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The Impact Of Effectuation Principles On Business Growth Of Smes In Pakistan

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Abstract

Background: The establishment and expansion of small enterprises have been suggested as a remedy for Pakistan's high unemployment and rising levels of poverty. Due to resource limitations, the causality method has had difficulties helping small firms grow. Consequently, it would be wise to look at the emergent effectuation technique. Aim: The purpose of this research sought to ascertain whether a small business owner's use of effectuation and its associated constructs; Bird in hand, creation of future, flexibility, affordable loss, and strategic alliance, would lead to business growth in terms of sales, assets, and employment, as well as whether the industries in which the businesses are situated are moderating factors. Methods: A quantitative analysis of 31 SMEs was performed utilizing a structured questionnaire. Used nonprobability techniques for sampling, SPSS software was utilized to evaluate the data. Pearson correlation and descriptive statistics were used to analyze data. Results: The study discovered statistically significant correlations between effectuation and its subcomponents, affordable loss and strategic alliances shows negative correlation with financial business development. These discovered correlations were not moderated by industry type. The firms presumably adapted to the uncertain and ever-changing environment they operate well by applying experimentation (Bird in hand) and embrace contingencies (lemonade). Statistically significant connections between effectuation and its components with business development were found. Suggestion: This study suggests to combine principles of effectuation and causation for different stages of business cycle in order to survive in the market. Present study proposes that during idea development and introduction stage of business life cycle effectuation principles facilitate in successfully starting the business. While in the growth, maturity and decline stages respectively causal logics serve well. Conclusion: Policymakers, the government, and financial institutions may be informed by this study's conclusions that using the effectuation technique as a tool for small company startups, owner training, funding, and/or assistance is the best alternative

Keywords: *business growth; effectuation; contingencies; affordable loss; flexibility; future commitments; strategic alliance.*

Introduction

The current or conventional strategy for fostering entrepreneurship depends upon the causality method which calls for creating a business plan before securing finance (or other means) to carry

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it out (Roach, Ryman, & Makani, 2016). Small company owners' lack of access to financing is one issue that plagues this strategy (Lloyd, 2018). Given Sarasvathy's (2001) contention that it begins with the available means to decide the type of business that may be developed, a tendency towards the alternative strategy of effectuation may show to be a worthwhile cure. This developing concept of effectuation was first discovered among 27 resource-constrained professional entrepreneurs in the USA by Dr. Sara Sarasvathy during her PhD program research, which draw attention towards totally different approach for starting business successfully.

Understanding the theoretical foundations of the research is helpful for analysing the outcomes of studies on entrepreneurship. The responsibility of the entrepreneur is to identify possibilities and take advantage of them is one of the fundamental presumptions shared by much-published research on entrepreneurship. From that vantage point, it is simple to understand the significance of concepts like entrepreneurial awareness and entrepreneurial orientation. New ideas, on the other hand, take a fresh angle on the difficulty of starting a business. For instance, Effectuation makes the assumption that opportunities arise when an entrepreneur and her partners create them rather than that they are there waiting to be found. In this situation, a number of various concepts become crucial for comprehending corporate growth. The budding entrepreneur may get insight from concepts like what each participant offers to the process of generating opportunities, how each participant handles risk, and how adaptable each participant is when presented with the surprises that test a start-up (Johansson and McKelvie, 2012).

The two most significant novel approaches decision making or establishing the logic are causality and effectuation. According to Sarasvathy, et al., (2014), the primary leadership process is presented as causation, which depends on the planning and analysis of inert market research as well as organised technique approximation. Effectuation is a modern strategy that many firms use nowadays. It is based on the objectives and research technique, first mentioned in a 2001 research report by Sarasvathy that won an honourable mention. Seeing how the implementation process relates to more erratic circumstances is fascinating.

Here, the control methodologies are highlighted which depend on using each expense asset, adaptability, and the implementation of suitable collaborative responsibilities to open up new markets and objects rather than trying to make an emerging business strong for future events. (Sarasvathy, 2001; 2008).

Effectuation touches on concepts that have been discussed in the context of entrepreneurship for many years, necessitating the careful and exact operationalization of effectuation in order to separate it from earlier work. We make a precise set of recommendations for how to empirically depict each of the theoretical heuristics related to effectuation as part of our contribution in this field. We hope that these recommendations will be helpful to anybody looking into effectuation, regardless of approach, and that they will help the field move forward in terms of effectuation research in particular and in general of the "made" view of entrepreneurship.

