

# **Entrepreneurial alertness: influencing leaders's strategic choices during new venture creation amidst the Covid-19 pandemic**

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## **Abstract**

**Purpose** - This paper aims to explore the role of entrepreneurial alertness in the leader's choice of strategic approaches in new venture creation during the covid-19 pandemic crisis in the Philippines.

**Design/methodology/approach** - This qualitative research thematic analysis with semi-structured interviews for data collection. The ten entrepreneur leaders were purposively selected and interviewed in-depth. Participants were business owners who owned and managed their food enterprise during the pandemic.

**Findings** – The COVID-19 pandemic triggered a shift from causation to effectuation for most of the entrepreneurs. because the external environment limited their ability to access the elements or measures for their enterprise. The leaders had to make sense of whatever elements were left or what other available elements might be useful to their business. They also went through a deeper process of internal sensemaking, which led to the understanding of one's own strengths and weaknesses and revisiting organizational purpose and objectives. The combination of the external context of the pandemic and the internal sensemaking brought about by the qualities and competencies of the leaders led to entrepreneurial alertness that enabled them to better position their new ventures in the new normal.

**Research limitations/implications** - This study offers a contribution to knowledge in the areas of startup strategic planning and decision -making amidst the pandemic. Leaders use their entrepreneurial alertness to enable

their organizations to adapt to crisis situations. They also used their entrepreneurial alertness to discover opportunities given their set of means during the pandemic.

**Practical implications** - The study will be of interest to studying entrepreneurship and new venture creation. They can look at the creation, development, delivery and evaluation of strategic planning and decision-making. The importance of creating enterprises is a driver of economic recovery, stability and growth.

## **Introduction**

Recent events brought about by the COVID-19 pandemic has led to fears of widespread economic recession and market collapse (Nicola et al., 2020). An average sharp decline in sales value (80.4%) was experienced by restaurants and similar food establishments when lockdown measure were put in place (Asian Development Bank, 2020). Actively participating in economic activities in an effort to keep the economy afloat are entrepreneurs developing new ventures (Furman et al., 2020).

In this crisis, a leader's entrepreneurial alertness enables them to examine the interplay of the external and internal contexts to be able to develop possible concepts and eventually decide on which concept to pursue. The decision on which opportunity to pursue or create, the strategic approach to be chosen and whether to shift or persevere a given approach are issues faced by entrepreneurs as they create their new ventures (Mattingly et al., 2016). Since the entrepreneur is the de facto leader of a new venture creation, it is important to understand the decision-making processes of the leader that could contribute to the success of the enterprise, especially in the context of a crisis like the pandemic.

### *New Venture Creation*

New venture creation happens when an entrepreneur turns an opportunity into something valuable by engaging in entrepreneurial activities (Salamzadeh, 2015), such as opportunity exploration, deciding on how to derive value from the chosen opportunity, planning the venture, and launching the venture (Mehdivand et al., 2012; Shane, 2000).

These activities have also been described in terms of stages of new venture creation: 1) an identified opportunity; 2) incubation stage, where the entrepreneur accumulates more knowledge and information related to the opportunity to initially develop a more complete concept; 3) evaluation stage, where the entrepreneur assesses whether they have a viable opportunity and decides whether to proceed, modify or stop venture; and 4) exploitation of the opportunity (Baptista et al., 2007; Sarasvathy, 2007; Vogel, 2017). Naldi & Picard (2012) reveal that

entrepreneurs have certain pre-determined expectations and organizational objectives that influence their decision-making approach.

Every entrepreneur begins with their own unique reason for starting new ventures (Giacomin et al., 2006), e.g., a sense of urgency due to loss of employment or lack of employment opportunities in a given location (Morris et al., 2015); or the discovery of an opportunity that is worth exploiting (Sarasvathy, 2007). These factors and the decision-making process of the leader may impact the development of the new venture along with its corresponding potential profit and loss outcomes (Chandler et al., 2011).

Wiltbank and co-authors (2006) argue that a strategy is needed to come up with a new venture, based on two independent dimensions of prediction and control. Predictability is a key factor because it identifies possible competitive scenarios for the entrepreneur (Camp et al., 2001). while the ability to manage what can be controlled in developing new ventures depends on how the entrepreneur discovers opportunities (Mattingly et al., 2016; Shane, 2000). As such, entrepreneurs at every stage of new venture creation will have varying levels of prediction and control (Vecchio, 2003).

### *The Role of Leadership in New Venture Creation*

In every entrepreneurial venture, the entrepreneur is the leader who carries the responsibility of the performance of the organization (Carton et al., 1998; Steward & Roth, 2001). Behaviors displayed by the leaders also influence the potential outcome of the venture (Sundararajan et al., 2012) because they have the ability to make sense of issues from different domains (Hammond et al., 2017). Aside from the internal processes of the leader, the external context of an organization can also influence the organization's ability to meet its goals and objectives, which in turn influences the leadership of the new venture (Jansen et al., 2009).

