Marketing and Effectuation: A Study of Marketing Practices Among Swedish Microbreweries

Master’s Thesis 15 credits
Department of Business Studies
Uppsala University
Spring Semester of 2017

Date of Submission: 2017-05-30

Sahil Aery
Johanna And

Supervisor: Gundula Lücke
Abstract

The present study aims to analyse the marketing strategies of Swedish microbreweries and relate them to the entrepreneurial principles of effectuation and causation. The authors investigated eight microbreweries in Mälardalsregionen of Sweden, conducting interviews with members of the founding team or the management team at the microbreweries. The results of the study show that most breweries used effectual principles to describe their marketing efforts. Two effectual principles in particular, *bird-in-hand* and *affordable loss*, were shown to be present throughout the sample. Furthermore, most microbrewery founders did not give a lot of importance to marketing and considered it to be a part of everyday activities of the brewery rather than a separate organisational function. There was a direct correlation between the size of the microbrewery and its debts, and the marketing efforts of the microbrewery. Based on these results, the authors propose: (1) Microbrewery founders use effectual logics more than causational logics in their marketing efforts; and (2) Microbrewery founders with unawareness or lack of knowledge of the causational methods are more likely to go about their marketing activities using effectual logic.

*Keywords*: Effectuation, causation, marketing, SMEs, microbreweries, entrepreneurs.
Table of Contents

List of Tables ........................................................................................................................................... i
List of Abbreviations ............................................................................................................................... ii
1 Introduction ............................................................................................................................................. 1
2 Literature Review ................................................................................................................................... 3
  2.1 Marketing in SMEs ........................................................................................................................... 3
  2.2 Effectuation and Causation .............................................................................................................. 4
  2.3 Effectuation and Marketing .............................................................................................................. 8
3 Methodology .......................................................................................................................................... 10
  3.1 Research Setting – The Swedish Brewing Industry ......................................................................... 10
  3.2 Research Approach ......................................................................................................................... 11
  3.2.1 Qualitative and quantitative analysis ......................................................................................... 12
  3.2.2 Approaches to qualitative analysis ............................................................................................ 13
  3.3 Data Collection and Sample Selection ........................................................................................... 14
  3.4 Reliability and Validity ................................................................................................................... 16
  3.4.1 Reliability ................................................................................................................................. 16
  3.4.2 Validity ....................................................................................................................................... 18
  3.5 Data Analysis .................................................................................................................................... 18
4 Findings ................................................................................................................................................. 21
  4.1 Marketing Strategies of Microbreweries ......................................................................................... 21
  4.2 Effectual Principles used by Microbreweries ................................................................................ 22
  4.3 Other Findings .................................................................................................................................. 27
  4.4 Use of Causational Logics by Microbreweries .............................................................................. 28
5 Discussion .............................................................................................................................................. 30
  5.1 Theoretical and Practical Implications ............................................................................................ 31
  5.2 Limitations of the Study ................................................................................................................... 32
  5.3 Future Research Opportunities ....................................................................................................... 33
6 Conclusion ............................................................................................................................................... 35
7 Appendix ................................................................................................................................................. 36
8 References .............................................................................................................................................. 37
List of Tables

Table 3-1: Categorisation of data according to Effectuation and Causation Principles .......... 20
Table 4-1: Summary of the research sample........................................................................... 21
Table 4-2: Summary of the results.......................................................................................... 29
List of Abbreviations

SMEs: Small and Medium Enterprises.
1 Introduction

There is a consensus in marketing literature that marketing is essential for firm growth. However, using traditional views of marketing as the reference point, marketing research with relation to small and medium-sized enterprises (SMEs), is often dismissed as being unconventional, non-strategic and non-comprehensive (Coviello, Brodie & Munro 2000); despite the fact that marketing in SMEs is challenging due to lack of resources, small size and absence of marketing specialists (Bettiol, Di Maria & Finotto 2012). This has led to a dearth in marketing literature when it comes to SME marketing strategies.

The recent surge in research publications is mainly concerned with the entrepreneur’s role in SME marketing efforts (Bettiol et al. 2012). Entrepreneurs are considered the most important factor when it comes to SME growth strategies. This is mostly due to the entrepreneur’s vision being the guiding light behind the growth of the organisation in its early stages (Bettiol et al. 2012). Since the core team of the organisation spreads itself too thin, marketing often becomes a peripheral activity. Moreover, in the nascent stages, growth in an organisation seems to occur despite the lack of formal marketing strategies, which further limits the formalisation of a marketing strategy (Tzokas, Carter & Kyriazopoulos 2001).

Marketing becomes even more important in mature industries. Competing with established brands for the same customers in a heterogeneous market can be a daunting task for any SME. Taking the example of the micro brewing industry that is the focus of this study, an emerging microbrewery not only has to think about concrete aspects such as the customer segment it wants to focus on, and the product range it should offer; but also, abstract concepts such as the brand image it wants to create. The Swedish micro brewing industry makes for an interesting subject. Despite the presence of strong, international competitors and the complex regulations surrounding sale of alcohol in Sweden; there has been a recent surge in the number of microbreweries (Sveriges Bryggerier, 2015). Inspired from Kroegen’s (Kroezen 2014) study about the revival of the Dutch micro brewing industry and Kolste’s (Crijns & Kolste 2014) study about the inspiration to be entrepreneurial in the Swedish brewing industry; we aim to look at the marketing processes within the Swedish microbreweries. Based on these assumptions, our study considers eight Swedish microbreweries to analyse their marketing practices and attempts to relate them to the principles of effectuation and causation.

The theoretical framework we use for analysing our findings is the cognitive science based logics of effectuation and causation (Sarasvathy 2001a). Effectuation has been used in
recent developments of marketing theories (Read, Dew, Sarasvathy et al. 2009) and we aim to further this by trying to find relationship between the principles of effectuation and causation, and marketing strategies practised by Swedish microbreweries. Furthermore, this could also be a starting point to analyse the association between the concept of effectuation and marketing in a mature industry.

We begin the thesis by introducing the concept of effectuation and causation as described by Sarasvathy in her pivotal work (Sarasvathy 2001a). The literature review section also details the current position of research in marketing in SMEs and the lack of literature in when describing the marketing strategies used by them. The third section describes the research design and methodology used to collect data and details the industry setting. In the fourth section, we describe the findings and finally, conclude the paper with discussing the findings and attempting to relate them to the concept of effectuation and causation.

We use two of Sarasvathy’s papers discussing decision making and marketing and the difference in approaches between expert entrepreneurs and managers as our literature base (Read et al. 2009; Dew, Read, Sarasvathy, Wiltbank 2009) and build up our study from them. We use qualitative research methodology as the research approach and semi-structured interviews for data collection. We then code for our data using effectual and causational principles and logics as the main themes and we find that most microbrewery founders tend to use effectual approach in their marketing strategies. While this is not surprising, it is certainly novel in the sense that it has not been demonstrated before.
2 Literature Review

In this section, we give an overview of the marketing literature concerning SMEs and lack of the same. We also detail the theoretical frameworks of effectuation and causation that we use to analyse our findings. We end this section by detailing one paper that connects the principles of effectuation with marketing.

2.1 Marketing in SMEs

In this section, we summarise the seemingly ironical importance of marketing in SMEs and the lack of literature detailing the marketing strategies in SMEs. We end with describing the surge in interest with respect to realising the importance of marketing in SMEs and understanding the strategies that are used.

While it is generally recognised that marketing is a central tool in the development of SMEs, it is often described as being a peripheral activity (Tzokas et al. 2001). There are two factors that might have possibly led to the under-utilisation of marketing in SMEs: firstly, marketing in SMEs is such an unorganised and general faction of the management that there appears to be no correlation between the marketing efforts and success; and secondly, growth in the initial years seems to occur despite the apparent lack of formal marketing strategies that the SME management often considers it to be an unnecessary activity (Carson 1993). Due to this, there occurs a ‘credibility gap’ between the performance of the firm and the hypothetical performance that could have been with the use of a planned marketing strategy (Tzokas et al. 2001).

