ENTREPRENEURIAL RESILIENCE DURING COVID-19: THE SURVIVAL OF SMALL BUSINESSES USING DYNAMIC CAPABILITIES THEORY AND EFFECTUATION THEORY

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ABSTRACT

Objectives: This study explores how Bali’s sport tourism stakeholders used dynamic capabilities to mitigate COVID-19's impacts. Given Bali's reliance on sport tourism, understanding recovery is crucial. The research aims to identify pandemic challenges, explore strategic recovery plans, and understand how entrepreneurs leverage dynamic capabilities for survival and growth.

Theoretical Framework: The study integrates dynamic capabilities and effectuation theories with entrepreneurial resilience. Dynamic capabilities involve adapting, learning, and transforming activities to meet changing environments. Effectuation theory focuses on leveraging available means and making decisions based on emerging opportunities. Together, these theories offer a comprehensive understanding of adaptation strategies among Bali's sport tourism entrepreneurs.

Method: Using a qualitative design, the research conducts semi-structured interviews with 10 small and medium-sized enterprises (SMEs) in Bali's sport tourism sector.

Results and Discussion: Findings highlight resilience's role in fostering adaptability, motivation, and a learning mindset. An activity-based model for dynamic capabilities focuses on integration, learning, and transformation with employee and customer involvement. Leveraging dynamic capabilities, assessing opportunities with available means, and using innovative technologies are crucial for strategic decisions in uncertain environments.

Research Implications: This study contributes to the entrepreneurship and strategic management literature. Integrating dynamic capacities, effectuation theories, and entrepreneurial resilience provides useful insights for academics, policymakers, and practitioners. The work offers practical solutions for resilience in dynamic contexts.

Originality/Value: This study enhances understanding of how Bali’s sport tourism entrepreneurs adapt to a transformed entrepreneurial ecosystem. It serves as a valuable resource for developing resilient strategies for future disruptions.

Keywords: COVID-19, Sport Tourism, Entrepreneurial Resilience, Dynamic Capabilities, Effectuation Theory.

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RESILIÈNCIA EMPRENEEDORA DURANTE A COVID-19: LA SUPERVIVENCIA DE LAS PEQUEÑAS EMPRESAS UTILIZANDO LA TEORÍA DE LAS CAPACIDADES DINÁMICAS Y LA TEORÍA DE LA EFETUACIÓN

RESUMEN

Objetivos: Este estudio explora cómo las partes interesadas en el turismo deportivo de Bali utilizaron capacidades dinámicas para mitigar los impactos de COVID-19. Dada la dependencia de Bali del turismo deportivo, comprender la recuperación es crucial. La investigación tiene como objetivo identificar los desafíos de la pandemia, explorar planes estratégicos de recuperación y comprender cómo los empresarios aprovechan las capacidades dinámicas para la supervivencia y el crecimiento.

Marco teórico: El estudio integra capacidades dinámicas y teorías de efectividad con resiliencia empresarial. Las capacidades dinámicas implican adaptar, aprender y transformar actividades para hacer frente a entornos cambiantes. La teoría de la efectuación se centra en aprovechar los medios disponibles y tomar decisiones basadas en oportunidades emergentes. Juntas, estas teorías ofrecen una comprensión integral de las estrategias de adaptación entre los empresarios del turismo deportivo de Bali.

Método: Utilizando un diseño cualitativo, la investigación realiza entrevistas semiestructuradas con 10 pequeñas y medianas empresas (Pyme) del sector del turismo deportivo de Bali.
Resultados y discusión: Los hallazgos destacan el papel de la resiliencia en el fomento de la adaptabilidad, la motivación y la mentalidad de aprendizaje. Un modelo basado en actividades para capacidades dinámicas se centra en la integración, el aprendizaje y la transformación con la participación de los empleados y los clientes. Aprovechar las capacidades dinámicas, evaluar oportunidades con los medios disponibles y utilizar tecnologías innovadoras son cruciales para tomar decisiones estratégicas en entornos inciertos.

Implicaciones de la investigación: Este estudio contribuye a la literatura sobre emprendimiento y gestión estratégica. La integración de capacidades dinámicas, teorías de efectividad y resiliencia empresarial proporciona conocimientos útiles para académicos, formuladores de políticas y profesionales. El trabajo ofrece soluciones prácticas para la resiliencia en contextos dinámicos.

Originalidad/Valor: Este estudio mejora la comprensión de cómo los empresarios del turismo deportivo de Bali se adaptan a un ecosistema empresarial transformado. Sirve como un recurso valioso para desarrollar estrategias resilientes ante futuras disrupciones.

Palabras clave: COVID-19, Turismo Deportivo, Resiliencia Empresarial, Capacidades dinámicas, Teoría de la efectuación.

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1 INTRODUCTION

On January 30, 2020, the World Health Organization (WHO) designated the emergence of the novel coronavirus, known as severe acute respiratory syndrome coronavirus 2 as a Public Health Emergency of International Concern (PHEIC) (Cucinotta & Vanelli, 2020). To minimize virus spread, the Indonesian government imposed travel restrictions, shuttered public venues, and enforced social distancing measures. They also carried out extensive testing and contact tracing to control transmission (Harapan et al., 2023). New security measures, such as physical separation, have had a substantial impact on enterprises, particularly small businesses, which are more vulnerable due to low resources. Smaller businesses are more vulnerable as a result of the deployment of these regulations. The tourism and hospitality sectors, in particular, have been severely affected, as there is a heightened risk of infection transmission within hospitality establishments (Shin & Kang, 2020). The unprecedented nature of the pandemic has had a crippling impact, leaving the tourism industry to face severe and apparently insurmountable challenges (OECD, 2020).