Thus, the leadership in new ventures is a dynamic process (Baldegger & Gast, 2016). The eventual attainment of goals and success of the new venture could lead to a desire to scale their venture, and it was found that at this stage, better-educated founders were likely to develop plans (Greene & Hopp, 2017).

### *Crisis Leadership in New Venture Creation during the pandemic*

The Asian Development Bank's recent study (2020) of the impact of the Covid-19 pandemic on Philippine businesses showed that micro, small, and medium-sized firms are at great risk due to abrupt supply chain disruptions and tightened financial conditions, which could lead to business failure. In particular, two thirds of small businesses surveyed immediately suspended their business activities and cut their operations by half (Asian Development Bank, 2020). For example, in Cabanatuan City, located in Central Luzon, Philippines, the lockdown resulted in the closure of small restaurants which in turn led to the loss of income and jobs coupled with loan obligation defaults (Vigilia et al., 2021).

Local transportation services were severely disrupted due to the unprecedented government restrictions. The inability to move goods immediately put a strain on enterprises as they were not able to get materials needed for production or service deployments (Korsgaard et al., 2020). Restrictions on travel also created a shortage of key personnel needed in enterprises. Food establishments, for example, lacked the manpower properly make the food and serve the food. Cowling et al., (2020) further states that small businesses that rely on day-to-day business operations will severely be at risk because they will simply run out of money eventually if the pandemic lasts for a longer period of time. As the establishments closed one by one, the fear of a food supply shortage alarmed the general public which in turn lead to panic buying of essential items (Nicola et al., 2020). As a result, there has been a call for government support for developing new ventures by providing a stimulus for innovation that immediately address the crisis (Bertello et al., 2021).

The current situation needs leadership that can evaluate the external and internal conditions of an enterprise, develop scenarios, and decide on a course of action. But more importantly, leaders in crisis situations should be able adjust the elements of his venture based on the changing external context (Fener & Cevik, 2015).

### *Internal Sensemaking*

Sensemaking is a process that allows individuals to clarify and understand what complexities of a context (Hammond et al., 2017). It is critical for leader organize and pieces of information from external and

internal contexts to be able to assess and decide on courses of action (Hmieleski et al., 2011). This continually happens during the leadership process, but more especially during a crisis. In order for the leader to make sense of things, the information needs to be there (prior knowledge) and critical thinking and creativity need to come into play (traits, leadership competencies, business acumen, entrepreneurial alertness).

*Prior Knowledge* - Prior knowledge, which is the set of information that the entrepreneur has (Eckhardt & Shane, 2010), develops over time and allows the entrepreneur to make better sense of the opportunity and its context. During a crisis, the leaders use their prior knowledge to make sense of the crisis and identify opportunities (Ardichvili et al., 2003; Fener & Cevik, 2015). It is hoped that the leader eventually develops a set of strategies and decide how and when to use these strategies (Mattingly et al., 2016).

*Personality Traits* - Faced with uncertainty, an entrepreneur has to make decisions on whether to continue developing the new venture or not (Mattingly et al., 2016). Decision-making can be influenced by dimensions of personality (self-efficacy, locus of control and need for achievement) and are thus highly associated with leadership (Korunka et al., 2003; Vecchio, 2003) and entrepreneurship, particularly business creation and business success (Frese & Gielnik, 2014).

On the other hand, personality is also positively influenced by entrepreneurial outcomes (Hamzah & Shakir, 2016). The growth of the venture indicates that the entrepreneur has been meeting their goals and objectives. This, in turn, encourages the entrepreneur to strive for more success by wanting to control more resources that can be acquired or by establishing a broader social network (Edelman & Yli-Renko, 2010). As such, personality should be an integral part of factors used in conceptual models that that explain entrepreneurship and new venture creation (Zhao & Seibert, 2006).

### *Leadership Competencies*

Leadership competencies are skills and attributes that contribute to venture survival and success amidst times of crisis. The leader should

have a clear perspective and understanding of the current crisis to be able to develop a list of possible organizational outcomes and develop a solution or a series of solutions to thrive amidst the pandemic (Fener & Cevik, 2015). Members of the organization also play an important part in ensuring venture survivability and sustainability (Jansen et al., 2009)

*Understanding the external context* - Paying close attention to the external context is the first step in developing organizational strategies that can enable the venture to survive and thrive in an environment (Slaughter, 1999). A leader should be able to look the events and upcoming trends that may influence the ventures ability to meet its objectives (Costa, 1995). Having a future-focused understanding of the external domain (Salem Khalifa, 2008) also enables the leader to strategically orient the enterprise according to a particular goal (Landrum et al., 2000).

*Empathy* - To be an effective leader during times of crisis is to have the ability to understand and feel another person's thoughts and feelings. Empathy improves the overall interpersonal relationship of the leader and their subordinates (Riggio, 2008).