Literature Review

It is widely accepted that there is still a need for a unique entrepreneurship theory. The underlying "found or made" dilemma may be one of the reasons why academics have had limited success developing a theory of entrepreneurship (Alvarez & Barney, 2005, in press; Miller, 2007).

In reality, the majority of entrepreneurship effort involves working in a setting of uncertainty (Knight, 1921), and innovative methods of creation of products or services. This is in contrast to research efforts that believes opportunities are created by entrepreneurs (McMullen & Shepherd, 2006), which can be pinned down to Kirzner, (1973).

According to earlier research (Baron et al., 1999), earlier decisions and strategies have an influence on later-stage companies' growth. Similar to this, the methods entrepreneurs use to seize opportunities (such as causality or effectuation) may put a substantial influence on final performances of the business. McKelvie (2013) assert that it is inferred from the literature that the use of effectuation is better despite the fact that there is no conclusive assertion in the literature that either effectuation or causality cause higher business performance.

The creation of new or existing goods can result in greater sales assets, and staff numbers (Achtenhagen, Brunninge & Melin, 2017). This type of growth is referred to as organic company growth. When opposed to the use of non-financial indicators, the usage of economic indicators to quantify business growth is more objective and reduces responder bias (Gerschewski & Xiao, 2015). Sales and staff growth are the two main factors that determine how well a corporation performs (Yeboah, 2015). Sales (revenue) growth and asset growth were employed by Eshima and Anderson (2017) as financial measures of firm growth. In essence, the type of company development may be classified as either financial (FBG) or non-financial (NFBG).

Similar to this, Read, et al (2009) offer proof that the effectuation could result in a "superior outcome" in long-term company performance through a meta-analysis. Recent research by Eijdenberg among Burundian entrepreneurs suggests that there is no appreciable distinction between effectuation and causality in terms of small company growth, Eijdenberg et al. (2017). Similar to that, this study makes an effort to respond to this fundamental research topic by using actual data from recognized small tourist businesses in Ethiopia. However, it differs from the research investigation of Eijdenberg et al. (2017) in the areas analyzed and the employed scales, even though both studies were done among small enterprises which showed similar results regarding impact of effectuation principles. Another study was carried out in the sector of tourism (i.e., tour managing organizations) used scale developed by Chandler et al. (2011), as opposed to the study by Eijdenberg et al. (2017), which was conducted in the retail sector (alimentation shops, boutiques, and mini-markets) built on Brettel et al., scales (2012). The need for a detailed inquiry of the connection between effectuation principles and the growth of new firms has also encouraged this study.

As part of their development of a validated scale to assess effectuation as a formative concept through its five dimensions, affordable loss, experimentation, pre-commitment, and flexibility, and creation of future, Chandler et al. (2011) proposed five principles of effectuation. In recent empirical research (Smolka et al., 2018; McKelvie et al., 2013; Cai et al., 2016), evaluating effectuation through its five dimensions has gained popularity in the available entrepreneurship literature.

Dew et al. (2009) contrasted the key distinctions between the two methods. In contrast to causality, which is determined to be goal-oriented, predictive, competitive analysis, and expected return, effectuation is determined to be goal-oriented, creative, collaboration, affordable loss, and leverage. In contrast to the causality model, which solely includes precommitments, Chandler et al. (2011) identified five effectuation principles: affordable loss, experimentation, precommitments, pilot in the plane and flexibility. In a nutshell, Sarasvathy and Germain, (2011). Chandler, 2011 and Dew, 2009 list the following as the principles of effectuation: Means-driven: Starting with the resources we have, think about resources like our assets and inventories as well as resources like whom we know, who we are, and what we know. Create a goal utilizing these resources after that. The aim will vary when the techniques change in order to accommodate any unforeseen or unpredictable circumstances. Pre-commitments also called crazy quilt/ patchwork: Instead of building competitions, establish friendships because opportunities arise from relationships. Who might be able to create them for you? Find out. Collaborating with people whose skills match your own will enable you to both contribute to the construction of the final result. Pilot in the Plan principle given that the future is believed to be uncertain, short-term studies have created opportunities to mitigate potential surprises. Lemonade also known as embrace contingencies; advocates unexpected changes may also be useful since it leads to interesting, unexpected plans that alter directions as well as adaptive products and corporate structures. What percentage of failure is a bearable loss? Pay close attention to any drawbacks, errors made along the road, lessons learned, and advancement. How much money is invested depends on how much each stakeholder stand to lose stated as affordable loss principle.