Furthermore, there seems to be a frequent theme within marketing and entrepreneurial literature about the apparent commonality between a marketing manager and the entrepreneur. Carson (1993), for example, suggests that they are essentially different as marketing decisions are formal, disciplined, structured and span short-, medium- and long-term; while entrepreneurial decisions are haphazard, creative, reactive and span short-term. This distinction has been disputed by others using the concept of market creation as central to both entrepreneurship and marketing (Hills & Hultman 2011; Collinson & Shaw 2002; Stokes 2000). Market creation is central to entrepreneurship – “a discipline concerned with how, in the absence of current markets for future goods and services, goods and services manage to come into existence” (Venkataraman 1997, p. 120). This idea of market creation essentially brings entrepreneurship and marketing in the same domain.
As stated earlier, there is a growing interest in examining SME marketing strategies and the idea that textbook marketing strategies cannot and should not be applied to SMEs is gaining strength. The idea is based on the acknowledgement that SMEs do engage in marketing, even if the form and direction is not fully understood (O’Dwyer, Gilmore & Carson 2009). SMEs are hindered by several constraints while developing their marketing functions: financial limitations (Weinrauch, Mann, Pharr, Robinson 1991; O’Dwyer et al. 2009), lack of marketing expertise and business size (O’Dwyer et al. 2009). Despite such restrictions, SMEs do use marketing and are able to generate sales. This alone highlights the need to understand the marketing practiced by SMEs.

Traditionally, marketing analysis and studies have concentrated on the ‘marketing mix’. There is the traditional model of the 4Ps (product, price, place and promotion) or the 7Ps for service marketing (product, price, place, promotion, people, process and physical evidence); entrepreneurs on the other hand, stress the importance of promotion and word-of-mouth and focus on the 4Is (Information, Identification, Innovation and Interaction) (Stokes 2000; O’Dwyer et al. 2009). There is an innate understanding within the SME owners and managers that networking enables entrepreneurs to be successful and therefore, networking forms an essential tool in SME marketing strategy (Gilmore & Carson 1999; O’Dwyer et al. 2009). SME literature acknowledges that SMEs cannot compete using economies of scale and therefore, their inherent advantage lies in innovative product or processes. Thus, SME marketing strategies are moulded to take into account the competitors, customers, limitations and the skills of the owner/manager (O’Dwyer et al. 2009).

2.2 Effectuation and Causation

The following section outlines the theoretical perspectives used in this thesis — effectuation and causation. We outline the basics of the effectuation and causation logics as described by various researchers, in particular by Saras Sarasvathy. We also give concrete examples of effectual and causational reasoning and lastly discuss how others have studied effectuation empirically.

The recognition of effectual and causational logics, and the distinction between the two was first introduced in 2001 by Saras Sarasvathy in her most famous article (2001a). She argues that causational logic takes certain artefacts for granted, such as firms, organisations and markets; and that the explanation of those artefacts requires the notion of creation. The causational logic values the idealistic ability to predict what the future is going to look like and
a person using this logic in their business would strive to form their actions to fit that future as good as possible. The logic has nothing to do with how the prediction of the future happens or whether it turns out accurate or not. For example, this logic could belong to a person that makes complex calculations or various kinds of carefully thought out estimations, but it could also belong to a person that simply guesses what the future will hold for them. The logic itself is not dependent on following an action plan, nor is it dependent on whether a person’s estimations of the future are rational. What it is, is a logic that estimates what the future will be like and the person adapting this kind of mind-set is likely to want to aim their actions in that direction. Roughly stated, causational logic thinks a bit more in the terms of a fixed future, as compared to the logic of effectuation that rather thinks in the terms of shaping the future. “Causation is extremely useful in domains where predictive rationality, pre-existent goals and environmental selection are the primary factors that influence outcomes” (Sarasvathy 2001b, p. 01). Although, as noted by Sarasvathy (2001b), it has been questioned by several to what extent the future in a business can be known in advance (see for example Knight 1921; March 1994).

Furthermore, “causation processes take a particular effect as given and focus on selecting between the means to create that effect” (Sarasvathy 2001a, p. 245). For example, the owners of a start-up microbrewery assume a growing trend of IPA’s. Therefore, they instruct their new head brewer to make IPA’s, and the instructions of how the IPA’s should look and taste like may be quite specific, to match their assumed market need. A second example would be that a brewery assumes the results of a successful marketing plan, and as a causational activity they aim to create a marketing plan that is successful according to their definition. These are both examples of causational processes, as they begin with “something given” (the assumption) and focus on selecting between effective ways to create the desired “effect” (Sarasvathy 2001a, p. 245).

“Causational models are based on the logic of prediction, i.e., to the extent that you can predict the future, you can control it. Effectuation, instead, is based on a logic of control, i.e., to the extent that you can control the future, you do not need to predict it” (Sarasvathy 2001b).

Effectuation is defined not simply as the deviation from a causational logic, rather, it is to be understood as the inverse of it (Sarasvathy 2001b). As stated earlier, these reasonings rest on separate logics of how to approach entrepreneurial dilemmas (Sarasvathy 2001b), and the two logics can be used complementary to each other (Sarasvathy 2001a, p. 255). In reality of
business it has been shown that they are sometimes intertwined (Chetty, Ojala & Leppäaho et al. 2015). For example, Chetty and colleagues (2015, p. 1449) found that a firm first decided their target markets using the logic of causation, and then searched for their existing resources and what they could do with them, using the logic of effectuation. The effectual logic explicitly addresses a logic of “control of an unpredictable future, rather than prediction of an uncertain one” (Sarasvathy 2001a, p. 259). In terms of marketing strategies, effectuation could for example mean to trust in a product and aim to create a new market need, rather than to make an assumption (for example based on an analysis) about the existing market and approach that one. The difference would be that there was, in case of effectual logic, no prediction of the future that resulted in the creation of the product, instead there was a motivation and ability to create the product and a belief that the market would discover it once the product would be out there.

For example, the owners of a start-up microbrewery love beer and want to create something new. Therefore, they hire a head brewer and hand him or her tools and ingredients to make beer. They are not being specific with regards of what to make, rather, they let their head brewer decide. Another example would be that a brewery does not make assumptions about results of marketing efforts but use the contacts they have to reach new customers. These are both examples of effectuation. In the first example, a set of means is taken as given and the focus is set on selecting between possible effects (possible beers) that can be created with their set of means (Sarasvathy 2001a, p. 245). In the other example, not the effect, but the means (their contacts), are assumed as given as there is an aim to control an unpredictable future (Sarasvathy 2001a, p. 259).

The core principles of effectual logic stated by Sarasvathy (2001a) are: affordable loss rather than expected returns; strategic alliances rather than competitive analysis, exploitation of contingencies rather than exploitation of pre-existing knowledge and, as previously stated, controlling an unpredictable future rather than predicting an uncertain one. The scenarios above exemplify the latter two principles.

Sarasvathy elaborates on how effectual logic inverts causational reasoning in a way that implies a new relation among imagination; means and action; and generating intentions and meaning endogenously (Sarasvathy 2001a, p. 256). She draws a parallel between the theory of effectual reasoning and Schumpeter’s creation theory (1975/1942) in a discussion, which proposes that a historic analysis of pioneering entrepreneurs provide evidence that successful entrants are more likely to have used an effectuation process than a causation process (Sarasvathy 2001a, p. 260). Sarasvathy (2001a, p. 260) discusses Schumpeter’s concept of
Creative Destruction (1975/1942) as the creation of firms in not yet existent industries, the opening of new markets and the changing of perceptions of stakeholders, customers and investors. Effectuation can therefore be seen to go hand in hand with Schumpeter’s Creation theory. Sarasvathy’s distinction between the discussed logics has been called a new paradigm in entrepreneurial research (see for example Perry, Chandler and Markova 2012).

There are five core principles that outline effectual logic. The principles are useful for coding both logics because one is the inverse of the other (Sarasvathy 2001b). We adopted the principles from the commonly available effectuation literature especially Read (Read et al. 2009), Chandler (2011) and Fisher (2012). The principles are:

- **Bird-in-Hand** (starting with the means available). An entrepreneur starts with the means he/she has available rather than a goal. Under this principle, an entrepreneur looks at the means at his/her disposal for example, prior knowledge, experience, personal savings and contacts.

- **Affordable Loss** (focus on the downside risk). An entrepreneur focuses at the downside risk while trying something new, rather than focussing on large opportunities that increase the risk of losing everything.