*Resilience* - A leader displays resilience when they have the ability to get back immediately from difficulties and hardships in the face of growing uncertainty before others (Zhao & Seibert, 2006).

### *Entrepreneurial Alertness and Intentions*

The ability of a leader to identify, interpret and decide on opportunities that can be developed for creating value, delivering value and capturing value from a market is entrepreneurial alertness (Tang et al., 2008). It can also be defined as the ability of a leader to read the broad external context, efficiently make sense of the context, and determine opportunities within that particular context (Baron, 2007). They can see new opportunities in environments that others do not see and can readily navigate through the complexities of inherent in the development of new ventures (Alvarez & Busenitz, 2001).

Entrepreneurial intention, on the other hand, is the desire of an individual to begin a new venture (De Clercq et al., 2013). This may be a result of entrepreneurial alertness where an identified opportunity could

create financial rewards (Krueger et al., 2000), such as taking an existing product and service that can raise the level of customer and stakeholder satisfaction to a higher level (Kirkley, 2016).

*Social Capital* - Social Capital is the combination of potential or actual value that a leader can benefit from their own social interactions and networks (Lim et al., 2015). It is critical to the success of an organization and its leadership because it can enable stronger relationships with suppliers, sales owners, customers, and other partners vital to the success of the organization (Hitt et al., 2010) and possibly discover or develop more opportunities (Eckhardt & Shane, 2010). Thus, the leader's social network and relational capital is strengthened or weakened through their interpretation of control and understanding of risks (De Carolis et al., 2009).

#### *Making Decisions in New Venture Creation*

The decision to approach to new venture creation in a more objective-oriented manner may be adapted so that clear strategies and plans to address the opportunity can be created (Hitt et al., 2001); or a more evolutionary approach may be chosen by just letting the context unfold. These two strategic approaches known to benefit entrepreneurial initiatives over time as new ventures are being created are referred to as causation and effectuation, respectively (Dew et al., 2009b; Smolka et al., 2018)

*Causation* - According to (Hermes, 2016), causation is based on a "logic of prediction." In the causation approach, the leader will try to gather, organize, and manage the means to attain a pre-defined objective, which to their mind will yield a successful outcome. Entrepreneurs take the causation approach when they develop a business plan that presupposes a sustainable competitive advantage when an opportunity is identified (DeTienne et al., 2015). The entrepreneur looks for the needed resources to establish the venture that will deliver the goods or service resulting from the identified opportunity (Fisher, 2012).

Plans are put in place to minimize the risk faced by the founders by enabling them to identify variances and correct these variances during the stages of new venture creation (Delmar & Shane, 2003). The outcome in causation is given and the it falls on the leader to select the best means to

achieve that outcome by (1) starting with clear goal (2) assessing potential and expected returns, (3) conducting competitive analysis, and (4) managing what can be controlled in the future. (Dew et al., 2009a; Fisher, 2012; Sarasvathy, 2007).

*Effectuation* - On the other hand, in the effectuation approach, the entrepreneur recognizes his or her own means to develop a goal that is not pre-defined but where elements can be controlled, i.e., effectuation is based on the “logic of control” (Sarasvathy, 2007). (Sarasvathy, 2007). In the effectuation approach, entrepreneurs are future-oriented and they can creatively understand the situations they face and act on those understandings based on logical reason that they can presently control when they know that that the future is unpredictable (Sarasvathy, 2007)..

Effectuation offers another perspective in the way entrepreneurship is interpreted (Perry et al., 2012). In this situation, the leader is not working towards a pre-determined outcome (Schlüter et al., 2011). They may start from their current context and develops possible future states instead of working backwards from a pre-determined objective. (Valliere, 2015).

#### *Switching of Logics in New Venture Creation*

The leader of the enterprise thus has two possible approaches in making crucial decisions in new venture creation. An effectual approach or a causal approach in developing the venture is chosen by the entrepreneur (Cornelissen & Clarke, 2010; Sarasvathy, 2007; Sarasvathy & Dew, 2005; Sarasvathy & Kotha, 2001).

It has been observed in literature that entrepreneurs as leaders of their enterprise shift between these two approaches (Smolka et al., 2016). Factors that influence shifting between causation and effectuation approaches change depending on the venture’s life cycle (Servantie & Rispal, 2018) as well as by changes in internal and external conditions (Smolka et al., 2018). Thus, obtaining information through feedback mechanism in an entrepreneur’s environment influences the decision to shift a current approach in new venture creation (Mattingly et al., 2016). Leaders can thus seek feedback and incorporate them in the decision-making, enabling them to take unexpected events more openly (Chandler et al., 2011).