"The process of evaluation and assessment pursued along various dimensions of strategy, over a relatively short period of time, in an effort to identify and establish a viable basis for competing" is what Cai et al. (2016) define as "experimentation." The effectuation process, in the words of Sarasvathy (2001), "focuses on experimenting with as many strategies as possible with the given limited means." Thus, even while making a series of mistakes costs and takes more time for business owners (Sarasvathy, 2001), experimenting is a useful tool for setting strategic objectives and developing a workable business plan in the face of uncertainty (Chandler et al., 2011; Fisher, 2012). The business models defined could not, however, constantly function effectively in non-Western environments, unlike in developed countries (Cai et al., 2016).

"Affordable loss" is "the degree to which entrepreneurs forecast an investment accordingly, that whether they could bear the loss of this start-up" Read et al. (2009). Consequently, an effective

entrepreneur is prepared to risk the assets he can afford to lose in the worst situation, unlike a causal entrepreneur who estimates predicted profits. By exiting the new firm and attempting to pursue another opportunity, he may be able to restrict losses or decrease the effect of a potential failure thanks to affordable loss (Dew et al., 2009). Similar to this, Fisher (2012) claimed that using an affordable loss helps allocate finite resources to new ventures one at a time.

The term "pre-commitment", according to Chandler et al., (2011) refers to "an emphasis on pre-commitments and pre-partnerships to mitigate the risk of an unpredictable future events". Effective entrepreneurs may create strategic alliances and collaborations with stakeholders, such as venture capitalists, in the new business by using pre-commitment (Sarasvathy and Dew, 2008).

Nevertheless, they only collaborate with parties who share the venture's risk and stand to gain from its success, according to Read, Song, and Smit (2009). Overtrust and naïve benevolence do not result in productive collaborations. Anyone who is willing to contribute the required capital and expertise to support the new business will be able to own a stake in it. Because of this, effectuators are helped by their highlighting of strategic alliances and pre-commitments to "network of all the stakeholders who had committed to be part of new venture" and compromise on only portion to lose, may or may not results in financial success," (Sarasvathy and Dew, 2008). Therefore, creating effective relationships with those shareholders who make genuine commitments is crucial for the survival and development of innovative enterprises, especially in contexts with limited resources.

Prior research has demonstrated that employment size is considerably increased by future planning. For instance, Shane (2003) offered actual proof that "the entrepreneur's propensity to make preparations for the years to come substantially enhanced the employment prospects of their ventures". Therefore, in this study, a bigger shift in employment size is anticipated among entrepreneurs with causation tendency compared to those with effectuation behavior due to their propensity for preparing for the future. This assumption is consistent with the principles of effectuation, which, according to Sarasvathy (2001), place more emphasis on influencing the unexpected future than on foreseeing the uncertain future (causation). According to Aldrich and Langton (1997), practically all small and medium-sized businesses started off modestly and then grew as they survived. As a company grows older, startups will only gradually be able to incorporate their knowledge of human resource management into organizational transformation (Brush et al., 1997).

Osiyevskyy, et al., (2023) evaluated the role of effectuation and causation for SME survival amidst economic crisis. Authors developed theoretical framework based on literature available on effectuation and the emerging variance-based perspective on entrepreneurial actions. Sample was collected from Russian SMEs (2015-2019) to test the hypotheses during period of economic crises and recovery. Results shows that effectuation logic serve best in the time of economic shock and help firms for recovery.

Kamble, et al., (2023) Investigated effectuation and causation perspective of design thinking

influence innovation in high-tech venture performance in India. Findings shows influence of effectuation and causation on platform-based venture performance was found to be mediated through the digital capabilities acquired by these ventures.

Alves and Yang., (2022) analyzed cognitive mechanisms in entrepreneurship competence and its implication for open innovation. In accordance with Cambridge University, suggests that cognitive behavioral therapy and design thinking are effective means to improve cognitive flexibility. Effect of entrepreneurial decision-making logic on the survival and growth of new ventures was measured by Dan Long, et al., (2021). The empirical results show that goal orientation plays a negative role in promoting new venture sustainability, while avoiding contingencies has a positive influence on it.

Effectuation and Business Growth

According to the studies available on SMEs business growth, not much is currently understood regard to this phenomena, as well as conceptual progress has been slow (Wiklund, Patzelt, and Shepherd, 2009). In order to explain growth using elements connected to the entrepreneur and entrepreneurial activity, the study has mostly concentrated on characteristics that precede growth.