The subject of pandemic crises has attracted the attention of several scholars in the field resulting in an extant body of literature. These studies have contributed to the evaluation of crises in tourism by addressing specific aspects of crisis management, mainly recovery (Wut et al., 2021), by or lessons learned from crises (Leta & Chan, 2021). Research on entrepreneurial resilience has not thoroughly investigated the degree to which entrepreneurs, who exhibit...
resilience, modify their business models in response to disruptions (Korber & McNaughton, 2018). Ratten's (2020) study fills a gap in the literature by describing how entrepreneurs in the sports, and lifestyle sectors responded to the Covid-19 issue. Expanding on this research avenue, additional empirical studies are imperative to furnish more robust evidence concerning how resilient entrepreneurs engage in innovative modifications to their business models. Moreover, the adaptive mechanism of a resilient entrepreneur is closely associated with the concept of an entrepreneurial venture as defined by Davidsson et al. (2010). Filho (2021) describes a resilient entrepreneur as a small business entity that grows through increased output or internal changes, fostering overall development. Despite this connection, there is a scarcity of studies exploring the process and pattern of growth in small firms, particularly through theory-driven research (Tunberg & Anderson, 2020).

Insights gained from crises underscore the essential nature of transformation and resilience-building among sport entrepreneurs, as argued by (González-Serrano et al., 2023). Entrepreneurs play a crucial role in supporting the local industry during economic challenges, recognized as the backbone of an economy in difficult times (Syhachack, 2024). Recent findings indicate that dynamic capabilities are instrumental in enabling businesses to endure in an ever-changing environment (Chevrollier & Kuijf, 2021). The disruptions brought about by the pandemic present substantial challenges for small business entrepreneurs. As a result, this study explores the significance of dynamic capabilities in ensuring the survival of small businesses functioning in complex and demanding conditions. The study combines effectuation and resilience theories to promote innovative techniques that develop a transformative mentality, resulting in favourable adjustments toward sustainable practices and benefiting entrepreneurs. It promotes creative approaches, fostering a transformative attitude to generate positive changes toward sustainability that benefit entrepreneurs (Pung et al., 2020).

The study sought to evaluate the tactics and dynamic skills used by sport tourism stakeholders on Bali Island, Indonesia, to mitigate the effects of the COVID-19 epidemic. It looked into how these stakeholders dealt with the pandemic’s aftermath. The region relies heavily on sport tourism for its economic growth, making recovery a critical issue. In Bali island Indonesia, tourism industries accounted for 46 percent of Bali’s gross domestic product according to the Bali Tourism Satellite Account (Law et al., 2016). The study specifically concentrates on sport tourism businesses in Bali, which stands out as one of the provinces pioneering development in Indonesia (Liew, 2021). Bali is renowned as the city of culture, and its economic landscape is characterized by a prevalence of small businesses, creative enterprises, and sport tourism ventures. In this research, a qualitative approach was used to
gather diverse perspectives, identify challenges, and propose solutions. More specifically, the study aimed to answer the following questions: (1) What challenges has the COVID-19 pandemic presented to the sport tourism industry in Bali Island, Indonesia? (2) What strategies have managers implemented to enable the industry to recover from the impact of the pandemic? (3) How are small business entrepreneurs using dynamic capabilities to survive and grow in affected by COVID-19? The research centres on three key areas: (1) an identification of the challenges encountered by the sport tourism industry, (2) an exploration of strategic recovery plans, and (3) Exploring how small business entrepreneurs in the sport tourism industry are leveraging dynamic capabilities to survive in the face of challenges posed by the COVID-19 pandemic. In addition to providing a comprehensive examination of the strategies employed by sport tourism stakeholders in Bali Island to manage the impact of the COVID-19 pandemic, this study also contributes significantly to the field of sport tourism research. By examining the unique challenges faced by the sport tourism industry in this specific region and offering insights into post-pandemic recovery plans and future predictions, a valuable resource is offered to academics, policymakers, and industry practitioners. The study’s findings could explain how sport tourism can survive in the face of unanticipated interruptions. They have the potential to inform decisions, create resilient tactics, and increase understanding of sport tourism’s adaptation in unexpected conditions. The following section provides the theoretical basis for the study and describes the methodology used. The results are discussed in relation to previous literature, while the implications and limitations of the study are addressed in the conclusion.

2 LITERATURE REVIEW

2.1 CRISIS MANAGEMENT AND DYNAMIC CAPABILITIES

Crisis management is vital within organizations as it involves understanding, preventing, and effectively handling crises while considering stakeholders’ interests (Santana, 2003). The COVID-19 pandemic has had a profoundly adverse impact on human mobility and the tourism industry (Papamo, 2024), yet studies evaluating recovery strategies remain scarce. Small businesses, known for their susceptibility to volatile conditions (Giunipero et al., 2022), have faced unprecedented challenges in adapting to the COVID-19 pandemic (Budhwar & Cumming, 2020). The necessity for rapid transformation of business practices has also presented opportunities for growth. Small businesses are actively revaluating and adjusting their business models to swiftly respond to the evolving market conditions. In doing so, they
aim to address new customer needs and leverage dynamic capabilities that are crucial for survival and growth during this health pandemic. The dynamic capabilities perspective proposed by Teece (2012) is rooted in the entrepreneur’s competencies and capabilities to come up with new products and respond well to changing market conditions. Limited prior research predicted the current changing market and life conditions in a pandemic (Beech & Anseel, 2020). Dynamic capabilities focus on businesses being responsive to changing conditions and reconfiguring their existing resources in a volatile environment (Hermawati & Gunawan, 2020).

