

Thriving during crisis

How some entrepreneurs thrived during the Covid-19 pandemic

Tuesday, April 5, 2022



PAUL COLLEGE ASSOCIATE PROFESSOR OF STRATEGIC MANAGEMENT AND ENTREPRENEURSHIP DEV DUTTA CO-AUTHORED A STUDY THAT SHOWS THE ABILITY TO SEE A TEMPORARY OPPORTUNITY, ADJUST THINKING, AND MOVE QUICKLY ON NEW IDEAS HELPED ENTREPRENEURS SURVIVE AND THRIVE DURING THE ONSET OF THE COVID-19 PANDEMIC.

Lockdown measures introduced to control the spread of the coronavirus have simultaneously led to the closure of many small businesses as well as the creation of innovative startups.

Better understanding how entrepreneurs realize a “silver lining”

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during a crisis and act on it is the focus of a recently published [study](#) in the journal, *International Small Business Journal: Researching Entrepreneurship* (ABDC A, Impact Factor 5.47).

The researchers started by considering whether arbitrage opportunities emerge during a major crisis such as the current COVID-19 pandemic. Entrepreneurial arbitrage can be described as a low-risk, quick way of exploiting gaps between what the market demands and what's being supplied.



Dev Dutta, associate professor of strategic management and entrepreneurship



“Arbitrage opportunities are, by their very nature, opportunities that are fleeting, temporary, and need to be worked-upon in a highly time-

compressed manner,” said [Dev Dutta, associate professor of strategic management and entrepreneurship](#) at the University of New Hampshire’s [Peter T. Paul College of Business and Economics](#). “Little research exists on entrepreneurship emergent during a crisis, and almost none during a pandemic. We knew that to investigate these phenomena we had to do a qualitative field-study of entrepreneurs that had identified an arbitrage opportunity and were working with it. The Covid-19 crisis provided a natural experimental setting for conducting such research.”

Dutta is co-author of the study with Indu Khurana, associate professor of economics and business at Hampden-Sydney College in Virginia, and Mark Schenker, professor of entrepreneurship at Belmont University in Tennessee.

The researchers found their opportunity in the distillery industry,

where news reports indicated that some producers were moving quickly into the manufacture of sanitizers as the demand for the latter had skyrocketed. They focused on a group of entrepreneurs who operated their own businesses in Virginia during 2020-21 and had quickly gravitated toward making sanitizers, in view of the sky-rocketing demand.

The study revealed that the distillers did not feel inhibited by the daunting, time-compressed, uncertain, and temporary nature of the opportunity. They instead focused on whatever it took to develop and benefit from such opportunity.

“They actually gave up their planning-based regular approach and embraced effectuation – an approach that is emergent and focused on experimentation and making quick decisions,” said Dutta. “And they were successful.”

The study explains how the entrepreneurs shifted between causation-based decision logic and effectuation-based decision logic.

Causation takes a particular goal as given and then focuses on finding the right means to reach that goal. They found that a causation-based decision logic is disproportionately operative during the “ideation phase” of the entrepreneur’s interaction with the arbitrage opportunity. This confirms that entrepreneurs readily recognize the crisis and the potential risk of the associated major market distortion brought by it toward making their current business models ineffective.

They also found that an effectuation-based decision logic comes to the fore during the “action phase” of interacting with the arbitrage opportunity when uncertainty increases, and entrepreneurs are faced with an increase in demand and shortage of resources. During this phase, they make new collaborations, find new ways to resolve the bottlenecks, and attempt to minimize expenses by repurposing existing resources. Entrepreneurs

intentionally shift focus toward the temporary manufacture and sale of known, yet new to their firm, opportunities as a “temporary bridge” that enables firm survival rather than succumbing to the risk of allowing their prior knowledge to constrain the new opportunities. All of this unfolds very quickly.

Dutta said the study is novel for shedding light on the process entrepreneurs use to target arbitrage opportunities during a crisis.

“For a capitalist, free-economy like we have in the United States to weather a pandemic, entrepreneurial zeal and persistence are absolutely paramount,” said Dutta. “Our study findings have important implications for entrepreneurs faced with crisis situations and the things they can do, to keep moving forward.

This also has implications for how we train entrepreneurs-to-be in business programs, as well as for policy planners regarding how they can create a more conducive environment for entrepreneurs to operate during a crisis and seize arbitrage opportunities, through favorable policy support.”