Individuals and businesses may both be entrepreneurial. The emphasis has been on EO (Wiklund, 1999; Covin & Slevin, 1989), firm's size or resources (Connor, 1991; Alvarez & Busenitz, 2001), the relationship between the firm and its market or environment (Audretsch, 1995; Davidsson, 1989), strategic orientation (Lumpkin & Dess, 1996), or environmental features (Davidsson, Kirrchoff, Hatemi & Gustavsson, 2002; Barney 1991).

The researchers have provided actual data on how effectuation logic functions in real-world businesses. Qualitative analysis of internationalization of 5 current manufacturing small enterprises was published in 2014 by Kalinic et al., unplanned internationalization does not always result in irrational actions, but businesses often make choices based on the affordable loss principle (Kalinic et al., 2014) rather than the maximization of predicted returns. A study investigated businesses interacting ways with the customers while developing new goods. From the finding of this study it has been prove that innovative ventures frequently take feedback from their customers (Coviello and Joseph, 2012).

The study on company growth may be divided into three main research streams (McKelvie and Wiklund, 2010). Growth is shown as a result in the first. In this area of research, growth is viewed as a variable that depends on the factors being studied (Batt, 2002; Barron, 1999; Baum, Locke, & Smith, 2001). The effects of growth are the main topic of the second stream. According to this perspective, changes in business processes, particularly in decision-making and knowledge, lead to growth. Growth is seen to be a factor that affects other factors (Thomas, & Snow, 1993). This study falls within the primary classification of McKelvie and Wiklund (2010) which deals with growth as an outcome. To get fresh insights into the phenomena of the expansion of existing enterprises, this is examined via the lens of effectuation.

Literature Gap

This study addressed whether the practice of effectuation by business owners or entrepreneurs in Pakistan lead to company success. If the sectors of those entrepreneurs worked in (retail, services, and manufacturing) effectuation or its component constructions' links with company success? was another area of disagreement. This research also focuses on the business growth of small enterprises in Pakistan.

Problem Statement

Although entrepreneurship plays noteworthy part in the development of economy of the state, there is still a necessity to emphasize on encouraging entrepreneurial activities in Pakistan especially in youth and there is need to understand that why most of the business fail in their early stage of the business.

Large portion of the youth is not willing to take risk to be an entrepreneur due to the fact that young entrepreneurs are more likely to face failure in their early stage of business life cycle. This is due to lack of knowledge and application of correct models (Casual or effectual).

There is ultimatum need for understanding which remedy leads to business growth in order to improve business success ratio. It is of pronounced importance for business to reconsider their business models and conduct feasibility analysis for business growth (Donthu, et al., 2020). Hence, the current research emphasizes on individual impact of each principle of the effectuation model proposed by Sarasvathy (2001) on business growth of SMEs in Pakistan to suggest the appropriate principles and traits for entrepreneurial success.

Research Objectives

The importance of effectuation cannot be overstated, both for the launch of a new company and for its continued existence in a cutthroat market. The aim of this study is, ***“to evaluate the impact of effectuation model for the entrepreneurship in the context of five core effectuation principles”***. Moreover, the moderating impact of type of industry shall be analysed amongst the relationship between Effectuation Principles and Business Growth.

Research Questions and Hypotheses

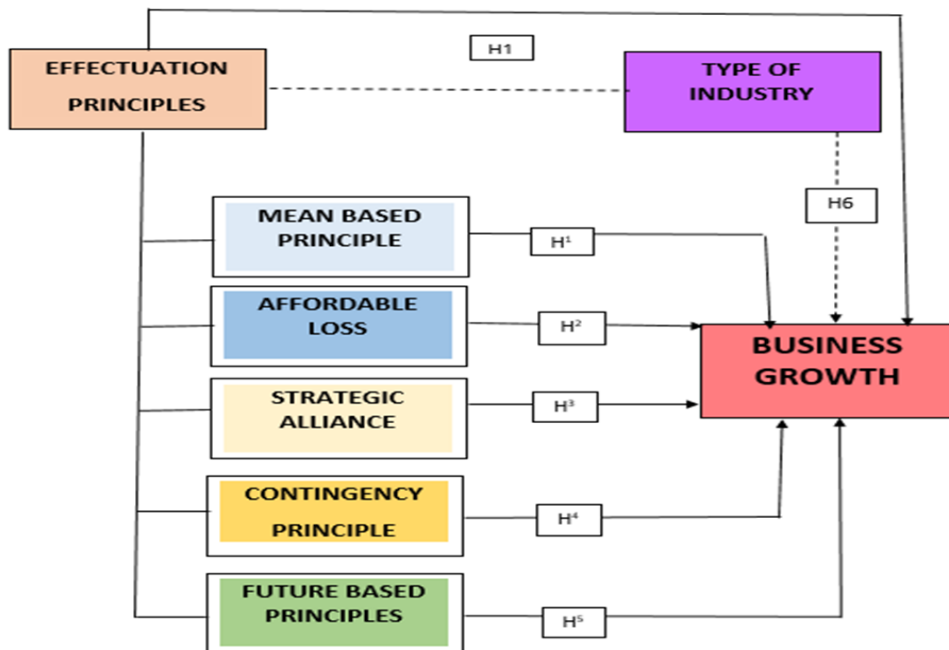
This study depending upon the research objectives anticipates to respond to the following research questions:

- Does implementation of Effectuation Principles have a positive impact on Business Growth?
- Do the industries the businesses are operating moderate the relationship between Effectuation Principles and Business Growth?

Hence, our hypothesis shall be as follows:

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- H¹** Applying effectuation principles have positive relation with business growth.
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- H^{1.1}** Mean based principle have positive relation with business growth.
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- H^{1.2}** Affordable loss based principle have positive relation with business growth.
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- H^{1.3}** Strategic Alliances based principle have positive relation with business growth.
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- H^{1.4}** Embracing Contingencies based principle have positive relation with business growth.
-
- H^{1.5}** Creation of future based principle have positive relation with business growth.
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- H²** The type of industry moderates the relationship between effectuation principles and business growth.
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Conceptual Model



This model suggests that:

1. Effectuation principles have positive impact on Business Growth of SMEs of Pakistan.
2. Mean based principle has a significant positive impact on business growth of the business.
3. Affordable loss based principle has a significant positive impact on business growth of the business.
4. Strategic Alliances based principle has a significant positive impact on business growth of the business.
5. Embracing Contingencies principle has a significant positive impact on business growth of the business.

6. Creation of future principle has a significant positive impact on business growth of the business.
7. Type of Industry plays a moderating role in the relationship between Effectuation Principles and Business Growth.

Mehodology

Research Design

The current study uses a deductive research method because hypotheses are developed from existing theory of effectuation and modified accordingly than data is acquired based on these hypotheses. Additionally, the researcher is unbiased and unaffected by the study's findings; they are free to accept or reject any assumptions and hypotheses. This study used a cross-sectional data gathering approach to perform a survey with the use of adopted questionnaires. The study's participants are small- and medium-sized company owners who are either operating their small- or medium-sized firms from Karachi, Pakistan, or who are engaged in entrepreneurial activities there. Given that the research was empirical and quantitative, positivism was chosen as the research philosophy. The survey research method was utilised because 31 small company owners in were surveyed using a standardised questionnaire that was delivered by interviewers. The quantitative technique was chosen as the research approach since it was the only one that could adequately explore the predetermined research goals. The data collection has a cross-sectional temporal horizon since it was done only once at a single moment in time.

Nature of Respondents

The financial accounts of the firms were examined to determine whether ones had, after three years of steady development, clearly seen a spike of above 30% in their turnover. Several earlier cross-sectional growth studies have employed longitudinal data, however the time periods typically taken into account have been 3-5 years (Delmar, 1997). According to Parker, Storey, and Witteloostuijn (2010), a high-growth business is one with at least 10 starting workers and a rise in turnover of sales of 20% per year for 3 years at least.

When the aforementioned selection standards were used: 1) an industrial business with at least five years of operation; the list was reduced to 83 companies We found 52 companies that met the first two criteria: 1) had at least ten employees at the time of the search but no more than 249 employees; 2) had profitable operations during the cycle; and 3). using the additional criteria, we discovered 31 companies that fit the target group. The extra criterion applied to businesses like construction firms who have seen rapid expansion in a single year after winning a significant contract. These businesses were shut out. 31 prospective firms were found after an initial screening that were worthy of further investigation.

As a commonly often used quantitative growth statistic in the context of entrepreneurship and small company research, the growth of a firm depends upon the firm's growth in sales turnover.

From this point on, a new inclusion requirement was established: 5) sustained development. The chosen businesses had either maintained this higher level or had continued to develop following a growth spike. According to Haltiwanger, Jarmin, and Miranda (2010) high-growth strategies are more focused on achieving short-term goals than building thriving, financially successful businesses (Neumark, Wall, and Chang, 2010),.