Dynamic capabilities are grounded in three crucial dimensions of action: integration, learning, and transforming. Simply possessing a competitive advantage is insufficient for businesses to navigate the ever-changing business landscape successfully (Warner & Wäger, 2019). It is imperative for businesses to possess the ability to anticipate opportunities and effectively address them by leveraging their existing resources (Eikelenboom & Jong, 2019). The global impact of the coronavirus has resulted in business closures during lockdowns, driving the development of new digital transaction channels. In order to persevere in this pandemic, businesses must not only optimize their existing resources but also, when necessary, establish new resources (Craighead et al., 2020).

The leaders who adapt and think “out of the box” during crises to ensure business continuity and success, as highlighted by Mather (2020) is of paramount importance. The unforeseen nature of the pandemic caught businesses and economies unprepared, imposing time constraints on the mobilization of resources. Upgrading and evolving resources can be instrumental in addressing future challenges. A competitive advantage in a small business, as noted by Khin & Ho (2019), is difficult to replicate and provides a unique edge. Dynamic capabilities play a crucial role in enabling businesses to maintain their competitive advantage in an uncertain and volatile market environment (Haarhaus & Liening, 2020). These capabilities contribute to resilience in the face of unpredictable uncertainty (Mero & Haapio, 2022) and they are influenced, in part, by the cognitive abilities of entrepreneurs (Ferreira et al., 2020). The dynamic capabilities framework serves as a guide for entrepreneurs to integrate technology, business, and strategy in complex environments (Roundy & Fayard, 2019). During the coronavirus pandemic, entrepreneurs face the possibility of experiencing growth, decline, or revitalization, as outlined by Brammer and Clark (2020).
2.2 EFFECTUATION THEORY

Effectuation is recognized as a strategic entrepreneurial method known for the collaborative and efficient production of innovative ideas in the business (Matalamäki, 2017; Sarasvathy, 2009). Effectuation theory emphasizes adaptability by leveraging available means and resources during uncertain times (Radziwon et al., 2022). Effectual reasoning relies heavily on intuition and imagination, with a primary emphasis on capitalizing on contingencies and innovating new markets. Grounded in the logic of control, this approach proves particularly effective in navigating uncertain business landscapes that demand exploration of novel environments. The contributions of Sarasvathy have, in essence, questioned the conventional comprehension of decision-making and behavioural patterns in entrepreneurship. Three foundational constructs, utilized by stakeholders as a basis for effectuation, include means-driven action, affordable loss as a norm for evaluation, and the utilization of probabilities (Arend et al., 2015). Effectuation theory emphasizes four fundamental principles: prioritizing short-term efforts, launching manageable ventures, participating in market shaping, and emphasizing strategic alliances and adaptability (Sarasvathy, 2009).

According to effectuation theory, sport tourism businesses should first address the pandemic’s short-term effects before developing long-term programs to reduce future costs and consequences. To do this, entrepreneurs may need to adopt new approaches, such as new-generation technologies, if they are to remain flexible in their service structure and develop prompt reactions to future crises. Thus, within the overarching perspective of the effectuation theory, this study provides a framework for the transformation process of sport tourism entrepreneurs. This paper expands to the debate of entrepreneur resilience in sport tourism literature by drawing on effectuation theory and dynamic skills (sensing, seizing, and changing).

2.3 ENTREPRENEUR RESILIENCE

Resilience, as defined by Southwick et al. (2014), denotes the human capacity to adapt when confronted with tragedy, trauma, and adversity. Individuals characterized by resilience can swiftly overcome setbacks related to their life and career aspirations (Zautra et al., 2010). Gautam (2023) specify that entrepreneurial manager resilience refers to the entrepreneur-managers’ ability to endure and rebound from business-related challenges and crises. It encompasses their capacity to adapt, innovate, and make strategic decisions to surmount

obstacles, ensuring the survival and success of their enterprise. In the context of sport tourism, resilience planning has emerged as an alternative to sustainable planning (Lew, 2015).

Resilience, a complex construct, encompasses a network of favourable attitudes and behaviours. Rather than a specific characteristic, it can be viewed as the amalgamation of various personal and behavioural qualities (Šimić Banović et al., 2022). Defining resilience has proven challenging, and developing an operational measure remains equally difficult. While several scales aim to measure resilience, their widespread validation is limited (Elshaer & Saad, 2022). An exception is the Connor-Davidson Resilience (Connor & Davidson, 2003), validated in numerous studies (Elshaer & Saad, 2022; Karaarmak, 2010). Matharu and Juneja (2021) define resilience in entrepreneurs as resourcefulness, hardiness, and optimism. Hardiness demonstrates self-control and resilience in harsh situations. Resourcefulness denotes the resources, capabilities, and skills entrepreneurs possess to navigate challenges, emphasizing belief in their ability to control events (Branzei & Fathallah, 2023). Another component is optimism, signifying an entrepreneur’s ability to maintain positivity in uncertain circumstances, viewing mistakes as opportunities rather than failures (Fredrickson, 2001).

