

## Policy Briefing

# Entrepreneurial Alertness in Dynamic Environments: Mediating Pathways to Entrepreneurial Orientation and Performance

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### Key findings

This policy brief summarises research on how entrepreneurial alertness (EA) enables small and medium-sized enterprises (SMEs) to sustain entrepreneurial orientation (EO) and improve performance in dynamic environments.

Many studies demonstrate that firms in dynamic environments, where for example competitors' activities are unpredictable and uncertain, benefit from higher levels of entrepreneurial orientation (EO). EO consists of a combination of proactivity by the firm, innovation and risk taking. Firms with higher EO are associated with higher performance in terms of sales and productivity. Much research has suggested characteristics of the CEO and the firm's strategy influence EO, but often these factors are rather stable and therefore less amenable to influence from managerial actions. Moreover, the question remains how firms can maintain and enhance their level of EO and thereby drive performance.

Our study suggests entrepreneurial alertness (EA) is an important managerial practice to enhance firm EO. Recent work argues entrepreneurial alertness (EA) consists of three processes: scanning and search; association and connection; and judgment and evaluation.

**Scanning and search** consists of activities which enable new information to be acquired such as reading trade publications, going to trade shows and so forth. **Association and connection** consists of activities which process information, such as being good at 'connecting the dots'. **Judgment and evaluation** also consists of activities which process information such as having the skill to distinguish high-value opportunities from lower value opportunities.

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While prior research suggests entrepreneurs need to practice all three elements, our view suggests scanning and search is concerned with information acquisition, whereas association and connection, and judgment and evaluation are information-processing stages. In our view, the combination of information acquisition (scanning and search) with one of the two information-processing stages, either association and connection, or judgment and evaluation, is sufficient to improve the firm's EO.

The study, carried out using multi-informant, two-wave data from 209 SMEs in Ghana, provides evidence to support our claims. In addition, it suggested simply scanning and searching has a negative impact on the level of EO.



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## Policy implications

In dynamic environments higher levels of EO will increase firm performance on average. This is clearly in the public policy interest, because it could also bring wider positive impacts on specific industries and the economy. It follows therefore that policymakers will have an interest in increasing the EA pathways to enhanced EO.

Our research indicates that policy action should focus on strengthening entrepreneurs' cognitive capabilities to balance information acquisition and processing. Training

programmes could include exercises in associative thinking, such as design thinking for example, alongside workshops on judgment and evaluation of opportunities. For example, in an entrepreneurship course the creative evaluation of opportunities can be critical. We might link this to creative education more generally but on an entrepreneurship course we might ask what makes a good opportunity for you? We know that incubators and accelerators offer intense periods of advice aimed to re-evaluate projects and induce pivots (Cohen et al., 2018; Hallen et al., 2020), and 'scientific' entrepreneurship is part of some incubation programmes (Camuffo et al., 2020). Those running incubators and accelerators, could embed EA development into their support models too by simulating dynamic scenarios and fostering peer learning. In resource-constrained contexts, interventions might prioritise adaptive cognitive strategies over rigid planning models.

In addition, to avoid the overloading of information, policy makers might consider how businesses might include stopping rules for information search. For example, you might stop after spending two hours on market research or after three credible sources. Although AI can 'hallucinate' AI could accelerate this search. Thereafter information processing should take over. This could help accelerate action.

SME managers might institutionalise EA by assigning roles for environmental scanning, and embedding decision frameworks that integrate scanning with processing. In part this depends on the markets where the business competes because by adopting these practices, firms can maintain a robust entrepreneurial orientation, ensuring resilience and sustained performance in dynamic markets. In addition, leveraging technology for pattern recognition and evaluation might further strengthen these capabilities.

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