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### EXECUTIVE SUMMARY

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

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“We are drowning in information but starved for knowledge” (attributed to John Naisbitt).

Entrepreneurial Orientation (EO)—the strategic posture of innovativeness, proactiveness, and risk-taking—is vital for SMEs operating in dynamic environments. Higher levels of EO are consistently associated with higher firm performance. Research on the antecedents of EO has focused on CEO characteristics or strategy. These antecedents see EO as a stable firm-level orientation. Yet, it is possible for EO to vary within the lifecycle of the firms meaning that we need to understand the dynamic mechanisms that link environmental dynamism to EO and firm performance. For example, how do firms maintain their levels of EO as they age? This study positions Entrepreneurial Alertness (EA) as a mediating construct that enables firms to translate environmental uncertainty into entrepreneurial action. Economist Israel Kirzner identified alertness as a key capability of the entrepreneurs. Recent work has refined the EA construct into three elements: scanning and search; association and connection; and judgment and evaluation. Prior research conflated all three elements into the EA construct. Our view suggests scanning and search is concerned with information acquisition whereas association and connection and judgment and evaluation are where information processing stages.

Using multi-informant, two-wave data from 209 SMEs in Ghana, we find that EA does mediate the relationship between environmental dynamism and EO. In dynamic environments firms that practice EA can enhance their EO and thereby their performance. However, there are two pathways for firms who improve their EO. Firms either scanned and searched (information acquisition) and coupled this with association and connection (information processing) or they scanned and searched (information acquisition) and coupled this with judgment and evaluation (information processing). The combination of information acquisition with either form of information processing improved EO. Scanning and search on its own was associated with lower EO suggesting information overload.

This study advances EO theory by integrating individual-level cognitive processes with firm-level outcomes and offers practical insights for SMEs in resource-constrained, dynamic environments. It cautions against excessive information gathering without processing and advocates for balanced, adaptive strategies. As in the quote attributed to John Naisbitt “We are drowning in information but starved for knowledge”.