- **Patchwork Quilt** (forming strategic alliances and partnerships). An entrepreneur works towards building strategic partnerships early in the process so as to get commitments from possible partners and reduce the risk in future.

- **Lemonade** (leveraging consistencies). Entrepreneurs look at surprises as an opportunity to learn something new and thereby, reduce the need to forecast everything in the early stage of the process.

- **Pilot-in-Plane** (control over prediction). This principle essentially combines all the four principles stated above. Entrepreneurs focus on activities within their control rather than predicting the future. “An effectual worldview is rooted in the belief that the future is neither found nor predicted, but rather made” (O’Brien 2015).

There is not much empirical research on effectuation. The first article that recognised the logic of effectuation (Sarasvathy 2001a) was soon followed by an empirical study by the same author (Sarasvathy 2001b). The second study served as a continuation with the purpose to empirically test propositions given in the first article. It used a verbal protocol of expert entrepreneurs, defined as people who either as individuals or as part of a team “has founded a company, remained with the company for several years, and taken it public”, and delineated the bounds between causation and effectuation in their cognitive processes (Sarasvathy 2001b).
The study contained coding of protocols which served to inductively extract processes of effectual reasoning (Sarasvathy 2001b).

A second empirical study of effectual and causational logics was conducted by Chetty and colleagues in 2015. It set out to examine how entrepreneurs looking to internationalise use the logics of effectuation and causation to make their foreign market entry decisions (Chetty et al. 2015). They approached the topic using a multiple case study method and semi-structured interviews and followed it up with Sarasvathy’s (2001a) theoretical distinctions between causation and effectuation during their coding of the data (Chetty et al. 2015).

A third empirical study with a focus on marketing is discussed in the section below. Due to its basis in effectuation and marketing, it is of particular importance to our study.

2.3 Effectuation and Marketing

This section reviews preceding research with regards to how the principles of effectuation have been connected with marketing practices. The section ends with a discussion of our research basis.

Since Sarasvathy’s seminal work in defining the entrepreneurial logic of effectuation and causation, there have been numerous studies linking effectuation with various entrepreneurial actions. Similarly, as mentioned earlier, there has been a recent surge in articles and studies concerning marketing techniques in SMEs. There have been, however, very few studies linking the two ideas together. During the course of this thesis, we just found one study that linked the concept of effectuation with marketing.

Read and colleagues conducted a study in 2009 to determine how people approach marketing under uncertainty (2009). They interviewed 27 expert entrepreneurs, along with 37 managers to determine the differences in marketing approaches used by both groups under uncertain market conditions. The study was conducted using protocol analysis with all the participants asked to think aloud when making marketing decisions under the same irregular situations. The data from the interviews was then coded against 12 variables (a similar approach was used by us when analysing our data). Analysis of variance or chi-square tests were then conducted on the coded data against the 12 variables of operationalisation. They found that the heuristics used by the two groups differed significantly, in that managers tended to use more predictive techniques while making decisions under uncertain conditions, while expert entrepreneurs inclined to invert these and use effectual or non-predictive logic. They found that expert entrepreneurs use more effectual logic in their marketing as compared to MBA students.
or managers with no entrepreneurial experience. The same group of authors conducted an earlier study with expert entrepreneurs and MBA students to analyse the difference in entrepreneurial decision making between the two groups and found similar results (MBA students made decisions based on predictive information whereas expert entrepreneurs worked effectually and with things under their control) (Dew et al. 2009). Although it has been shown that the elements of effectual and causational logics are often intertwined in decision making as well as implementation processes (Chetty et al. 2015); Sarasvathy states that causational logic is often taught in traditional economics and management theories (Sarasvathy 2001b, p. 04).

Taking this as our research basis, we set to look at how marketing decisions are taken and how the logics of effectuation and causation can be used by entrepreneurs in the start-up processes of their business while in a mature industry. Mature industries are characterised by high competition and low prices, in combination with a low number of active firms (Parrish et al. 2006). This makes mature industries a very tough market to enter for new entrants. Considering mature industries with Porter’s Five Forces model (1979) we will find that there is high competition among the existing firms and the entry barriers are also very high. At the same time, due to fewer firms competing for the same customers, it raises the bargaining power of buyers, which can further increase the competition in the already saturated industry. In such a setting, it can be hard for new entrants to establish themselves. Due to economies of scale, new entrants would find it difficult to compete with established firms. With this in mind, we set out to examine how Swedish microbreweries market themselves in order to compete in a traditional and mature industry.
3 Methodology

In this section, we start with describing the research setting — the Swedish micro-brewing industry and the regulations governing the sales and marketing of alcohol in Sweden. This is then followed by the research approach methodology used to gather data and analyse the findings. We use a qualitative method approach in combination with semi-structured interviews. The interviews were recorded and analysed for codes pertaining to effectuation and causation. The details of the research methodology are elaborated below.

3.1 Research Setting – The Swedish Brewing Industry

In 1919 Sweden, beer was differentiated in three categories according to alcohol per volume (ABV), each of which were taxed differently. On 27th August 1922, Sweden had its first national referendum which was on prohibition. 55% of the people eligible to vote participated and the “No” side won with 51% of the votes. That same year, the authorities decided to restrain the consumption by prohibiting class III beer (stronger than 3.6% ABV). In 1955 this law was abolished, along with rationing, which restricted women’s and the working class’ right to purchase beer. That same year, Systembolaget was founded as a governmentally-owned retail store chain with monopoly to sell alcoholic beverages to private individuals. Its mission has been to sell alcoholic beverages without interest in profits, to contain consumption and reduce the damage caused by alcohol. In 1978/79, breweries could sell beer to restaurants, pubs and similar establishments. At the same time, commercials of alcoholic beverages became prohibited (Sveriges Bryggerier 2017; Centrum för Näringslivshistoria 2017).

In the 1980’s, Swedish beer production was limited to industrial production of light lagers with a trifling amount of barley and the number of beer breweries was less than ten (Oppigårds Bryggeri 2017). In 1982, the parliament decided to restrict Systembolaget’s opening hours to weekdays only, due to increased consumption of alcoholic beverages. It was not until 2001, that the parliament decided to re-extend Systembolaget’s opening hours to Saturdays. Sweden joined the European Union in 1995 and Vin och Sprit AB lost their exclusive rights to import and export alcoholic beverages. Systembolaget’s suppliers increased from one to 150 in just one day. In 2006, the Swedish brewery organisation, Sveriges Bryggerier, signed a recommendation regarding marketing of alcoholic beverages, stating for example, that advertisement of alcoholic beverages has to come with warning labels (IOGT-NTO 2017). Today, there are more than 200 breweries in Sweden (Sveriges mikrobyrgerier 2017).
it is difficult to point the exact factor/s which were responsible for the sudden surge of microbreweries, one that is often cited is the growing interest among consumers to know where their beer came from and to buy locally. Most microbreweries have most of their sales in the areas closest to the breweries. At the same time, most microbreweries are not particularly excited about sales to Systembolaget, but see it as an important customer due to its size. While Systembolaget represents the largest customer in Sweden; the paperwork involved in working with it and the lack of say that brewers have in displaying their products, is an identical complaint that most microbreweries have.

3.1.1 Swedish regulations for alcohol advertisements

There are very strict regulations concerning advertising of alcoholic beverages. Daily press and magazines can advertise beverages of maximum 15% ABV. Alcohol advertisements can only show the product and not be connected to people, attributes or lifestyles. They cannot encourage consumption and 20% of the advert must include a warning text. The same regulations apply on the internet, with the exception that advertisement of beverages with higher than 15% ABV is allowed.

Adverts are not allowed on the radio or television, but since most television channels broadcast from Great Britain or The Netherlands, they can get around this regulation (IOGT-NTO 2017).

The law of alcohol (Alkohollagen) and the law of marketing (Marknadsföringslagen) regulate what is allowed in terms of marketing. The number of adverts have doubled in three years (2008-2011) and in 2012, one billion SEK were invested in adverts (IQ 2017).

Other than advertising, there are strict regulations concerning sales and production of alcohol too. Sustaining and marketing under such stringent regulations makes Swedish microbreweries a very exciting study.