Tools/Instruments

Two screening questions were included to the questionnaire designed by Chandler et al. (2011) to measure effectuation practice in order to weed out expert responses. In the first of the two questions, it was inquired whether the business owners had a firm managing experience of at least 15 years, and in the second, if they had managed two or more companies. These respondents would not have been included in the study since they would have been considered experts if they had responded "yes" to both questions. The study also included industry type and business growth indicators (Yeboah, 2015; Adams et al., 2014). After the research's design was finished, non-probability sampling (such as snowball and purposeful sampling) was used to start the investigation. The questionnaire measured the four effectuation components as well as the company growth indicators of assets and sales growth using a five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). The responses to the business growth employment indicator were based on an interval scale.

Data Analysis

The questionnaire was initially field-tested using a pilot study with just 31 participants to see if it would be consistently acceptable for the research's goals. The precision and dependability of the data, instrument, and conclusions are referred to as data validity and reliability (Bernard, 2017). By employing a pre-existing questionnaire that had passed validity checks in earlier investigations, this study proved that the instrument utilised assured validity. Confirmatory factor analysis, or CFA, was used to conduct further validity and reliability tests on the measurement model (questionnaire).

Pearson correlation coefficient is used to determine the intensity and direction of correlation between two variables that are assessed on a similar scale which is determined by which is a widely used coefficient (Akoglu, 2018). The correlation coefficient ranges from 0.00 to 0.10 to reflect a negligible correlation, 0.10 to 0.39 to reflect a weak correlation, 0.40 to 0.69 to reflect a moderate correlation, 0.70 to 0.89 to indicate a strong correlation, and 0.90 to 1.00 to reflect a very strong correlation. The research examined the relationships between the dependent variable of company development and the independent factors (principles of effectuation model).

Results

Demographics

The goal of this study is to analyse how Effectuation Principles influence business growth. The following tabulation and analysis have been done on the information gathered from the target

population through the questionnaire.

The study included three demographic variables. The intended audience consisted of Karachi-based businessmen and women. They have summarised their findings in the tables below:

The majority of the entrepreneurs in our sample were between the ages of 15 and 30. Male entrepreneurs made up more than half of the targeted sample group, and the majority of those who took part in the study operated retail establishments.

Table 1: Age

Age Group	Frequency	Percent	Valid Percent	Cumulative Percent
15-30 years	18	58	58	58
31-45 years	8	25.8	25.8	25.8
46 -60 years	5	16	16	16

Table 2: Gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	26	83.8	83.8	83.8
Female	05	16.12	16.12	16.12
Total	31	100.0	100.0	100.0

Table 3: Type of Industry

Place	Frequency	Percent	Valid Percent	Cumulative Percent
Retail	21	67.7	67.7	67.7
Service	2	6.4	6.4	6.4
Manufacturing	10	32.2	32.2	32.2
Total	31	100.0	100.0	

Reliability Analysis

The Cronbach's alpha analysis is performed to determine how reliable the variables are within themselves. As per (Gliem & Gilem, 2003), the dependability coefficient Alpha typically falls between 0 and 1.

According to George and Mallery's (2003) guidelines, Cronbach's alpha values over 0.80 are acceptable. Cronbach's alpha-ca has a range of acceptable values between 0.71 and 0.9; beyond this number, the common range's internal consistency is poor.

When compared to the threshold values, the table demonstrates that all scales' Cronbach's alphas for the present samples are high. Therefore, the current scale of emotional exhaustion's Cronbach's alpha (=0.885) suggests strong internal reliability.

As a result, the reliability analysis of the current study indicates that the questionnaire has internal consistency.

Table 4: Reliability of the Scales.

Variable	Cronbach Alpha
Effectuation Principles	.834
Mean based principle	.851
Affordable loss	.885
Contingencies	.811
Future Principles	.823
Strategic Alliances	.887
Business Growth	.794
Type of Industry	.625

Correlation Analysis

Correlation analysis is used to determine the degrees of relevance between various parameters. According to Pearson's coefficient of correlation, there are strong positive connections between all aspects of implementation principles and business growth.

Effectuation principles and business growth have a strong positive link, according to the correlation values' findings. It is clear that there is no linear relationship between the variables when the correlation value is 0. The sign of the coefficient denotes the relationship's direction.

