**Effectuation as crisis-coping strategy: textile industry during pandemic**

**Abstract**

COVID-19 pandemic has been a turbulent period for all the industries all over the world. Out of all, manufacturing industry is especially vulnerable, as it relies upon physical work that was restricted during pandemic. Recently, effectuation approach has been recognized as efficient strategy to decision-making under high uncertainty and crises. It has been rarely investigated in context of the traditional specialized competing industries. At the same time, studying the effectuation approach in more narrow fields would bring a benefit in terms of implications through knowledge and instruments systematization with regard to a specific industry. This study develops propositions on the firm strategic responses to crisis in the manufacturing industry. With the thematic analysis, it has been determined that during the periods of uncertainty, the firms within a segment are utilizing both causal and effectual logics in a combination through “planning effectuator” strategy.

**Keywords**: effectuation, pandemic crisis, crisis coping strategy

**Introduction**

COVID-19 pandemic has been a disruptive period for many industries all over the world, bringing abnormal conditions and filled with uncertainty (Kapoor, 2021). Suddenly emerged crisis of an extraordinary context posed a necessity for all production firms to develop the new strategies in order to hedge the pandemic effects through restructuring of the business processes and adaptation for the ‘new reality’. Crisis-coping strategies of firms are not universal and may vary greatly depending on the context in which a firm operates (Bertelsmann Foundation, 2010). It has been determined that during the economic crisis periods, filled with ongoing uncertainty, with respect to the scarcity of the available resources, SMEs would be in a more advantageous position while utilizing the adaptive approaches (Baker & Sinkula, 2009) such as effectual decision-making (Sarasvathy, 2001).

So far the effectuation theory has been deliberately studied from the various perspectives. In general, Covid-19 pandemic have enhanced the research boarders for an analysis of the effectuation strategies under the crisis, so that the recent research do cover the contextual studies on the firm performance with respect to the externally coming turbulence. Despite the various number of studies that consider contextual differences in terms of firm type and country of origin, there is gap in literature on the effectuation theory with regard to the industrial specifics. We formulated the following research questions: (1) What factors have been influencing the decision-making of the firms during the period of the pandemic and post-pandemic crisis? (2) How manufacturing firms shifted their strategies during that time in order to sustain their market share?

**Theoretical background**

Traditionally, the key entrepreneurial tools to reduce the level of uncertainty for a decision-making in business are analysis and planning. Some of the modern studies suggest that organizational plans should be designed not only with regard to the vaguely determined most and least favorable conditions, but on the basis of various specific scenarios as well (Esser, 2022). In order to hedge the impact of the crises and uncertainty situations in a more systemized manner, we consider effectuation as a proper approach to handle high levels of uncertainty. Effectuation and causation approaches (Sarasvathy, 2001) represent a generalized process of a systemized organizational development. The principles of the above-mentioned approaches are fundamentally different. While causation implies an approach with predetermined organizational goals being oriented on the constant maximization of the financial returns through the competing space; effectuation, on the contrary, is driven with the contingency situations, building the strategy upon the currently available resources (Shirokova et al., 2021). In general, the logic of the effectuation is not in the prediction of the future, but in the control over the upcoming situation, over the possible contingencies that bases on available means, affordable losses and flexibility.

**Methodology**

We employed case study qualitative strategy to answer the stated research question. To better analyze the textile industry through its players through their methods to cope with crisis and hedge the disruptive effect of it, the sample of respondents comprised of three high-end fabrics’ manufacturing firms from Europe. With respect to the privacy of the information, the firms included into the sample are going to be further referred in the analytical part as: (1) Italian high-end silk fabric producer; (2) Swiss premium textile manufacturer; (3) European premium textile group of brands. The data was collected through the semi-structured interviews and analysis of the open sources.

**Empirical results**

We defined the similar elements within the interviews, starting from the generalized characteristics of the firms’ development before the pandemic, then underlining causal and effectual features as the decision-making instruments for hedging the pandemic challenges, etc. The outlined characteristics were grouped in accordance to the themes for a better systematization of the retrieved data. Among the major challenges at the early stages, the companies voiced out are the necessity of the re-adaptation, the increased uncertainty and lack of controlling possibility not only with regard to the internal processes, but also with respect to the whole market and the whole industry. The problem of the urgent necessity to re-align the cooperation with stakeholders was raised several times. In addition to the above-mentioned factors, the issue with the decreased demand and with the lack of events was also one of the major challenges for the industry and the segment.

In a line with the original research on effectuation *(Sarasvathy, 2008)*, which states that effectual and causal logics should not always be mutually exclusive, as well as with the more recent empirical study, which proposes to consider “planning effectuator” approach *(Smolka et al., 2016)*, the current qualitative research demonstrates that the hybrid of the above-mentioned approaches is an efficient tool to hedge to consequences of an unexpected widespread crisis.

**Conclusion**

As it has been stated, the effectuation theory has rarely been investigated through the lens of the specialized competing industries, and such a traditional field as the manufacturing industry was not an exception.

The current research contributes to effectuation theory by providing evidence on hybrid strategies to decision-making in a novel context.

1. We support the recently proposed approach of “planning effectuator” *(Smolka et al., 2016)* to be efficient in the context of highly uncertain crisis environment and old-fashion industry of textile production.
2. With respect to the configurations of “the planning soloist” and “the hedging networker” outlined by the recent contextual study of a gastronomy industry under COVID-19 pandemic *(Harms et. al., 2021)*, the current study on the textile production demonstrates different approach to combination of effectuation and causation. The studied segment might be posed in between of both configurations with the emphasis on “hedging networker” configuration due to the higher presence of the strategic co-creational features in a form of alliances mentioned by the interviewed firms. That leads to a conclusion effectuation and causation benefits may be contingent upon industrial specifics of firms.