3.2 Research Approach

The purpose of this section is to give an overview of different research approaches and explain our choice of path. First, qualitative and quantitative methods are discussed and we motivate the reasons why we decided to make a qualitative and not quantitative study. Following that is the second part of this section, outlining the differences about deductive,
inductive and abductive approaches to qualitative analysis and explaining why an abductive approach was suitable for this study.

3.2.1 Qualitative and quantitative analysis

Here we discuss the distinctions of qualitative and quantitative analysis and why we are taking a qualitative approach (Yin 2011; Strauss & Corbin 1998) in examining entrepreneurial use of the logics of effectuation and causation.

Rather than attempting to describe qualitative research with one definition, Yin (2011, p. 7-8) outlines the five following features that captures it. It is essentially about:

“studying the meanings of people’s lives, under real-world conditions; representing the views and perspectives of the people (...) in a study; covering the contextual conditions within which people live; contributing insights into existing or emerging concepts that may help to explain human social behaviour; and striving to use multiple sources of evidence rather than relying on a single source alone”.

There are several techniques with which qualitative research can be conducted (such as discourse analysis, participant observation, case studies and narratology to name a few).

Quantitative studies derive meanings from numbers and analysis from statistics (Saunders, Lewis & Thornhill 2009, p. 482). In-depth and semi-structured (non-standardised) interviews can be used in quantitative research (Saunders et al. 2009, p. 351). However, it would normally not be considered the most focused (suitable) or time efficient approach. Perhaps that is why it is more common to use standardised interviews in quantitative studies, since quantitative studies normally have the purpose to reveal and understand the question “what”, rather than the deeper “how” and “why”, which are normally approached qualitatively (Saunders et al. 2009, p. 321).

A quantitative approach was dismissed early on, as qualitative methods are more applicable to the exploratory nature of our topic. A different approach would have resulted in a quite different study. However, if we were to design a reliable quantitative study, we would have needed to research the industry extensively so as to design a reliable research setting. Moreover, the size of the Swedish micro brewing industry is relatively small to provide a reasonable sample size for a wholesome quantitative study. Again, it is unlikely that a quantitative method approach, which normally focuses on providing standardised data and statistics (Saunders et al. 2009, p. 582), would have provided us with an in-depth understanding of the logics behind the decisions of the founders. With all these factors in mind, a qualitative study with semi-structured interviews presented itself as the best setting for our research.
We adopted a qualitative methods approach (Yin 2011; Strauss & Corbin 1998) to examine how the logics of effectuation and causation can be used by entrepreneurs in the start-up processes of their businesses, because it allowed us to research the sequences of operations and achieve detailed insight on how these logics were used (intertwined or separately) in the steps of operations and how events were linked to each other. Qualitative approach was good for our research setting as it allowed us to delve deeper into the research subject.

3.2.2 Approaches to qualitative analysis

This section describes the common approaches to qualitative analysis. It also explains the reasons why we concluded that an abductive approach would be most suitable for this particular study.

Qualitative analysis is commonly approached either deductively, inductively or abductively. In deductive method, you develop a theory (sometimes referred to as main hypotheses) and hypotheses (sometimes referred to as secondary hypotheses) and design a strategy to test the (secondary) hypotheses (Saunders et al. 2009, p. 124). Testing could for example be the process of attempting to achieve verification or falsification of hypotheses, if your ideological position is positivist/postpositivist, or reaching a point of consensus, if you are a relativist (compare to section 3.4 Reliability and Validity).

There are five sequential stages in the progression of deductive research: deducting a hypothesis, expressing the hypothesis in operational terms, testing the operational hypothesis, examining the specific outcome of the inquiry and, if necessary, modifying the theory in the light of the findings (Robson 2002 from Saunders et al. 2009, p. 124-125).

This study started in an exploratory nature and with an aim to bring a contribution to the existing literature about the how entrepreneurs use the logics of effectuation and causation in their marketing efforts. As can be seen, there is no deducted hypothesis there. However, we deductively use existing concepts, such as the principles defined by Sarasvathy (2001a) and coding similar to Read and colleagues (2009) to find effectuation and causation in our text. Hence, we go about this study using an abductive research approach (see for example Saunders et al 2016:148).

A deductive study uses existing theory to shape the approach of the research topic and aspects of data analysis, whereas the inductive approach seeks to build up a theory appropriately grounded in the data (Saunders et al. 2009, p. 489). Abductive approach uses deduction and induction in combination, as is goes back and forth between theory and data (Saunders et al.
Studies that start with an abductive approach normally begin with the observation of a “surprising fact” (Maanen, Sørensen & Mitchell 2007). In this case, the approaches are intertwined differently. We started with an inductive exploratory approach and moved to deductive coding.

What we take from the inductive research approach is the focus to gain understanding of the meanings humans attach to events. The research context and understanding of it is of high importance in inductive research, as the research findings are derived from the particular context and setting (Saunders et al. 2009, p. 127). Induction also emphasises the collection of qualitative data, which opens up an opportunity to answer more in-depth questions such as why? and how? as compared to what? (Saunders et al. 2009, p. 513) which would be a question often better approached qualitatively. Flexibility in the research structure is also important in inductive approach, which would permit changes in research emphasis as the research progresses. As is the realisation that the researcher is part of the research process (Saunders et al. 2009, p. 127). For example, the researcher is not “objective” but rather actively coding and decoding to make sense of reality. To minimise the risk of imposing our understanding of the data, we have, as recommended (see for example Srivastava & Hopwood 2009) searched for patterns and themes in it, again, going about the study abductively.

Similar to inductive approach, abductive approach is less concerned with generalisation. Having an abductive approach gave us the opportunity to have an open-ended research setting and work with the scarce literature we could find related to the micro-brewing industry and marketing in it. As the purpose of our study is not to make broad generalisations about the industry as a whole or to test a hypothesis; but instead to explore how the logics of effectuation and causation have been used in the marketing decisions of microbreweries, we found abduction to be the most applicable approach.

3.3 Data Collection and Sample Selection

This section describes the process of how our data was collected and handled. It also motivates how our sample was selected.

A list of Swedish microbreweries was found at ‘Sveriges mikrobryggerier’, an online network that offers information about the Swedish micro-brewing industry (Sveriges mikrobryggerier 2017). We found that this online network provided the most exhaustive list of Swedish microbreweries, along with other general information about the micro-brewing industry. A total of 35 microbreweries were contacted by email with interview requests: ten in
the first round, 21 in the second round, two in the third round and two in the fourth round. Four microbreweries accepted the interview requests in the first round, four in the second, one in the third and one in the fourth. Two interviewees cancelled at the last moment, bringing the total sample size to eight microbreweries. While face-to-face interviews were preferred so as to make a note of the behavioural cues of the interviewee; they were not always possible. Of the eight interviews, one was a phone interview as requested by the interviewee and one on our request. Due to time restrictions, most of the breweries contacted were within commuting distance from Uppsala-Stockholm or Mälardalsregionen.

We decided to use semi-structured interviews to gather our data. Semi-structured interviews are the most common qualitative research method since they involve “prepared questioning guided by identified themes in a consistent and systematic manner interposed with probes designed to elicit more elaborate responses” (Qu & Dumay 2011, p. 246). A list of themes and questions prepared prior to the interview is used but the interviewer remains open to add additional questions as the interview proceeds (Saunders et al 2009:320). The purpose of this approach is to stay open and exploratory.

An interview guide was prepared with 20 questions that covered the basic areas that we wanted to talk about (Appendix 1). The interview guide covered questions that would help steer the interview so as to gather as much data as possible in the limited time. It included questions such as — “when did you start thinking about marketing and what was the decision/opportunity/event that prompted that thought?”; “could you tell us a little more about how you established the first contact with your first customer?” and “who do you think is easier to deal with – Systembolaget or individual restaurants and why?”. Seven interviews were conducted with at least one of the members of the founding team present; lasted about one hour on an average; were conducted in either English or Swedish depending on the preference of the interviewee and in the brewery or pub (except for the phone interviews). The last interview was conducted with the Marketing Head of the microbrewery. The conversations were recorded and running notes were taken. Due to time limitations, we chose not to transcribe whole interviews. Instead, we listened to them repeatedly while analysing the data and took notes, particularly of causational and effectual statements. The choice to not transcribe the interviews and use time more efficiently made it possible for us to interact with a higher number of microbreweries than would otherwise have been possible. It also allowed us to spend more time with the data extracted from the listening sessions.