		Business Growth	Means Based	Affordable Loss	Alliances	Embrace contingencies	Creation of the future
Business Growth	Pearson Correlation	1	.210**	-.093	-.262	.217	.210
	Sig. (2-tailed)		.000	.613	.148	.232	.249
	N	31	31	31	31	31	31
Means Based	Pearson Correlation	.610**	1	.721**	.749**	.892**	.804**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	31	31	31	31	31	31
Affordable Loss	Pearson Correlation	-.066	.721**	1	.851**	.572**	.583**
	Sig. (2-tailed)	.613	.000		.000	.001	.000
	N	31	31	31	31	31	31

	N	31	31	31	31	31	31
Alliances	Pearson Correlation	-.062	.749**	.851**	1	.553**	.566**
	Sig. (2-tailed)	.048	.000	.000		.001	.001
	N	31	31	31	31	31	31
Embrace contingencies	Pearson Correlation	.217	.892**	.572**	.553**	1	.928**
	Sig. (2-tailed)	.532	.000	.001	.001		.000
	N	31	31	31	31	31	31
Creation of future	Pearson Correlation	.310	.804**	.583**	.566**	.928**	1
	Sig. (2-tailed)	.649	.000	.000	.001	.000	
	N	31	31	31	31	31	31

Mean Based Principle had a statistically significant positive moderate correlation ($r = 0.610, p < 0.0001$). Affordable Loss based principle had negative and negligible correlation ($r = -0.066, p < 0.001$) with Business Growth. Strategic Alliances had a negligible correlation ($r = 0.62, p = 0.45$) with Business Growth. Embrace contingencies, nevertheless, had a moderate positive correlation ($r = -0.532, p = 0.00$) with Business Growth. Only Creation of Future Principles and had a strong statistically significant relationship with Business Growth ($r = -0.649, p = 0.00$).

The study also investigated if industry acted as a moderator in the relationship among effectuation and company's growth. As was previously said, in order to have a moderating impact, the confidence interval for the retail and service sectors should not include zero in the range. The range of the effectuation interval contained a zero. As a result, the link between effectuation and business growth was not moderated by the retail or service sectors. Contrary to what was predicted by the study, the small firm's industry of operation had no moderating influence on the hypothesized links between effectuation or any of its constituent parts and business growth.

Conclusion and Discussion

The results support earlier findings that the logics of effectuation appear to work for the small and medium-sized businesses under study. This is especially true given that these businesses frequently have constrained resources, a tendency to concentrate on a small number of projects, and the capacity to maintain a flexible business model.

Even though the majority of the business firms under study had developed a business plan, but its

actual execution had proven to be very challenging. It has been observed that customer focus and quick demand responses in dynamically shifting environments work best for achieving corporate success. Majority of the investigated enterprises appeared to have relied on the beginning point's resources (what they possess, what they know, whom they know), that is, they have utilized the rationality of model of effectuation. Three out of the ten businesses utilized a strategy that might be characterized as moving in the direction of the objective, which suggests the usage of the logic of causality.

The resources of businesses are more constrained than those of large businesses. They are more flexible than their bigger counterparts but lack the organizational and marketing skills (Berends et al., 2014). The definition of excessive risk taking with Affordable loss is highly ambiguous; a large investment may not be a risk for one organisation while being a danger for another. According to the findings of this study, there is inverse or negative relationship between business growth and affordable loss, thus risk should be carefully considered when investing huge amount for sake of high rate of return. This is inconsistent with other study findings; entrepreneurial businesses choose to accept moderate risks that won't jeopardise their ability to do business as usual (Sarasvathy, 2001). This is consistent with the traits of small businesses, particularly the way that their constrained resources force them to concentrate on only a few initiatives and their adaptability (Berends et al., 2014).

Prior studies of Chandler et al., (2011); Sarasvathy and Dew, (2008) have linked the formation of strategic alliances to effectuation, but the causality method places a strong emphasis on competitor analysis and making decisions in light of those results. Current study suggests to apply causal principle (competitor analysis) for survival and continuing maturity stage. Otherwise, there are more chances to face risk of decline in sales or profits. In order to remain in the competitive environment, it is necessary to keep eye on every strategic move of the competitors.

While some of the organizations under this study did monitor and assess the actions of their rivals, they remained more interested in their own activities and improving them in response to input from customers, distributors, manufacturers, and other stakeholders. This study supports earlier research's results that the entrepreneurial working culture of SMEs is best served by effectuation sub dimensions.

Results show that both effectuation and causation logics are used, however effectuation appears to have been the predominate strategy in maximum organisations. The analysed businesses were small and medium-sized, mostly run by their owners, and had a decision-making process that was somewhat informal, all of which contributed to the high incidence of effectuation.