Entrepreneurs who display resilience possess a remarkable capacity to continually rejuvenate themselves through innovation and adeptly navigate various and tumultuous changes (Beck, 2009). These resilient individuals exhibit elevated levels of self-esteem, maintain a sense of control, and harbour no fear of failure. In the face of adversity, they not only endure setbacks but also emerge stronger, having gleaned valuable lessons from their experiences and mistakes. The transformative ability to adapt to new environmental circumstances underscores their capacity to “rise again” after encountering challenges (Cannon & Edmondson, 2005).

3 METHODOLOGY

3.1 RESEARCH DESIGN

Grounded in the dynamic capabilities framework, this study aims to explore how small businesses in Bali island are adapting to the transformed entrepreneurial ecosystem resulting from the COVID-19. The chosen research design for this investigation is qualitative, given the heightened uncertainty and volatility in political, economic, and environmental factors during pandemics. Qualitative methods, advocated by Donovan (2021) are considered effective in providing a nuanced understanding of processes, particularly in times of crisis. This approach allows researchers to obtain rich descriptions and insights into phenomena, emphasizing why
certain processes unfold within a specific institutional context (Locke et al., 2022). Comprehending the crucially transformed context amid the health pandemic is vital for small businesses in light of significant societal changes (Kang & Wang, 2023). While global economies grapple with financial challenges, developed nations generally exhibit more resilience in the face of pandemics. Conversely, emerging economies are often more susceptible to international uncertainties (Karmaker et al., 2023).

3.2 RESEARCH CONTEXT AND DATA COLLECTION

In this study, purposeful sampling has been used to select the entrepreneurs in this study. In selecting cases, we aligned firms with the small and medium enterprises (SMEs) category, excluding micro-enterprises, with consideration given to their size. Small and medium-sized businesses in Indonesia are defined by monthly sales ranging from USD 1,790 to USD 59,500 and employing 5 to 99 persons (BPS, 2009). It is widely acknowledged that early-stage entrepreneurial activities in emerging countries are predominantly driven by necessity, preferring a stable or less aggressive business approach. Conversely, in developed countries, entrepreneurship is linked to high-growth SMEs focusing on opportunity-based entrepreneurship (Ordeñana et al., 2024).

This study utilized semi-structured interviews to collect data, aiming to gain in-depth knowledge about the specific context and phenomenon under investigation. Conducted on Bali island, 10 semi-structured interviews were carried out with sport tourism entrepreneurs. The interviews focused on entrepreneurs' perceptions on Bali's entrepreneurial community and the impact of the coronavirus on their businesses. All interviews were audio-recorded and later translated and transcribed. Semi-structured interviews allow the researcher to explore the answers and motives of the informant. All entrepreneurs were contacted prior to the interviews to inform them about the interview questions. All the entrepreneurs were informed about the nature and objectives of this study. Informants were asked for their consent in two steps: first, before we visited the field and, second, prior to the start of the interview (for their willingness to be audio recorded), to which all participants agreed. All interviews were carried out in October 2023. The characteristics of our interview data are presented in Table 1.

### Table 1

**Key Informants**

<table>
<thead>
<tr>
<th>Firm</th>
<th>Field of Business</th>
<th>Year of venture founded</th>
<th>Title of Key informant(s)</th>
<th>Length of the interview (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Surfing Club A</td>
<td>2012</td>
<td>Owner</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>Surfing Club B</td>
<td>2015</td>
<td>Manager</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Yoga Studio A</td>
<td>2016</td>
<td>Manager</td>
<td>36</td>
</tr>
<tr>
<td>4</td>
<td>Yoga Studio B</td>
<td>2016</td>
<td>Manager</td>
<td>43</td>
</tr>
<tr>
<td>5</td>
<td>Car rental A</td>
<td>2015</td>
<td>Owner</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>Car rental B</td>
<td>2017</td>
<td>Owner</td>
<td>40</td>
</tr>
<tr>
<td>7</td>
<td>Restaurant A</td>
<td>2014</td>
<td>Owner</td>
<td>40</td>
</tr>
<tr>
<td>8</td>
<td>Restaurant B</td>
<td>2013</td>
<td>Owner</td>
<td>45</td>
</tr>
<tr>
<td>9</td>
<td>Diving Club A</td>
<td>2011</td>
<td>Owner</td>
<td>35</td>
</tr>
<tr>
<td>10</td>
<td>Diving club B</td>
<td>2018</td>
<td>Owner</td>
<td>40</td>
</tr>
</tbody>
</table>

#### 3.3 DATA ANALYSIS

Completion of interview transcriptions marked a crucial stage in the qualitative research process. Data saturation, defined as the point where no new information or codes emerge, and responses consistently display similarity throughout data collection and analysis (Braun & Clarke, 2019), holds paramount importance. This significance stems from its role in ensuring the reliability and credibility of qualitative data (O’Reilly & Parker, 2013). In contemporary qualitative research, data saturation is a widely recognized element, frequently employed to validate and reinforce the reliability of collected and analysed data (Elo et al., 2014). The iterative coding process utilized Atlas.ti, a qualitative data analysis software, conveniently accessible through the UKM Graduate Centre’s subscription and training. Informants identified the point of data saturation in this study.