We used iterative process setting for our interviews by which we discussed each interview after it was concluded so as to make the necessary changes in terms of questions or interview
strategy needed for the next interview. We used the iterative process framework from Srivastava and Hopwood (2009). The framework uses three questions to review the data and engage in the data collection and analysis process: what is the data telling me; what is it that I want to know; and what is the dialectical relationship between what the data is telling me and what I want to know. Using these three questions (both during the interview and after the interview), we were able to alter each of our interviews so as to gather as much information as possible in the little time we had.

3.4 Reliability and Validity

The credibility of research findings in social sciences has been a target for debate and questions throughout the years. This discussion is said to go back to John Stuart Mill who is claimed to have been the first to call on social scientists to emulate quantitative research methods of what is sometimes referred to as “hard” sciences such as mathematics (Guba & Lincoln 1994, p. 106). Even though most would not question the values of social sciences today, there still exists scepticism towards its use of qualitative methods and there is a widespread conviction that only data of the quantitative kind are of high quality or even valid (Sechrest 1992).

To master issues of uncertainty in qualitative studies, such as this one, conventional instruments have been developed and are used to reduce the risks of getting the wrong answers and conclusions. Emphasis is placed particularly on two aspects of research design: reliability and validity (Saunders et al. 2009, p. 156).

3.4.1 Reliability

According to Saunders and colleagues (2009, p. 156), the term reliability in research refers to the extent of consistency that the selected data collection techniques and procedures of analysis yield. The reliability is to be evaluated by a checklist of the following three questions (Easterby-Smith, Thorpe & Jackson 2008, p. 109), covering an ideological position, sometimes referred to as paradigms (Guba & Lincoln 1994; Easterby-Smith et al. 2008).

*Will the measures yield the same results on other occasions?*

This question is based on a positivist/postpositivist (Popper 1959) view of the world. This ideological standpoint focuses on verification (positivism) or falsification (postpositivism) of a
priori hypotheses (Guba & Lincoln 1994, p. 106). According to Immanuel Kant, a priori meaning knowledge, derivations and truths which are not empirical like a posteriori.

*Will similar observations be reached by other observers?*

This question is based on a relativist viewpoint, assuming that “different observers may have different viewpoints” (Easterby-Smith et al. 2008, p. 62) and “what counts for the truth can vary from place to place and from time to time” (Collins 1983, p. 88). If similar observations would be reached by several observers, that would indicate reliability in a relativist perspective, as “truth is determined through consensus between different viewpoints” (Easterby-Smith et al. 2008, p. 62).

*Is there transparency in how sense was made from the raw data?*

This question addresses the constructionist approach, suggesting that “there is no absolute truth, and the job of the researcher should be to establish how various claims for truth and reality become constructed in everyday life” (Easterby-Smith et al. 2008, p. 93).

Robson (2002) asserts four threats to reliability:

- **Subject or participant error**, meaning errors due to the external’s impacts on the participant of the study. To minimise the risk of this, we avoided to interview in stressful or inconvenient environments and situations. We also let the interviewee chose which language they were comfortable to speak in (English or Swedish), so that language barriers would not impact their answers.

- **Subject or participant bias**, meaning that the interviewee is biased to answer a certain way. We attempted to minimise this by letting the interviewee know that they are going to be anonymous. A “good” answer would not benefit them and vice versa. Despite this, we assumed (were aware of the risk) that there was going to be a bias. To avoid it, we never asked straight out what we wanted to find out. A second factor that minimises the bias is that our research topic (entrepreneurial logics) is not related to prestige (as compared to a topic such as business success or similar).

- **Observer bias**, meaning that we as observers would analyse the data as we want to understand to confirm our hypotheses instead of being critical and try to understand what the interviewees really mean. To avoid this, we attempted to ask several similar questions to make sure that our interpretations of answers were the right one.

- **Observer error**, which could occur if the interviewers approach the interviews differently, for example by asking quite different questions or approaching subjects
differently. We avoided this by making all of the interviews (except one of the last) together.

The threats have been recognised and we have made attempts to minimise them. However, that does not mean that they should no longer be considered.

3.4.2 Validity

Validity refers to whether there is a causal relationship between variables and whether the research findings are in fact about what they seem to be about (Saunders et al. 2009, p. 157).

It asks, for example, if what has been measured corresponds to reality, if a satisfying number of perspectives have been included and if the study had accessed the experiences of the interviewees (Easterby-Smith et al. 2008, p. 109).

The threats to internal validity recognised by Robson (2002) are:

- **History**, referring to research being conducted shortly after a major event that for a short time may impact the interviewee (Saunders et al. 2009, p. 157).
- **Testing**, similar to participant bias,
- **Instrumentation**, meaning that instructions prior to research could affect the result,
- **Mortality**, refers to participants dropping out of studies,
- **Maturation**, which could be a problem for a study that is going on in a longer time period, and finally;
- **Ambiguity about causal direction** (Saunders et al. 2009, p. 158).

The latter is perhaps the most difficult issue, not only because several of the prior are not applicable to our particular study, but because determining the causality between two variables and minimizing the risk of making the wrong deductions can be particularly challenging.

3.5 Data Analysis

We developed an analysis scheme similar to Fisher (2012), and Read and colleagues (2009). We first formulated various variables for descriptions and operationalisation that we sought to match the data to. Our data comprised of information from each interview in form of quotes. As the next step, we aggregated the data to the theoretical principle of effectuation and causation (Table 3-1). This served as deductive coding for our data. Aggregating the data to the principles of effectuation and causation allowed us to find patterns in our data and look for which principle was favoured by microbreweries with respect to their marketing strategies. As an additional
measure and the final step, the data was also grouped into the five commonly described effectuation principles (see section 4.1).

<table>
<thead>
<tr>
<th>Examples of Quotes</th>
<th>Variables of Descriptions and Operationalisations</th>
<th>Logics</th>
<th>Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>“No marketing is also marketing”</td>
<td>Marketing (or lack of) and Strategies used</td>
<td>Effectuation</td>
<td>Pilot-in-Plane</td>
</tr>
<tr>
<td>“We don’t need marketing because we make high quality beers”</td>
<td></td>
<td>Effectuation/Causation</td>
<td>Bird-in-Hand</td>
</tr>
<tr>
<td>“We have weekly brewery visits and we hope that the visitors to the brewery act as sorts of brand ambassadors”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Being on the right festivals is important to us”</td>
<td>Marketing Decisions</td>
<td>Effectuation</td>
<td>Pilot-in-Plane</td>
</tr>
<tr>
<td>“We want to be present at right places – not too fancy and neither too expensive”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“My founding partner had a wine importing business before we decided to start the microbrewery together, so it was not too difficult to find the first customers…”</td>
<td>First Customers</td>
<td>Effectuation</td>
<td>Bird-in-Hand</td>
</tr>
<tr>
<td>“Being on the right festivals is important to us”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Word of mouth and customer reviews are very important for us”</td>
<td>Marketing Channels</td>
<td>Effectuation</td>
<td>Pilot-in-Plane</td>
</tr>
<tr>
<td>“We don’t do marketing... mostly word of mouth”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“We are always ready to help other brewers”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“…I can always buy hops from other microbreweries if I need them”</td>
<td>Partnerships</td>
<td>Effectuation</td>
<td>Patchwork Quilt</td>
</tr>
<tr>
<td>“We partner with other microbreweries. Sometimes to make beer together, sometimes to exchange ideas”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement</td>
<td>Context</td>
<td>Principle</td>
<td>Methodology</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------------------</td>
<td>---------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>“There’s enough business for all of us to get around easily”</td>
<td>Competition</td>
<td>Effectuation</td>
<td>Pilot-in-Plane / Patchwork Quilt</td>
</tr>
<tr>
<td>“We cannot compete with the large dragons…”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“No... We didn’t really do any market research”</td>
<td>Market Research (Initial and Ongoing)</td>
<td>Effectuation</td>
<td>Pilot-in-Plane</td>
</tr>
<tr>
<td>“Well... we looked around a bit, but didn’t do anything formally”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Any of us can try a new brew... as long as it doesn’t affect our normal production chain”</td>
<td>Experimentation</td>
<td>Effectuation</td>
<td>Affordable Loss</td>
</tr>
<tr>
<td>“New brews are like 5% of our total production”</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3-1: Categorisation of data according to Effectuation and Causation principles**
4 Findings

In this section, we present the findings from our interviews. The section begins with a table summarising the research sample (Table 4-1). In the table, the microbreweries are ordered from the largest to the smallest and list the main features that can be looked at while analysing them.