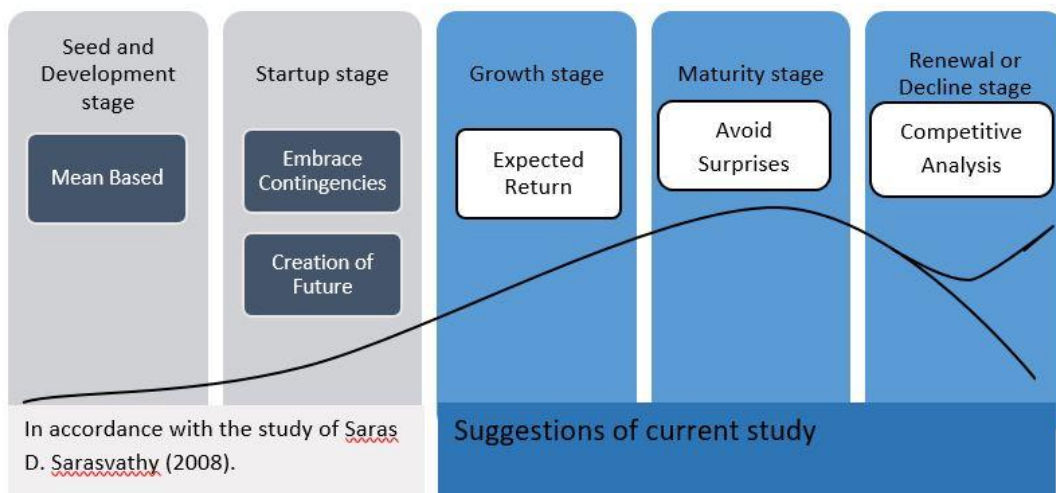
Findings show that when impenetation of Effectuation Principles increases, so does the Business Growth which is in line with our theory i.e. Effectuation principles have a positive direct impact on Business Growth of SMEs of Pakistan.

Suggestion and Recommendation

By raising the possibility that the effective strategy can be advantageous as an entrepreneurial approach for Business owners in emerging nations like Pakistan with limited resources, the study offers a practical contribution. With the aid of effectuation, small business owners would be able to stop worrying about the problem of not having the resources necessary for the selected business endeavour and instead concentrate on what enterprise to launch and expand depending on the resources (means) available.

The results support the earlier research, which holds that effectuation is a useful strategy in chaotic and dynamic circumstances where it is challenging to forecast the future (Sarasvathy, 2001; Fisher, 2012; Dutta et al., 2015). Due to the small and medium-sized businesses evaluated in this study, their size permitted this flexible management. It was also clear that decisions were made quickly and simply; smaller businesses, contrary to what has been written about in the past (McMullen & Shepherd, 2006; Alvarez & Barney, 2005), are more adaptable than larger ones.

A sample of small business owners was used in this study. Future studies might look at the practice of effectuation among small company owners in rural areas and see whether it has any impact on the expansion of those businesses. The study revealed positive correlation between Business Growth as determined by employment growth, and the practice of effectuation or any of the effectuation components. The associations between Business Growth and the independent variables of effectuation were not moderated by type of industry. Future studies might look into the reasons behind this and see if there are any other moderating factors, such gender and education, which may affect the connections.



Current study suggests to combine the both logics for long term survival. It is advised to apply effectuation logic mean based or bird in hand principle in the early seed and development stage. Likewise embrace contingencies and creation of future in startup stage of the business life cycle.

But when an entrepreneur wants profit maximization or business expansion and move to the next stage of growth than its recommended to apply causal principle of expected return. Which state an entrepreneur have to inject more capital and be risk taker for sake of earning high rate of return. Furthermore, in the maturity stage in order to sustain in the market, more focus should be on minimizing probability of unexpected outcomes that is avoid surprises logic.

Finally in the time of decline stage it is conferred to go for competitive analysis to save your business from competitors move and conduct market research for improving your product, service, idea, method or technology necessary for the revival.

Limitations

This paper is the part of PhD research project. In order to properly comprehend and interpret the study's findings, there are some of its shortcomings. The results cannot be generalized to the population of Karachi small business owners since small number of sample was collected and non-probability sampling were utilized in the research (Yang & Banamah, 2014). Given that Karachi in Pakistan has the largest proportion of small firms, it was appropriate for the study to be based there (Kalitanyi, 2019). However, because the difficulties and possibilities may vary according on the city, this may restrict the study's ability to identify how small business owners may have responded. Furthermore results will be generalized with large number of sample size and multiple areas.

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