#### 4 FINDINGS

The study’s data robustly supports entrepreneurs in employing effectual decision-making while implementing dynamic capabilities amid unexpected uncertainty. The role of effectuation is apparent in the distinct decision-making principles applied by companies. Firstly, the business strategy focuses on creatively shaping the market and converting unforeseen events into business opportunities during uncertain periods. Identifying these opportunities relies on a comprehensive understanding of customers’ goals and challenges in their professional and business ecosystems. Secondly, the assessment of business opportunities...
is guided by available means (e.g., resources, knowledge, and skills) and affordable losses, rather than strategic goals and profit maximization. Interviewees consistently emphasized prioritizing unexpected business opportunities that added value for customers. Thirdly, there is an emphasis on open collaboration with external partners and intentional agents when dealing with outsiders. Customers are perceived as essential partners in developing and co-creating business offerings and processes. Participants highlighted an increased significance of customers as key partners when navigating uncertainty. Data analysis facilitated elucidating how effectual logic was applied in key activities for executing dynamic capabilities under unexpected uncertainty. Specifically, three key activities in each dynamic capability category (i.e., Integration, learning, and transforming) and entrepreneur resilience (hardiness, resourcefulness, and optimism) were identified based on effectual reasoning. These activities are discussed in detail in the subsequent subsections. The empirical model, distinguishing the decision-making logic and key activities involved in executing dynamic capabilities, is presented in Figure. 1.

4.1 THEME 1: INTEGRATION ACTIVITIES

We identified three effectual sensing activities that the participating entrepreneurs frequently performed when facing unexpected uncertainty. First, the companies highlighted that the collection of customer insights via informal discussions and feedback was the most crucial means of sensing the implications of unexpected events. The interviewees stated that it was vital to interact with customers continuously to garner insights into customers’ business problems and goals in uncertain circumstances, as well as their individual thoughts and feelings regarding market changes. Based on these discussions, the case companies were able to realize novel trends in customer needs and weak signals of new opportunities for exploiting contingencies and shaping existing markets.

[Under uncertainty], it is important for us to stay in connection with customers. We do not fly around the world, but we WhatsApp with them and keep up the good relationship. We ask how they are doing. It is more than just to buy products from us. That way, we get a lot of timely information of their situation, and some of them even make donation for us.(Owner of Surfing club A)

Bringing the yoga experience right to our customers’ homes by introducing virtual classes. To make it easy for everyone, we set up an online registration system. This way, we not only keep the yoga community connected but also gather important feedback on what our customers prefer. We want to know about their preferred class times, the level
of difficulty they're comfortable with, and even their favourite instructors. This information is key to tailoring our virtual classes to suit their needs perfectly. Even after the pandemic is over, we also continue offering virtual classes. The feedback we've collected during this time will help us design in-person class schedules that align with what our customers love. It’s about adapting to the current situation while keeping an eye on the future to ensure our yoga studio remains a place where everyone feels connected and supported in their practice. (Yoga Studio manager A)

The second activity concerned active of market exploration, many participants expressed the belief that in times of unforeseen uncertainty, there is a heightened necessity to communicate customer insights across all organizational levels and functions. The consensus among those interviewed post the COVID-19 outbreak was that past instances of uncertainty had already underscored the importance of concentrating on market exploration and the dissemination of information throughout the organization. However, the impact of the COVID-19 pandemic significantly heightened the practices of market exploration.

During COVID-19 by offering outdoor yoga sessions. This way, we provided a safe and enjoyable experience for our community. After the pandemic is over, We teamed up with local wellness businesses for some exciting joint promotions. One is to create packages that combine yoga with spa services. This collaboration could offer our customers a holistic and rejuvenating experience. It's all about adapting to the current needs and building strong connections within our local wellness community for the future. (Yoga Studio manager B)

We tapped into the demand during COVID-19 by checking out if there's a need for long-term rentals. With the rise of remote work and changing travel patterns, providing extended rental options could be a great fit. When the pandemic is behind us, We teamed up with travel agencies for some exciting joint promotions. Another idea is to offer special discounts for those who opt for extended rental periods. We also use a new social media channel called Xiao hongshu target for China market. It's all about adapting to the current situation and building partnerships to enhance our offerings in the future. (Car rental company owner A)

We looked into the demand for take-out and delivery services given the current COVID-19 situation. It's crucial to adapt to the needs of our customers during these times. After the pandemic, I'm thinking about teaming up with local farmers to bring in fresh ingredients for a farm-to-table experience. I also want to explore exciting collaborations for themed events or more cooking class promotions that highlight seasonal ingredients. It's about staying flexible now and planning for creative and fresh offerings in the future. (Restaurant owner B)

We offered virtual diving courses and interactive online content to keep our community engaged during COVID-19. Customers can took the PADI licence online lesson and got the physical class after the online lessons. After the pandemic, We keep an eye on trends in sustainable diving practices. We also teamed up with marine conservation organizations for some joint initiatives. It’s about staying connected with our
community and actively contributing to the protection of our oceans and business survive. (Diving club owner A)

The third activity involved incorporating industry-related technologies to create new products based on customer insights. This step was crucial for translating diverse customer inputs into practical business opportunities, especially when customers could not articulate precise solutions to specific business challenges. Participants stressed the importance of quickly brainstorming client feedback in uncertain situations. They emphasized the significance of transforming these insights into viable company ideas.