<table>
<thead>
<tr>
<th>Breweries (Ordered largest to smallest, in terms of annual sales)</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Started as hobby brewers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Wish to brew as main reason to commercialise</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Belief in market potential as main reason to commercialise</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full time brewers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Brewery incorporated in main business (restaurant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First customer through contacts</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

*Table 4-1: Summary of the Research Sample*

We then go to describing our findings. First, we present the marketing strategies (or lack of) of the microbreweries. Secondly, we categorise our findings according to the principles of effectuation. Then we list the findings in a coding scheme inspired by Fisher (2012) and Read and colleagues (2009). The interviews are coded for data that matches effectual and/or causational behaviour as defined by Sarasvathy’s theory (Sarasvathy 2001a). With this, we aim to find patterns in the marketing rational and strategies of the breweries. We end this section by presenting the causational patterns found in our study.

4.1 Marketing Strategies of Microbreweries

We found that almost all microbreweries had an effectual approach to their marketing strategies, in that, they did not have any. When it came to marketing, they preferred to “go with the flow” and work with the contacts they had, rather than spend time and money on any form of marketing. None of the microbreweries interviewed had a formalised marketing strategy and preferred not to have any. The founders associated a formalised marketing strategy and marketing as an organisational component with large companies and macrobreweries. For most
of the founders, macrobreweries were also synonymous with low quality products and since they (the microbreweries) thought they had an extremely high-quality product, they did not need any marketing. As one founder put it:

“We make very high-quality beers and after all, no marketing is also a kind of marketing”.

Two of the largest and oldest microbreweries in Sweden, however, were the exception to the general phenomenon. Both of these microbreweries had separate departments dedicated to marketing and had funds dedicated to these departments. While marketing did not occupy a lot of the microbrewery’s budget (about 5%-10%), they did realise that marketing was an important part of the business process and was necessary for growth. They also realised that marketing did not just mean advertisements in magazines and newspapers but it also included activities such as taking part in different festivals and fairs, distributing merchandise, advertising the microbrewery as a potential employer, and others.

Amongst the newer and smaller microbreweries, only one microbrewery was ready to turn its thoughts to a formalised marketing strategy. According to the founder, this was directly related to the size of their debts. The brewery had recently taken a loan to increase the brewery’s capacity and hired a new brew master. Both of these had turned the founder’s thoughts to increasing the sales faster than before and therefore, accepted that marketing would have to be an important activity in the future.

4.2 Effectual Principles used by Microbreweries

We analysed our data to find the relation between the marketing strategies used by microbreweries and the principles of effectuation. We then categorised our data in relation to the five common principles of effectuation logic and comparing them with the interview data to find links between them and the marketing strategies of microbreweries. The effectuation principles that we used were: Bird-in-Hand (starting with the means available), Affordable Loss (focus on the downside risk), Patchwork Quilt (forming strategic alliances and partnerships), Lemonade (leveraging consistencies), and Pilot-in-Plane (control over prediction) (for explanation see section 2.2). While we did find strong examples of microbrewery founders using four of the principles, we did not find any examples for the other two. The summary of the results can be found in Table 4-2.
Focus on the available means for finding a customer base (Bird-in-Hand)

All microbreweries interviewed focussed on the contacts they had when starting out (bird-in-hand principle). All the founders either had an extensive network of restaurateurs, sommeliers and pub owners; or partnered with someone in the start-up phase to find their first customers. As one founder put it:

“My founding partner had a wine importing business before we decided to start the microbrewery together, so it was not too difficult to find the first customers. He made sure all the restaurants in his network got to try our beer and that’s how we started.”

Some founders also cited the recent surge in interest among the general populace about having local products as an important factor when looking for first customer:

“Customers nowadays are very interested in knowing what their put in their bodies. So, they all want to know where their meat is from, where their food is from. And that is also true for the beer they drink. If they had to choose between a locally produced beer and one of the big ones, I think a lot of them would choose their local microbrewery.”

“Most restaurants and bars are looking to stock locally produced beer since it helps their business a lot. So, when we first started brewing, we were approached by the hotel next door asking to taste our beer.”

Strategic Alliances and Partnerships (Patchwork Quilt)

A lot of the microbreweries we interviewed regularly collaborated with each other; be it for finding new ideas or for exchanging materials. None of the microbreweries we interviewed thought of the others as competitors. In fact, founders of two microbreweries were close friends and had worked together previously. Until a few months ago, another two of the microbreweries also shared premises and equipment so as to reduce the operational costs in the start-up phase. One founder put the competition as:

“There’s enough business for all of us to get around easily.”

Although, there was a universal agreement among all founders that their only competition was the macrobreweries:

“We cannot compete with the large dragons such as Carlsberg or Åbro They have economies of scale that we just cannot match and that’s another reason why we do not compete with each other.”
Partnerships among microbreweries also help them create new product ideas and raise brand awareness since they could always exchange ideas among themselves and critique each other’s work. They could also redirect customers and suggest a different brand so as to cater to customer preferences better.

However, the second largest microbrewery was the only one to say that their only competition was other microbreweries since there were so many of them and new ones were popping up very frequently. Like others, they agreed they could not compete with other macrobreweries. They, however, did not cite the difference in economies of scale as the reason but that they believed the customer base that frequented the macrobrewery brands was very different than theirs. Contrary to other microbreweries, they believed that because of the sheer number of other microbreweries there weren’t enough customers for all microbreweries. Nevertheless, they were not averse to partnering with other microbreweries. They also partnered regularly with other microbreweries; sometimes to find new ideas, sometimes to exchange material.

- **Experimentation and Affordable Loss Principle:**

  Sarasvathy proposes: “Pre-firms or very early-stage firms created through the processes of effectuation, if they fail, will fail early and/or at lower levels of investment than those created through processes of causation. Ergo, effectuation processes allow the economy to experiment with more numbers of new ideas at lower costs.” (Sarasvathy 2001a, p. 260).

  *Affordable Loss* was also a common thread among all the microbreweries interviewed. All the founders believed that experimentation was an essential part of their business and growth. However, the level of experimentation was dependent on various factors.

Factors that correlated with little or reduced experimentation on part of the breweries was increased sales and production, increased debts and belief in market potential rather than reliance on interest in the product as the main motivation to commercialise. The experimentation decreased as the breweries grew bigger, whether the growth was organic or exponential. Increased debt in a small brewery also affected the experimentation negatively.

No matter the size of the breweries, there was an openness regarding where they find ideas for new products. Many were actively asking customers and other breweries for ideas. All the breweries, apart from the largest one, would let anyone in the core team try out a new idea as long as it did not interfere with the standard brewing cycle. In most of the breweries, the standard assortment accounted for 80-95% of the production and sales.
• Marketing Channels, Market Research and *Pilot-in-Plane* principle:

We assumed that starting out in a traditional and mature industry like brewing would require new entrants to conduct extensive market research so as to design the easiest and the least risky approach to enter the market. However, all the microbreweries surprised us by saying that they did not conduct any market research. Making attempts to predict the future directions of the market (causational logics) was not a main priority. The extent of their initial market research was limited to talking to potential customers and other beer enthusiasts about their preferences and thinking that they (the founders) could fulfil them. The microbreweries use the effectual principle *Pilot-in-Plane* (control over prediction) as they attempt to create a market to a much greater extent than they aim to predict what the market is going to look like.

“We never wrote a marketing plan. With regards to marketing, we've prioritized to work internally, to stabilize and create a high quality of our products. We also cooperate with and support other local entrepreneurs.”

The microbreweries assumed that a high-quality product would sell and that the market would want their new product. It was not until after the initial sales that the founders tried to get feedback on the product from their first customers. By doing so, they to some extent intertwine causational logics to effectual as they ask for future directions on how to possibly reshape their product. Note however that this was a peripheral and quite sporadic activity, not the main logic they base their activities on. One microbrewery, for example, had started their business with buying beer from another microbrewery and relabelling it. Their first customer, a chain of supermarkets, suggested that they should instead thinking about brewing their own beer as it would bring down their operational costs a lot and increase their profit margins.