As the new venture starts to evolve, decisions are made to stay on the chosen approach or to change approach (Mattingly et al., 2016; Reymen et al., 2015; Smolka et al., 2018). For example, instead of having formal business plans, the leader could be flexible enough to adapt and address opportunities that could lead to results that may be very different from what was expected Hinz (2017). As such, the entrepreneur as leader of their enterprise must determine what kind of approach shall be taken as the new venture is being created especially during times of crisis.

Crisis leadership involves adapting to external factors and making sense of these based on the leader's internal processes. However, the leader further needs to determine options and decide how to move forward. While causation and effectuation are two major strategy approaches a leader can use in new venture creation, there is still a need to understand the role of entrepreneurial alertness in new venture creation, particularly during the COVID-19 pandemic.

The research aims to explain the context of the entrepreneur (i.e., prior knowledge, personality traits, leadership competencies, alertness, and social capital) in understanding their decision to shift strategic approaches as they create new ventures. The research specifically aims to look into how entrepreneurs as leaders of their new ventures developed and used entrepreneurial alertness in addressing the challenges of the pandemic. Thus, the research question is: *How does entrepreneurial alertness influence the leader's choice of strategic approaches in new venture creation during the COVID-19 pandemic?*

## **Methodology**

To understand how entrepreneurial alertness affected the leader's strategic choices during the new venture creation amidst the current Covid-19 pandemic, this qualitative study utilized a multiple case design and thematic analysis approach.

### *Research Participants*

The study employed a set criterion that focused on Filipino business entrepreneurs with a new venture within the food industry. The participants must be an entrepreneur for a period of at least six months before March 1, 2020 (the time the quarantine policies of the government

were fully implemented). They should have started their own business ventures from the ideation (creation) phase and have been managing day-to-day operations of the enterprise. The businesses they operate should be less than three years old and should have an existing product and service that is commercially available.

<b>ENT</b>	<b>Sex</b>	<b>Age</b>	<b>Designation</b>	<b>Business Concept</b>	<b>Location</b>	<b>Target Market Reach</b>
1	F	31	Founder, CEO	Japanese-inspired dessert café	Upscale Malls	Upscale Malls
2	M	50	Founder, CEO	Spanish-themed restaurant-deli-bar	NCR	
3	F	53	Sole Proprietor	Online Bakeshop & Food Development Consultancy	NCR	NCR
4	F	32	Founder, CEO	Coffee Shop (NCS)	Rizal	Rizal
5	M	21	Founder, CEO	Coffee Shop (Province)	Palawan	Palawan
6	M	42	Founder, CEO	Fried Food Retail shop (with franchisees)	NCR	NCR
7	M	45	Founder, CEO	Condiments Manufacturer & Distributor; Restaurant Development Consultant	Nation-wide	Nationwide
8	M	55	Founder, CEO	Restaurant Deli / Distributor	Palawan	Palawan
9	M	27	Founder, CEO	Asian-themed restaurant, NCR	QC	NCR
10	M	54	Founder, CEO	Fried Chicken Restaurant / Online Store	NCR	NCR

Table 1: Overview of Research Participants

### *Data Collection Instrument*

Information was gathered using the semi-structured interview method. They were asked open-ended questions that focused on the entrepreneur's the nature of the businesses, the process of new venture creation, current understanding of the pandemic, and the strategic approaches the entrepreneur employed before and during the pandemic.

The average length of the interviews was 45 minutes. English language was utilized during the interview session.. Follow-up questions were asked from the participants to further explain their experiences. Consent and permission to record the interview via GoogleMeet or ZOOM was obtained from all the participants. All the interviews were transcribed; phrases in Filipino were translated into English. Password-protected Microsoft Word and Excel files were created for the documentation. The files were be saved in a Google Drive folder accessed only by the researcher.

### *Data Analysis*

Themes from the interviews were extracted from the responses and grouped into thematic clusters. Significant ideas, themes, and sub-themes were reviewed by the researcher. The initial findings were triangulated with the adviser and a colleague to calibrate the findings. A final list of themes and sub-themes was then created.

For the thematic analysis, the researcher followed the guidelines of Braun and Clarke (2006) to highlight the flexibility of this qualitative analytic method. These guidelines are (1) Familiarization, (2) Coding, (3) Searching for themes, (4) Reviewing themes, (5) Defining and naming themes, and (6) Writing the report.

To ensure quality, researchers separately re-read the transcripts and re-examined the textural data and reduced them into relevant codes. Then, these summarized coded statements were categorized, which eventually led to the emergence of the primary and secondary thematic codes ([Table 2](#)).

### **Reflexivity**

The researcher has a post graduate degree in Entrepreneurship and has been teaching the subject for over ten years. He has started some

enterprises several years ago. Currently, he has divested all his shareholdings from entrepreneurial ventures and is currently focused on teaching and doing research in this subject area.

The second author teaches sustainability management and social entrepreneurship in a university. She is actively involved in academic research and enterprise sustainability projects that involve different types of enterprises.

