*, 24, 928-949.
- McDougall, P.P. (1989) International versus domestic entrepreneurship: New venture strategic behavior and industry structure. *Journal of Business Venturing*, 4(6), 387-400.
- McDougall, P.P., & Oviatt, B.M. (2000) International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43(5), 902-906.
- North, D.C. (1991) Institutions. *The Journal of Economic Perspectives*, 5(1), 97-112.
- Nummela, N., Saarenketo, S., Jokela, P., & Loane, S. (2014) Strategic decision-making of a born global: A comparative study from three small economies. *Management International Review*, 54, 527-550.
- Oviatt, B.M., & McDougall, P.P. (2005) The internationalization of entrepreneurship. *Journal of International Business Studies*, 36(1), 2-8.
- Pasimeni, F., & Pasimeni, P. (2016) An institutional analysis of the Europe 2020 strategy. *Social Indicators Research*, 127(3), 1021-1038.
- Read, S., & Sarasvathy, S.D. (2012) *Co-creating a Course Ahead from the Intersection of Service-dominant Logic and Effectuation*. SAGE Publications, London, England.
- Sarasvathy, S.D. (2001) Causation and effectuation: Towards a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-263.
- Sarasvathy, S.D. (2008) *Effectuation*. Edgar Elgar Publishing.
- Selmer, J., McNulty, Y., Luring, J., & Vance, C. (2018) Who is an expat-preneur? Toward a better understanding of a key talent sector supporting international entrepreneurship. *Journal of International Entrepreneurship*, 16(2), 134-149. <https://doi.org/10.1007/s10843-017-0216-1>
- Sitoh, M.K., Pan, S.L., & Yu, C.Y. (2014). Business models and tactics in new product creation: The interplay of effectuation and causation processes. *Transactions on Engineering Management*, 61(2), 213-224.
- Vahlne, J., & Ivarsson, I. (2014). The globalization of Swedish MNEs: Empirical evidence and theoretical explanations. *Journal of International Business Studies*, 45(3), 227-247.
- Zucchella, A., Hagen, B., & Serapio, M.G. (2018) *International Entrepreneurship*. Edward Elgar Publishing. UK: London.