The lack of formal marketing research was an effectual approach for starting a business, in that, they preferred to work with their means and create a business rather than predict the possible outcome with market and industry research.

There was a consistency among the interviewees; in that they all believed they offered superior product as compared to the larger competitors. Most of them aimed to follow customer trends and offer products that would be popular with a large segment of the niche market (for example ales and IPA’s). There were only two exceptions to this; and one of them had plans to radically change their business to grow exponentially and become more mainstream.
Even though most of the founders did not believe they did any marketing, repeated and indirect questioning during the interviews revealed that all of them were involved in some sort of marketing, even though they did not think of those activities as marketing. For example, all breweries took part in various festivals and fairs around Sweden but did not think this constituted marketing. As one founder put it:

“Being on the right festival is very important to us.”

Similarly, all microbreweries believed word-of-mouth advertising was an essential part of business but did not call it marketing. All the breweries either have a person responsible for talking to new pubs and restaurants, or had one of the member of the founding team contacting new points of sales; however, even after repeated questioning they refused to call it marketing.

The interviewees did not use any traditional marketing channels and most were not aware that they were doing any marketing efforts. This demonstrates how they work with the means they have (such as their contacts) to create an effect (attention through word-of-mouth) and not the other way around. The aim (based on effectual logic) is to control an unpredictable future (Sarasvathy 2001a, p. 259).

The two of the biggest microbreweries were the only ones that recognised their marketing efforts and was strategically working with it. The marketing efforts (conscious and unconscious) increased with size. The larger microbreweries had more resources including one member of the staff, who was hired to work with marketing. But even one of them, along with the others, expressed scepticism regarding marketing efforts. They all said that they believe in the quality of the product and that a good product would sell itself. When they were questioned how it would be possible to sell a product that has never been marketed, they generally talked about word of mouth. The second largest microbrewery, however, accepted that some sort of marketing was needed, especially when introducing new products in the market and this is what took up most of their marketing budget, despite new beers constituting just 5% of their annual sales. All of them associated intense marketing with a product of low quality and with the big “dragons” in the business. Traditional marketing channels were absent, partly due to the Swedish regulations regarding alcoholic beverages, but also due to lack of resources as well as antipathy toward brands using such channels.

The marketing channels used were the popular social media channels, smartphone applications that let users review beers, fairs and festivals, word-of-mouth advertising and product placement.
4.3 Other Findings

Our findings suggested that the principle of *bird-in-hand* was consistent among all the microbreweries interviewed. Most of the founders and brewers chose to start out with their own funds rather than taking bank loans. The most cited reason was that it was not easy to convince bank to extend loans to microbreweries. The banks did not believe that microbreweries represented a safe investment option. A few brewers also cited the reason that they chose to not invite external partners into what they considered was their personal venture. One microbrewery had taken loans to cover half of their initial costs and the founder attributed the success of this to his knowledge of writing convincing business plans rather than the attractiveness of the business.

All the brewers/founders interviewed started with a desire to create something new and good in a traditional industry dominated by large players. Nearly all started off as hobby brewers; and therefore, they either knew people in the business prior to the start or made contacts in the process of learning how to brew. Hence, the first customers were through contacts with the exception of one brewery that did not start as a hobby but primarily wished to start a business and saw potential in the market. This entrepreneur had a background in sales and economy and used prior knowledge and a more causational approach to enter the market. The first customers were always restaurants and pubs in the close surroundings of the initial brewing location.

There was a uniform pessimism towards having Systembolaget or a large chain of stores as the first customer. The aversion resulted from the fact that while Systembolaget represented a very stable customer, it was not easy to deal with; especially for a small brewery that was just starting out. All breweries agreed that it was easier to deal with smaller restaurants and pubs before attempting to contact Systembolaget. In case of one brewery, it took them around six months to get all the paperwork in order, for getting shelf space at Systembolaget. Other than the dislike for extensive paperwork, a few also complained that when it came to Systembolaget, they have no say in how the products were displayed in the stores and in such case, individual customers were easier to work with since the brewery founders always got a say in how their products were advertised, although they did not use words such as advertising as they did not consider it as marketing but rather an essential, everyday activity of business.

Two of the microbreweries were also selling internationally in the European market but chose to only work with distributors and importers that gave let the founders have a say in how
the beer was marketed in the international markets. When questioned if this was not a form of marketing, the founders just laughed it away.

“We stopped working with one importer abroad, because they didn't do as much for our brand as we wanted to. No, we never considered that as marketing.”

4.4 Use of Causational Logics by Microbreweries

While we found that most microbreweries tend to use effectual logics to describe their marketing efforts, there were some instances of the microbreweries using causational logics in their marketing thoughts and strategies.

One microbrewery in particular was very conscious of its marketing efforts and had been since its inception. This microbrewery had teamed up with an advertising firm in the early years and had a separate marketing division in place. They understood the importance of marketing and advertising and acknowledged it. Though perhaps contrary to larger organisations, they did not spend a lot of their annual budget on marketing. During the course of our interviews, this was the only microbrewery that readily acknowledged all forms of marketing they did and did not need to be probed like other microbreweries.

Similar to this microbrewery, the largest microbrewery in our sample, also recognised their marketing efforts. However, they did not have a separate organisational function in place like the previous example.

Only one microbrewery in our sample had worked towards identifying and assessing long-term opportunities before starting out. This was also the only microbrewery to have written a business plan before starting the microbrewery and the only microbrewery to have taken a bank long in the initial phase.

The summary of the results can be found in Table 4-2.
<table>
<thead>
<tr>
<th>Effectual Approaches of Microbreweries</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Started with the resources in hand</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Commit only limited resources while developing new products</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Enter into agreements with other microbreweries</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Develop marketing strategies along the way</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tailor marketing strategies to suit unplanned opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Causational Approaches of Microbreweries</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified and assessed long-term opportunities before starting out</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Wrote a business plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Have a proper marketing plan in place</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognise marketing efforts</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 4-2 Summary of the Results*
5 Discussion

This section puts our findings in the context of research about effectuation. Two propositions are developed and we discuss theoretical and practical contributions of our findings. This section ends with conclusions, limitations of the study and suggestions for future research opportunities.

With this study, we set out to explore the how Swedish microbreweries use the logics of effectuation and causation in their marketing efforts. The recognition of these logics by Sarasvathy in 2001 investigates the cognitive processes of expert entrepreneurs. Not much empirical research has been conducted in the past and the research connecting effectuation and marketing is very limited. One well-made empirical study about effectuation and marketing by Read and colleagues (2009) served as a foundation for our study, which represents one step towards increased understanding of how entrepreneurs can use effectual logics in their marketing.

To accomplish this, we interviewed eight microbreweries of various age and sizes to collect data about their assumptions and preferences regarding marketing channels and tactics. The data extracted from the interviews was then differentiated into operational variables and categorised according to the five principles of effectuation. We found empirical evidence that the microbreweries to a significantly higher extent approached their marketing using the logics of effectuation. We found some examples of microbreweries using causational logics in some of their marketing decisions, but they almost always favoured an effectual approach.

Despite being in a competitive, mature industry, microbrewery founders do not have a particularly systematic approach to their marketing efforts. The steps that they do undertake to attract more customers are not recognised as marketing. They perceive marketing as a function which they do not need; rather than a process which they do have. As Sarasvathy (2001a) has previously stated that the logics of effectuation and causation complement each other, we suggest that the microbrewers’ view of marketing limits their potential and that there could be benefits to a more systematic approach.

We found that the effectual approach to marketing continued through the maturation of the microbreweries, although we found a correlation between the size of debt of the breweries and need to think about the marketing in causational terms. We found that all interviewed microbrewery founders described their marketing efforts mostly with terms of effectuation.
Based on this we propose:

*Proposition 1: Microbrewery founders use effectual logics more than causational logics in their marketing efforts.*

While most of the microbrewery founders did not recognise their marketing activities, they considered their marketing efforts as a part of everyday business, rather than a separate organisational function. They associated marketing functions and efforts with the macrobreweries and low-quality products, and often stated that a high-quality product would sell by itself. The entrepreneurs did not recognise that they were in fact using marketing strategies such as product placement, branding and promotion. We discovered that due to their effectual approach towards the entire business operations, they did not recognise their activities as marketing. They were “automatically” doing these activities, collecting their resources, and being successful despite not having a formal marketing plan in place.