Through COVID, we start to use GoPro technology to provide personalized feedback. After COVID, our mobile site also share live beach conditions, wave forecasts, and event updates for an awesome surfing experience. (Surfing club owner A)

We used QR code menus and mobile payments to adapt to COVID-19. After things settle, We create a mobile mini app program. It offer personalized dining suggestions, exclusive deals, and loyalty rewards for our customers. It’s about staying tech-savvy now and providing an even better dining experience in the future. (Restaurant owner B)

4.2 THEME 2: LEARNING ACTIVITIES

When faced with highly unexpected situations, entrepreneurs must swiftly determine their courses of action. In this context, Transitioning this concept to a Knowledge Management Database for Access involves utilizing fast iterative improvement as a strategy for efficiently refining and testing ideas within the database framework. Interviewees perceived fast iterations as a strategy to mitigate the risk of failure, allowing firms to promptly test new ideas without substantial initial investment until reaching a proof-of-concept. While fast iterations were deemed crucial in all types of unexpected events, the COVID-19 pandemic underscored the necessity for even quicker and more agile approaches to generate and test ideas.

Since we don't have a lot of customers during covid. We spent some time to set up a process where all our recipes, menu adjusted, and customer preferences are easily accessible. This way, chefs, servers, and management can stay in the loop and offer personalized experiences. (Restaurant owner A)

Actually, We need a database with all the dive site details, safety guidelines, and customer certifications. This way, our dive instructors and staff can easily access the necessary information for planning and conducting dives. This is what we also did during covid time. (Diving club owners B)
The second activity concentrated on Frequent Anticipating Industrial Knowledge. Interviewees stated that in uncertain times, collaboration goes beyond early idea testing. They underlined the value of broad collaboration. Instead, it evolved into a culture where customers or other partners actively engaged in the continual enhancement of product and service offerings. Because of the need for quick changes in the face of unexpected unpredictability, businesses took a trial-and-error strategy, focusing on available resources.

We stay updated on the latest yoga practices, wellness trends, and online platforms for virtual classes. Also we incorporating some music instruments for our meditation classes.(Yoga Studio manager B)

We try to stay on top of culinary trends, dietary preferences, and health regulations in the food industry. Keep an eye out for changes in how people prefer to dine and in their menu choices. To make sure we stay ahead of the game in providing the best dining experiences for our customers. (Restaurant owner A)

Thirdly, providing education to employees emerged as another crucial activity revealed in the data analysis. While the significance of this activity was recognized in past instances of unexpected uncertainty, its urgency reached new heights following the COVID-19 outbreak. Participants clarified that there was a sudden and pressing need to inform employees about how firms could assist them.

Our yoga instructors are always updated. We provide regular training on new teaching methods, meditation practices, and online teaching techniques. Also, consider incorporating workshops focusing on mental health and stress management. Our Yoga instructors also receive training in vocal techniques and effective oral presentation skills, including breath control for clear and confident speaking .(Yoga Studio manager A)

We keep our dive instructors well-trained. Provide ongoing sessions on new equipment like Gopro, safety procedures, and marine biology. Offering online workshops to educate them on sustainable diving practices and ocean conservation.(Diving club owners B)

4.3 THEME 3: TRANSFORMING ACTIVITIES

Transforming was realized in three core activities. The first activity Highlighted adapting to demand fluctuations through staff reallocation and skill development. The managerial challenge was to provide employees with clear guidelines for exercising power appropriately.
In our Surfing Club, we’re working on a clear procedure for moving our surfing instructors or support staff around based on how busy we get. We’re also getting our team to learn different roles, so everyone can pitch in when needed. And, hey, we’re even picking up foreign languages like Chinese on YouTube to make our interactions more diverse! like” Zhan qi lai”. (Surfing club owners A)

At the Yoga Studio, we’re setting up a system where our yoga instructors and front desk staff can be easily moved around based on class demand. We’re also giving our team a comprehensive training program so they can handle different jobs. Our front desk staff is even becoming video editors – talk about versatility! (Yoga Studio manager A)

Secondly, the results indicated that many interviewees highlighted the crucial importance of a rapid organizational response to market changes, particularly emphasizing the need to stay agile and responsive to dynamic market conditions for ensuring positive customer experiences. This significance was notably heightened during periods of unexpected uncertainty.

We are always keeping an eye on surfing trends, the weather, and what our customers want. This helps us quickly tweak surf lesson schedules or bring in new services. And, when it comes to reaching out to the Chinese market, we recruit a lot of surfing camp groups from China through Xiao Honshu (the Chinese Instagram) for our advertising.” (Surfing club owner B)

At the Diving Club, we make sure to stay in the loop with diving trends, certification preferences, and who our customers are. This way, we can adapt our diving courses and introduce new dive packages or experiences based on what the market is looking for. It’s all about staying flexible and giving our divers what they want. (Diving club owners A)

The third activity highlighted that the importance of collaboration and streamlined communication to enhance their services and offerings in their respective industries. Collaboration supports independent decision-making which was highlighted as critical in situations of unexpected uncertainty.