## **Results**

The results of the research showed the experience of ten entrepreneur-leaders as they went through new venture creation amidst the pandemic. They were all affected by the imposed quarantine measures of the government. The results shows that the pandemic affected them in different ways. The themes below show how they coped and adjusted during the COVID-19 pandemic.

## **The Entrepreneurs**

Two approaches were applied by the entrepreneurs when they were starting their venture before the pandemic. In a causation approach, the concept of the entrepreneurs was stated at the start of their ventures. Operationalizing the concept and managing what could be controlled were themes that emerged as the entrepreneurs were actively managing their enterprises before the pandemic. They would occasionally adjust their operations as needed. Eight out of these ten entrepreneurs used a causation approach as they developed their enterprise, i.e., they gathered, organize, and managed the means to attain a pre-defined objective They were ENT-1, ENT-2, ENT-4, ENT-5, ENT-6, ENT-8, ENT-9, AND ENT-10.

In the effectuation approach, the means of ENT-3 and ENT-7 were identified and then they developed concepts based on their existing means. A variety of options were drawn up before the selection of a concept to pursue.

### *Causation Approach*

The leaders of the venture who used the causation approach tried to gather, organize, and manage the means to attain a pre-defined objective. They would initially have a concept in mind. ENT-1 recalled what she originally want to develop “... *to be another brand in the dessert category...*” ENT-5 mentioned “... *to elevate the coffee scene...*” ENT-8 envisions a restaurant that “*an Asian restaurant that serves dishes from Thailand, Indonesia, Malaysia, and Singapore...*” The leaders had a concept that they wanted to pursue at the very start.

### *Operationalizing the concept*

Through operationalization, the entrepreneur systematically organizes the elements needed create and deliver products and services to a customer.

*Using an old business plan.* ENT-4 updated an old business plan “...*I did a paper on BIZ 4 during my MBA, and we've been trying to improve the business plan ...*” ENT-10 articulated his plans by developing a business plan “*we had a hundred fifty plus page of a formal business plan. ... my strategic direction*”

*Selecting Good Partners.*” ENT – 9 said that a chef was essential in being able to create and deliver the venture’s value proposition “*why don't I look for a chef partner ... he would be uh the, the wizard in the kitchen. Then I'll just do all the business*”

*Selecting location.* ENT-8 carefully selected a place “*What are the places where we have the right to win or right to compete ... We visited all these places. Uh, Boracay, Siargao etc. And we, we decided, Palawan..*” The location was chosen give ENT-8 a higher chance of venture success. Being at the center of a locality was ENT-9 a good reason for the chosen location “*it's like the center of QC. You can, you can go to Mandaluyong, Pasig, Manila, wherever from, from that area. ... okay I can, I can do it here.*”

*Branding and Registering the Product or Service* - ENT-1 branded their product *Brand1*, which is a black yogurt dessert, while ENT 10’s concept of combining lechon and fried chicken is further understood by branding

the concept. ENT 10 also officially registered the venture with government agencies. “... *And so I called it BIZ-10. I had it patented and registered at the IPO sa DTI natin.*”

*Understanding the market* - ENT-4 saw realized that her initial target market assumption was wrong: “*So we were expecting most people to pass by, have services done... Unfortunately, ... hindi sila totally that kind of market (not all of them are that type of market)*”

*Scanning the environment to understand the context (information gathering)* - ENT-5 scanned the immediate vicinity of the place to get a clearer understanding of the operating environment: “*And uh this is Calle Real, and Calle Real, is known for having like all the major establishments. pawn shops ... bakeries. ... different accommodations. We get tourists ... a steady stream of government workers ... business owners as well.*”

*Developing a Lean Team* – A lean team that understood roles and responsibilities was needed as ENT-2 shared “*we were just two guys running this ... we planned on what how we were going to take this company to the next level*” A team that could multi-task was created to be able to function” *Swiss army knife so (chuckles) we, we, we help each other out*”

*Analyzing the supply chain* - ENT-6 and ENT-8 analyzed their supply chains respectively. ENT-6 had to look understand the capabilities of partners and suppliers “*eventually, we had to look for other suppliers. We had to look for other commissaries,*” And ENT-8 had to understand how product quality could be ensured during transport *we did like uh, a supply chain analysis... there were 18 steps right. .... But.. we found a way to ensure that the products arrived safely and in good condition ...*”

### *Effectuation Approach*

In the effectuation approach, the means of ENT-3 and ENT-7 were identified and then they developed concepts based on their existing means. Possible options were drawn up before the selection of a concept

to pursue. ENT-3 emphasized her background *“I’m a professional chef.”* ON the other hand, ENT-7 says *“I was ingrained in the food uh restaurant industry.”*