Most of the entrepreneurs started as hobby brewers and did not have prior education in business studies or similar. They would not have known the textbook examples of how to proceed with business plans and market strategies etc. We therefore to propose that:

*Proposition 2: Microbrewery founders with unawareness or lack of knowledge of the causational methods are more likely to go about their marketing activities using effectual logic.*

5.1 **Theoretical and Practical Implications**

This study was guided by its aim to explore the use of effectual and causational logics of entrepreneurs in their marketing efforts. We approached the topic abductively and used semi-structured interviews to extract our data regarding the cognitive processes of microbrewers. The data was mapped with a coding scheme developed from inspiration from previous empirical research in the field. We categorised the data according to existing principles and found that the microbrewers to a much higher extent used the logic of effectuation.

Read and colleagues (2009) have earlier proposed that expert entrepreneurs use more effectual logic in their marketing as compared to MBA students. Our study has provided empirical evidence that these microbrewers follow the logic of effectuation to a much larger extent than the logic of causation. The logic of causation was close to absent, and when it did
occur it was intertwined with the logic of effectuation, supporting the theory of Chetty and colleagues (2015).

Our study contributes with empirical evidence in a field that has not yet been explored much: effectuation and marketing. Our findings are noteworthy because previous research has focused primarily on MBA-students and expert entrepreneurs, defined as people who have founded a company, been in the company for years and taken it public. Our data sample instead focuses on brewers, many of whom have only been in business for a much shorter time than Read and colleagues’ (2009) and Sarasvathy's "expert" entrepreneurs (2001b). Our study has provided empirical findings in a different research group.

Our study has also gone more in-depth in the field of effectuation in marketing and provided empirical evidence in a yet quite unexplored field. It has provided some findings about when causation was preferred and how the logics were sometimes intertwined and rises questions that might be interesting for future research (see section 5.3).

Responding to increased market competition could be important for the breweries survival. Our study has identified that microbrewers lean much more towards effectual logics and that they do not recognise their marketing processes. As have been stated by Sarasvathy (2001a), the logics of effectuation and causation can work in a complementary fashion. Our data shows that microbrewers can be limited to mostly use one of these logics. Perhaps a more systematic approach towards marketing could be of practical benefit. It could be particularly beneficial in a market where competition is increasing.

5.2 Limitations of the Study

As with all researches, there are some limitations of our study that should be acknowledged and that is what we attempt to do in this section.

The first limitation pertains to the time constraints and relates to the second limitation of the sample size. Being a Master’s thesis of 15 credit points, there wasn’t enough time to conduct a longer study that could have probably lead to more generalizable results.

As mentioned earlier, our sample size was a little smaller than we had anticipated. We did experience a saturation effect in our data collection after the fifth interview. Industry size (in terms of the number of microbreweries in Sweden and Mälardalsregionen), time limitation and saturation effect were the strongest factors that determined this number. The first five interviews were an hour long on average. After that, we reached saturation as we modified our research questions and as the repeated information among the interviewees increased with every
interview. The latest two interviews ended up 30 minutes long and the new information gained was much less.

Also, we did not have a clear criterion for choosing the microbreweries except for the ones in Mälardalsregionen in Sweden. Having a definite criterion while choosing the microbreweries could also bring out certain interesting aspects in the marketing strategies of microbreweries. For example, is there a time progression when thinking of marketing in microbreweries. While we did see this in case of the largest and oldest microbreweries that we interviewed, it would be exciting to study if this was the case in all large and old microbreweries.

The qualitative methods approach (Yin 2011; Strauss & Corbin 1998) that was used in this study enabled in-depth research of the sequences of operations, as well as achieve detailed insight on whether the logics were used intertwined and which logic was most present. A limitation in our study is the use of semi-structured rather than unstructured interviews for gathering data. Semi-structured approach to interviews, the most common qualitative research method (Qu & Dumay 2011, p. 246), was a choice partly due to the set time limitations. Unstructured approach is suggested to give even more in-depth knowledge and is therefore sometimes argued to be a better approach to qualitative studies (Qu & Dumay 2011, p. 246). However, a strength of semi-structure is that it demands a focus which would not have been possible to have when using an unstructured approach. A clear focus enabled us to be more time efficient. Such focus also forces preparations on to the researcher/interviewer, as it is crucial to enter the interview setting not only with openness but also with awareness of what to look for.

5.3 Future Research Opportunities

Working from our limitations and findings, we hope to provide a few future research opportunities for students who might want to work with our study as the starting point for their own research.

Our study set out to explore the how Swedish microbreweries use the logics of effectuation and causation in their marketing efforts. It only represents one step on the way to provide knowledge on how the logics of effectuation and causation are used by entrepreneurs. As stated earlier, few empirical studies have been made that link effectuation and marketing. We suggest that this could be researched much further. Our study investigates a market segment where the entrepreneurs indicate that the competition is not too strong, but the number of players is
increasing. Will the marketing approaches shift with increased competition? It could be an interesting topic for research.

Our findings show that the definition of marketing is not clear to all entrepreneurs. The microbreweries associated marketing with the “dragons” of the business and with attempts to sell low-quality products. It could be interesting to make a more in-depth study of this specific issue.

A different topic suitable for future research could be the possible effects of combining effectual and causational logics. We assume that the use of just one could be rather limiting.

It could also be interesting to investigate if factors such as location have impact on whether entrepreneurs lean towards causational or effectual logics. Few empirical studies have been made and studies of such kind could provide useful empirical evidence.
6 Conclusion

In summary, we set out to find what kind of marketing is practised in when it comes to starting a new business in one of the most traditional industries – the brewing industry, and how the practices were linked to the logics of effectuation and causation.

Our results show that there is a general lack of a causational approach that is generally taught in entrepreneurial and marketing textbooks. Furthermore, this lack of causational approach, surprisingly, continues much further into the life cycle of the business than expected. We extracted some common themes when it comes to marketing in the micro-brewing industry and related it to the principles of effectuation, that helps to give a deeper understanding of the marketing strategies used in microbreweries. We establish that, consistent with the SME literature, there is a general lackadaisical approach to marketing in microbreweries. According to our analysis, this can be attributed to several factors – primarily because there is a negative connotation to the word ‘marketing’ for the founders of the microbreweries, in that they generally associate marketing with a lower quality product, which (according to them) is synonymous with macrobreweries.

We present other findings in relation to marketing in microbreweries and there is a consistency in relation to following an effectual approach in all steps of marketing and sales. These findings should provide an interesting starting point for additional research.
## Appendix

### General Questions:
1. History of the brewery. (and marketing organisation if relevant)
2. How/Why did the idea come about?
3. How do you look at success?
   a. How do you reach it?
   b. Obstacles?

### Industry Analysis:
4. Why did you choose to enter such a mature industry? What were the opportunities that attracted you to the industry?
5. What is your opinion of the brewing industry? (Do you think brewing is a mature industry? Why or why not?)
6. Did you foresee any obstacles? Did you face any obstacles eventually?
7. Did you do an industry analysis before starting the brewery? Was it done later? If so, why?

### Marketing:
8. Do you have a formal marketing strategy in place?
9. Did you think from the start that you would need a marketing strategy?
10. How much of the current budget do you spend on marketing?
11. What strategies do you use? Direct contact, ads…
12. Who is the target of the marketing efforts and what is the final aim of the marketing efforts?
13. Did you do any market analysis before the marketing efforts?
14. How do you reach the customers?
15. Is it easier to deal with large customers (Systembolaget) than small ones (restaurants, pubs)?
16. Why is innovation important?
17. How much do you analyse customer behaviour and potential changes in that? (are they proactive or reactive)
18. How do you know what will be your next successful product?
19. Tell us about the typical steps in a new product development process.
20. Maybe something about the pricing and margins…
21. How did you initially receive funding? What was that process like?

### Appendix 1: Interview Guide
8 References


Kroezen, J., 2014. The Renewal of Mature Industries,


http://www.ewu.edu/x20718.xml


Yin, R.K., 2011. Qualitative research from start to finish., Guilford Press.