WRITTEN [Sharon Keeler](#) | Peter T. Paul College of Business and
BY: Economics | sharon.keeler@unh.edu | 6038623775

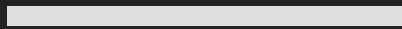
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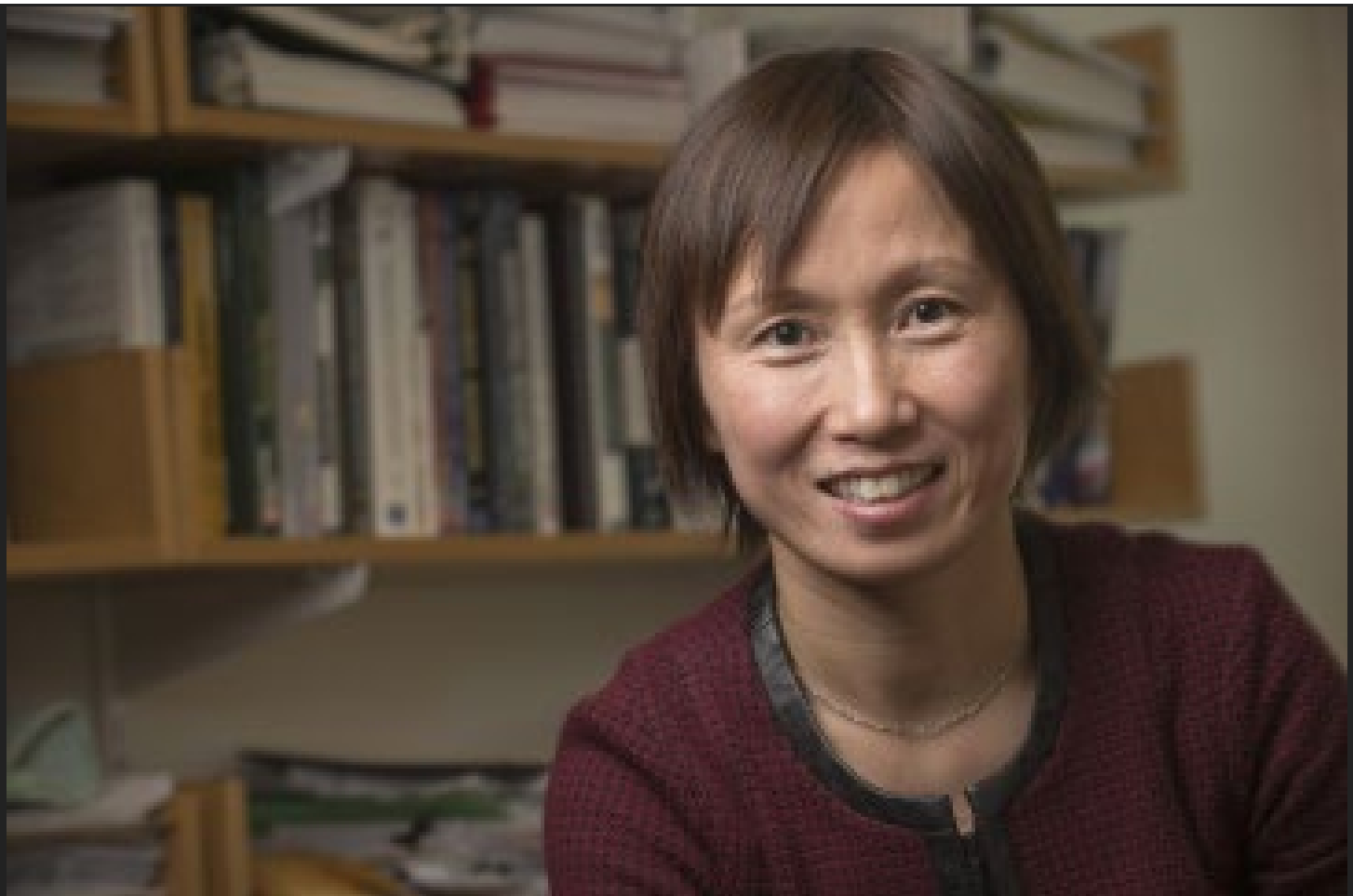
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