*Developing the concept* - Using available elements, possible concepts were identified *“I realized oh I can make more money with consultancy compared to, to a regular job.... And then while I was doing the consultancy, that's when I said, why don't I just start selling in the village only...”* were possibilities shared by ENT-3. Restaurant advisory services, training services, and setting up accounting systems were some of the possibilities stated by ENT-7 *“Some people were asking for advice (consultancy). ... to train their service crew (training) ... to fix up their accounting system (Accounting).”*

*Choosing the concept* - ENT-3 had the options of being a consultant or focusing on selling baked goods and opted for the latter. ENT-7 resigned from his work and started to focus on the consultancy business. *“I decided to ...concentrate and see if I could make uh, the online baking business work (ENT-3)”* ... *“I resigned with my job and start, decided to start my own consultancy business (ENT-7)”*

### *Managing What Can Be Controlled*

All the entrepreneurs eventually pursued their chosen concept and did what they could do to meet their business objectives and the requirements of their market. As leaders, they had to make decisions based on their background and experiences, and drew from their ability to scan the environment, understand market needs, and adjust their concepts accordingly.

*Adjusting flavors and food selections* - Adjusting Food ENT-1 adjusted flavors to meet Filipino tastes *“we kind of like um made yogurt uh, somehow sweeter than the usual”* ENT-8 selected food items that would meet the needs of their target market *“ particularly the Europeans... They wanted their kind of food. And so .. we were selling the sausages, charcuterie, cheeses”*

*Adjusting Facilities* - Renovation of facilities to accommodate the demands of the growing market was done by ENT-3 “*I started building the kitchen...*” ENT- 10 adjusted store size to fit his budget to the space was made available “*So my ideal store in the plan says 50 square meters... But our first store was 25 square meters only. Just half of what I have uh planned for.*”

*Managing social media channels* –ENT-4 and ENT-7 used social media “*we do our best to do use social media, and ...boost...*”; “*the only thing that we can really do is to advertise ourselves in social media*

### *The External Context: The COVID-19 pandemic*

The government enforced strict measures to stop the spread of the COVID 19 virus such as halting public transportation, stopping the operations of public places where people gathered (i.e restaurants, events places, expos, etc.), and enforcing nighttime curfews.

The lockdown threatened the elements that the entrepreneur-leaders used to implement their concept; some of the elements needed in the enterprise were either changed, unavailable, or unreliable. With the absence of most of these elements, all of them were forced to use an effectuation approach, i.e., recognize the elements and measures available to them and see how they can continue or restart their businesses. They needed to operate because they had employees who needed a livelihood, customers who needed their products and services, and suppliers who needed to get paid as well. Tough decisions were made regarding business operations.

ENT-1 reduced manpower “*we slowly had to eliminate roles and positions that were not necessary... from 300 we're down at 50*” Branches and corresponding operations were stopped by ENT-2 and ENT-6 *we decided to shut down all the branches...* ... “*the franchisees, decided to close shop... we had to close the commissary ...we had to stop operations...*”.

### *Making Sense of the Enterprise in the Context of the Pandemic*

From a context of planned growth to a situation of uncertainty, these leaders had to make sense of the crisis. As it became clearer, the changes were necessary for their enterprises to survive the crisis. However, before these decisions could be made, they had to make sense

of the things happening around them from a personal and internal perspective. The way the leader made sense of things evolved from the confluence of their prior knowledge, personality traits, social capital, and most importantly, their leadership competencies and entrepreneurial alertness. (ENT-2) *“So obviously all the things we learned about what happened during the pandemic uh, will be applied in the future.. we’re a bit more cautious now, we don't wanna get caught with our pants down again”*

A realization of how to stand out in the midst of the numerous social media ads was a concern of ENT-3 *“how do I market myself that I don't disappear in the thousands of Viber, IG ads and FB ads of people who are selling all, all from home also...”*

Contextualizing the importance of a business plan was expressed by ENT-5 *“Honestly it's really month to month. Because um, a written plan is only as good as you're able to measure your um, your input data. .... So it's almost impossible to know what the next thing to do is..”*

### *Leadership Qualities*

The entrepreneurs realized that inherent in them were leadership qualities that enabled them to continue their venture. They showed empathy, perseverance, resilience, passion, optimism and flexibility.

*Empathy* – A leader’s concern for their staff amidst the crisis was evident in the statement of ENT-1 *“So during the pandemic ... I give my people a lighter load ... May salary cuts na nga ako. Papagurin ko pa ba sila? (I gave them salary cuts. Will I still make them more tired?)*. ENT-2 did acted on the transportation difficulties of the staff *“I said ... we have, make sure our people can get to work. Whether you pick them up or we get a van or we get a driver and bring them or we pay them and they get a taxi.”*

*Perseverance* – Giving up was not an option for ENT-7 *“we persevered... There's no, idea of like, let's just close this up.”*

*Passion* - *“my .. passion or my interest ... it's really like looking at new recipes, reading new trends (about baking)”* shared ENT-3. The new information encouraged ENT-3 to continue her venture.