In our Surfing Club, we team up with Airbnb, and travel agencies. This helps us create cool promotions and package deals. Plus, we’ve got these efficient ways to quickly share info about events or any special offers we have going on. (Surfing club manager B)

We’re all about partnerships with local farmers, wineries, and culinary organizations. This leads to awesome collaborative events and themed promotions. And of course, our communication channels are on point for coordinating special menus and joint initiatives. (Restaurant owner A)
4.4 THEME 4: ENTREPRENEUR RESILIENCE (HARDINESS, RESOURCEFULNESS AND OPTIMISM)

Entrepreneurs confronting the obstacles of the COVID-19 pandemic demonstrate a combination of tenacity, resourcefulness, and hope. This is consistent with the notions of effectuation logic and dynamic capacities. Their resourcefulness is demonstrated by new ideas such as takeaway services, contactless deliveries, and creative promotions. These activities reflect the creative and adaptive nature of effectuation logic. Despite uncertainties, a pervasive optimism prevails as entrepreneurs prioritize adaptive strategies over fundamental identity shifts. Seeking financial support and maintaining non-dismissive approaches are consistent with the dynamic capabilities concept. This highlights the ability to adapt to changing conditions. Entrepreneurs’ skilful use of effectuation reasoning and dynamic capacities allows them to navigate and sustain their businesses. This holistic approach shows their strategic resilience in the face of adversity.

4.4.1 Hardiness

The hardships brought about by COVID-19 have been significant, requiring us to adapt and innovate. We’ve had to make tough decisions, adjust schedules. Surfing teaches us to navigate unpredictable waves, and similarly, our community has demonstrated the ability to ride out the uncertainties presented by the pandemic. (Surfing club owner B)

We have this motto: evolve or die. Everything in this universe will be in constant changes.
Our mind is constantly changing, and through the convert and of course the changes, they are positive and negative changes—it’s like its life. We need to have the power of adaptability. (Yoga Studio manager A)

4.4.2 Resourcefulness

We’ve found innovative ways to serve our community—takeout options, contactless deliveries, and creative promotions. Our team’s adaptability has allowed us to stay connected with our customers and sustain our business. Facing the uncertainties has been like cooking up a new recipe. We’ve mixed in a pinch of creativity, a dash of determination, and a heap of community support. Just as in the kitchen, resourcefulness in business is about using what you have to create something amazing. (Restaurant owner A)

We don’t believe in luck; we believe in work. We keep open as an online education centre. It is not easy to do it in person because, you know, when you are teaching in
person, you know how they feel, the kind of interaction and exchange the energy—you know it’s quite challenging. We turned that despair of sadness into finding a way to turn the darkness into the light and turning the obstacle into something more beautiful. We learned in the experience; we learn what can we do from it. We have online teaching that is enough to survive. We use this platform a lot; students have to attend 60% of the real-life classes. The recording we upload a few hours after, so we have a team that is not a programmer; she was front office and admin—they also need to learn new things. (Yoga Studio manager A)

4.4.3 Optimism

We met together despite many, but back in the days, we got no ideas how to deliver. We do not change to something that we are not. It’s better than not having anything at all, so at least we stand to that. We are thinking about how we are able to support them financially and not dismiss. Everything is in preparation, so it shows the way how you practice, how you teach—you cannot just teach students like a gun blazing; you need to teach them the foundation first. We begin with something very simple but effective and efficient. We want to train the student or each individual to face life, to not be easily manipulated so they are able to stand up for what they believe and the truth, of course. Genuine happiness is not only on the outer level. We dance with life, embrace life even when things get tough, and have a deep connection with ourselves. (Yoga Studio manager A)

Although grab and gojek are quiet popular in Bali island now, We’re big believers in the thrill of discovering new places and the freedom that comes with cruising in a rental car. (Car rental company owner B)
5 DISCUSSION AND IMPLICATIONS

The study’s findings illuminate the significant challenges encountered by the sport tourism industry amid the COVID-19 pandemic and the strategies utilized for dynamic capabilities and resilience. Applying effectuation theory was deemed relevant in comprehending crisis management dynamics (Harms et al., 2021). This study makes three important contributions to theory.

Firstly, this study aims to merge the dynamic capabilities and effectuation theories with the concept of entrepreneur resilience, creating a comprehensive model that enhances our understanding of how entrepreneurs can effectively navigate market changes arising from unforeseen uncertainties. This integration extends beyond the existing dynamic capability literature, which primarily addresses deep uncertainty marked by unpredictable yet identifiable environmental shifts (Schriber & Löwstedt, 2020). In cases where the source of uncertainty is
recognized, such as technological developments, entrepreneurs can proactively employ strategies like scenario planning or make informed conjectures about potential environmental changes, allowing them to reconfigure organizational capabilities and processes accordingly (Warner & Wäger, 2019). However, when faced with unexpected uncertainty, entrepreneurs are constrained by limited time to formulate a premeditated response, necessitating a shift from proactive to reactive measures. Effectuation, with its focus on exploiting contingencies resulting from surprising market events (Sarasvathy, 2001), proves particularly suitable in situations of unexpected uncertainty by enabling organizations to devise prompt and agile responses.