*Resilience* – Despite the limitations faced by ENT-9, he continued with his enterprise *“ The pandemic made me realize my limits .... I had a*

*phase I got so depressed... Maybe this time I'll give up. Uh but for some reason I carried on ...”*

*Optimism – “we are not yet out of the woods. But ... I can see the light at the end of the tunnel. ...”* was a positive outlook expressed by ENT-10 despite the pandemic.

*Flexibility – “I think our small team, well its like a team of a hundred right. we have enough flexibility and agility to, go with the flow (ENT-8)”*

### *Entrepreneurial Alertness of the Leader in the Context of the Pandemic*

The entrepreneurs in this study demonstrated entrepreneurial alertness, i.e., an ability to read the broad context, efficiently make sense of the context, and determine opportunities within that particular context (Baron, 2007; Tang et al., 2008) *“So I just continuously develop things you know.. ... People are talking about us because we suddenly produce gelato. ... coffee which we're not doing before you know.”* ENT-1 introduced items that were not part of the original core offering. ENT-2 offered vacuum packed food items that could be cooked in the homes of their clients customers *“we made the line na parang ready to eat but vacuum packs”* ENT-3 explored the possibility of starting a new concept *“I'm hopefully looking at maybe the online classes.. to get some money back”*

An integrative table of themes is found in [Appendix 2](#).

## ***Discussion of Results***

### *Entrepreneurial Alertness of the Leader*

It was found from this study that that the leader's entrepreneurial alertness came from the process of making sense of the external context, such as the pandemic, while using leadership competencies to determine opportunities within that particular context (Baron, 2007).

The widespread business disruptions, the emergence of unfamiliar rules and regulations, and changing customer behaviors caused entrepreneur as leaders of the ventures brought about high levels of uncertainty and doubt about the future. The predictable nature of the

external context became more unpredictable. The leaders discarded long-terms Plans / Strategic Plans were also discarded when operational modes were disrupted. To be able to meet the demands that evolved because of the crisis, leaders eventually had to adapt and adjust accordingly to find ways to continue their business operations.

The leaders also went through a deeper process of internal sensemaking, which led to the understanding of one's own strengths and weaknesses and revisiting organizational purpose and objectives. Those leaders who had the leadership qualities—e.g., to be flexible and persevere, who were resilient and optimistic, who had passion and empathy—accepted the external context and drew from their prior knowledge and experiences to help them to read the environment better and spot opportunities. Thus, the combination of the external context of the pandemic and the internal sensemaking brought about by the qualities and competencies of the leaders led to entrepreneurial alertness that enabled them to better position their new ventures in the new normal.

#### Leadership Competencies that Strengthen Entrepreneurial Alertness

The leaders in this study showed competencies that were developed from prior knowledge, training, and/or experience, and enabled by their personal qualities and social capital. For example, some leaders were trained as chefs and had professional experience in the food industry. When this was combined with passion, creativity, and resilience, they were able to identify opportunities for continuing the business despite the challenges of the external context. They also used their social capital to help them implement their solutions.

Other leaders were trained in business but had exposure to the foods of other cultures (e.g., Greek yogurt, Spanish tapas, European delicatessen). Their optimism, passion, and flexibility enabled them to adjust their products and modes of delivery to the needs of the market, even during the time of the pandemic.

One leader's passion and perseverance overtook personal depression and doubt having made better sense of the unpredictable nature of the pandemic. The leader used both the external context and internal sensemaking to adapt and adjust to what could be done to continue the business and to identify opportunities that could be developed further (Mattingly et al., 2016). The pandemic gave the leader

the opportunity to get back in touch with their core business values, meaning and purpose, and what they could possibly do not only for themselves but for their immediate staff as well. Empathy and care for other people involved in their business was taken into consideration before any drastic measures were made.

The crisis also enabled the entrepreneurs to evaluate, plan and adapt actions and direction with their given set of means. An identification of who could possibly help the organization was made. Former corporate acquaintances, friends, online groups were social networks that the entrepreneurs used to continue with their venture (Lim et al., 2015). As their internal sensemaking presented more understanding about the situation, the entrepreneurs expressed their intention to continue despite the crisis.

The entrepreneurial alertness gave rise to options based on available means, such as expanded product line, alternative modes of delivery, new online ordering systems, alternative operational modes, etc. This shows that the leaders' shift to the effectuation approach.

### *The Leader's Entrepreneurial Alertness in Choosing a Strategic Approach*

It has been shown that the external context forced the leaders to make decisions that would try to extend the life of the enterprise. This meant using the appropriate strategic approach for the new venture. As mentioned earlier, the pandemic threatened the elements or measures that the entrepreneurs used to implement their concept and all of the entrepreneurs were forced to use an effectuation approach, i.e., recognize the elements and measures available to them and see how they can continue or restart their businesses. For the eight entrepreneurs who initially used the causation approach, they had to shift to effectuation. ENT-3, who started out using effectuation, had shifted to the causation approach after the initial concept proved to be successful and could be scaled up. ENT-7, who also started out using the effectuation approach, continued with it during the pandemic.

Thus, nine of the ten leaders shifted their approaches **from causation to effectuation**, with one shifting twice (from effectuation to causation, and back again). It has been shown in the previous section that external context and internal sensemaking contributed to the

entrepreneurial alertness of the leaders in this study, which in turn enabled them to shift from causation to effectuation.

Table 6. Summary of Shifting from Causation to Effectuation as a Result of Entrepreneurial Alertness

<b>ENTREP</b>	All Except ENT 7 – ENT-7 stayed with his original concept
<b>EXTERNAL CONTEXT (Pandemic)</b>	<ul style="list-style-type: none"> <li>• Supply chain disruption</li> <li>• Halting of operations</li> <li>• Loss of walk-in customers</li> <li>• Downsizing Human Resources</li> <li>• Public Transportation Disruption</li> <li>• Changing customer preferences</li> </ul> Demand for Online Systems for Logistics
<b>INTERNAL SENSEMAKING</b>	<ul style="list-style-type: none"> <li>• Adjustments in operations with the help of prior knowledge and experience</li> <li>• Leadership qualities and competencies</li> </ul> Expanding Staff Roles
<b>ENTREP ALERTNESS</b>	<ul style="list-style-type: none"> <li>• Adapting to the context</li> <li>• Identifying Opportunities</li> <li>• Selecting the opportunity to pursue</li> </ul> Operationalizing the opportunity
<b>Evidences of shift</b>	<ul style="list-style-type: none"> <li>• Addition of non-core products: (ENT-2, ENT-4)</li> <li>• Change of Deliver Mode: Walk-in to Shift Online Ordering &amp; Delivery (ENT-1; ENT-5; ENT-9)</li> <li>• Change of Mode of Operation : From Trading to Manufacturing own products (ENT-8)</li> <li>• Change of Mode: Walk-in restaurant to Distributorship (ENT-10)</li> </ul> Change of Concept: Business Consultancy + Home-made baked goods to Online Cooking Tutorials (ENT-3)

Similarly, external context and internal sensemaking could also lead to entrepreneurial alertness that causes a leader to switch **from effectuation to causation**. In the case of ENT-3, the external context was an increase in market demand, pre-pandemic while the internal sensemaking involved the leader's expertise and passion. These led to a desired goal of expanding the food consultancy, which in turn meant an investing in the elements that would lead to the attainment of objectives.

### ***Conclusions and Recommendations***

The current study utilized thematic analysis to understand the entrepreneurial alertness of ten entrepreneurs in the food business as they were creating new ventures amidst the pandemic. The findings show that eight out of the ten entrepreneurs showed a causation approach when they began with a clear concept and an objective to operationalize the concept. This meant articulating the concept into manageable parts of the business (i.e., updating an old business plan, looking for partners, acquiring assets, etc.). Also part of the initial stages of venture creation is the adjustment of operations to fit the requirements of a growing market, with the entrepreneurs confident that their ventures would generate profits and grow over time.

On the other hand, two out of the ten entrepreneurs showed an effectual approach. Consistent with effectuation theory, the two entrepreneurs knew their competencies and the resources available to them. They developed possibilities given their set of means (Sarasvathy, 2007).

In both approaches, the entrepreneurs managed what they perceived to be controllable. As such, the entrepreneurs were operating in an external context that was generally predictable and manageable.

The leadership during the crisis triggered by the COVID-19 pandemic forced the leaders to go through a personal process of internal sensemaking, drawing on their leadership competencies to strengthen their entrepreneurial alertness that allowed them to maneuver through the challenges of the pandemic. Their leadership competencies were the result of the combination of their personal qualities (creativity, flexibility, perseverance, resilience, and optimism) and their prior knowledge and skills (developed by their training and professional exposure).

With their entrepreneurial alertness, the leaders made the decision from causation to effectuation because they realized that long-term planning had no real benefit during the pandemic. The effectual approach enabled the leaders to identify new concepts and business models given their existing set of means. The shift from effectuation to causation was also demonstrated when the business concept that evolved has proven to be worth pursuing within a more stable external context.

### **Recommendations**

A longitudinal study could reveal more findings of how the pandemic has affected the venture, particularly about understanding what positive and negative long-term effects of the pandemic may have on the leaders of the ventures and the ventures themselves.

Future studies could also include other types of entrepreneurs (i.e., experienced vs inexperienced entrepreneurs), types of ventures (i.e., manufacturing, service-based, online) and the current stage of the venture (i.e., growing, mature, declining).

Using the findings this research, a quantitative research design could be developed to further study the leadership competencies that affect the decision-making of leaders when it comes to choosing their strategies as well as the leadership competencies that are crucial during a crisis.

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