Entrepreneur resilience is crucial for navigating unforeseen challenges in entrepreneurship. It enhances adaptability, sustains motivation, and promotes a learning-oriented mindset (Pearce et al., 2022). Resilient entrepreneurs are resourceful and creative, finding innovative solutions. Importantly, resilience maintains stakeholder confidence, recognizing its integral role in the dynamic and multifaceted nature of entrepreneurship for long-term success.

The study's second contribution presents an activity-based paradigm for implementing dynamic capabilities, which goes beyond descriptive depictions of effectuation logic. It explicitly defines market shaping, opportunity evaluation using available resources, and continuous innovation through industry technology. These actions enable entrepreneurs to promptly craft agile responses while embodying resilience in unforeseen uncertain circumstances. Many of the identified activities resonate with Khurana and Dutta's (2021) exploration of entrepreneurs engaging with opportunities and learning within an innovation ecosystem.

The study’s third contribution enhances effectuation, dynamic capabilities, and resilience theories by revealing their interlinks. It advocates using complexity science to address difficulties in strategic entrepreneurship that are indirectly related to these ideas (Schilke et al., 2018; Schindehutte & Morris, 2009). By exploring the interlinks between dynamic capabilities, effectuation theories, and entrepreneur resilience, we identify key reasons for their synergy in addressing unexpected uncertainty.

Initially, both theories are suitable for uncertain environments: dynamic capabilities handle state and impact uncertainty, whereas effectuation address’s reaction uncertainty. Effective logic accelerates reaction formulation during unexpected situations, whereas dynamic capabilities achieve effective replies through process renewal. Secondly, both theories diverge from the conventional strategic paradigm and focus on the resource-based perspective. However, dynamic capabilities highlight strategic renewal and resource base reconfiguration,
while effectuation takes the existing resource base as given and emphasizes short-term effects. In unexpected uncertainty events, effectual logic enables quick effects creation, but dynamic configuration of the firm’s resource base is essential. Third, both theories emphasize the importance of entrepreneurial management when dealing with uncertainty. Our study supports a balanced approach, where entrepreneurial managers play a key role but benefit from involving and empowering other stakeholders, particularly employees and customers. The importance of involving these stakeholders in formulating responses to unexpected uncertainty events is highlighted, with integration activities relying on customer insights and learning activities involving co-creation with employees. This aligns with Johnsen et al.’s (2020) idea that Emphasize the primacy of customers and employees to maintain trust and support during crises.

The findings of this study carry significant managerial implications for entrepreneurs navigating unforeseen uncertainties, particularly in the context of the sport tourism industry amid the challenges of the pandemic. The integrated model, merging dynamic capabilities, effectuation, and entrepreneur resilience, offers a comprehensive framework for strategic decision-making. Entrepreneurs are advised to leverage effectual logic in creatively shaping markets, assessing opportunities based on available means, and utilizing industry technologies for continuous innovation. Importantly, recognizing the pivotal role of entrepreneur resilience is crucial for fostering adaptability, sustaining motivation, and promoting a learning-oriented mindset. The activity-based model prioritizes integration activities like gathering customer insights and market exploration, coupled with learning activities focused on rapid iterations and collaboration. Crucially, transforming activities, such as staff reallocation, ensure market responsiveness Entrepreneurs should involve staff and customers in decision-making to develop effective answers to unforeseen unpredictability. Overall, the study underscores the need for a balanced approach, combining dynamic capabilities, effectuation, and resilience, to navigate and thrive in dynamic and uncertain business environments.

6 CONCLUSIONS AND LIMITATIONS

In conclusion, this study illustrates the challenges experienced by sport tourism businesses during the pandemic and suggests methods for dynamic capacities and resilience. Integrating effectuation theory, dynamic capacities, and entrepreneur resilience provides a comprehensive paradigm for dealing with unforeseen difficulties. The study identifies key findings in three thematic areas: Integration, Learning, and Transforming activities, showcasing their interconnectedness in addressing unexpected uncertainty. The dynamic resilience
framework outlines decision-making logic and key activities for executing dynamic capabilities under unexpected uncertainty. Entrepreneurs are found to creatively shape markets, assess opportunities based on available means, and leverage industry technologies for continuous innovation. Moreover, the study highlights entrepreneur resilience—hardiness, resourcefulness, and optimism—as crucial for withstanding and adapting to unforeseen challenges.

The findings of this study hold several implications for both theory and practice. This model broadens entrepreneurial literature by addressing responses to unexpected uncertainty, beyond predictable changes. It highlights the interplay of dynamic capabilities, effectuation, and entrepreneur resilience, offering a balanced strategy for decision-making in volatile environments. Secondly, the activity-based model introduced in this study offers practical guidance for entrepreneurs navigating unforeseen uncertainties. To effectively manage market shifts, entrepreneurs should integrate ongoing customer insights, rapid learning cycles, and adaptable organizational improvements.

While this study provides valuable insights, it is essential to acknowledge its limitations. The research context is specific to the sport tourism industry and may not be fully generalizable to other sectors. The qualitative nature of the study, relying on interviews, might introduce subjectivity and potential bias in participants’ responses. Additionally, the findings are based on a specific point in time, and the rapidly evolving nature of the business environment may introduce changes or developments that were not captured. Future research endeavours could explore the applicability of the proposed framework in diverse industries and contexts. Quantitative studies could further validate and generalize the findings. Additionally, longitudinal studies could provide a deeper understanding of how the strategies and activities evolve over time in response to unforeseen uncertainties.

REFERENCES


