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EXPLORING THE STRATEGIC DECISION-MAKING PROCESS OF STARTUP FOUNDERS CONDUCTING BUSINESS PIVOTS WHEN FACING SIGNIFICANT DECREASES IN LOCAL MARKET DEMAND

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Abstract

This research investigates the strategic decision-making process of startup founders who undertake business pivots in response to a significant decline in local market demand. In the volatile landscape of the digital economy, the ability to pivot is often a prerequisite for survival; however, the cognitive and organizational mechanisms behind this strategic shift—especially when triggered by shrinking local demand—remain under-explored in qualitative economic literature. This study aims to fill this gap by deconstructing how founders interpret market signals, evaluate existing resources, and ultimately decide to alter their core business models. Using a qualitative approach with a multiple-case study design, this research involved in-depth interviews with 5 startup founders from various sectors who successfully or partially navigated a pivot within the last years. Data were analyzed using thematic analysis to identify recurring patterns in the decision-making process. The findings reveal that the decision to pivot is not merely a rational-economic response to declining revenue but is heavily influenced by "bounded rationality," where founders must balance empirical market data with intuition and stakeholder pressure. The study identifies three critical phases in the pivot decision-making process: *Crisis Recognition*, where founders distinguish between temporary market fluctuations and permanent structural shifts; *Strategic Re-orientation*, involving the search for "adjacent possibilities" or new market niches; and *Resource Realignment*, where existing capital and human resources are reconfigured to support the new direction. Furthermore, the research highlights that a "founder's psychological resilience" and "cognitive flexibility" act as crucial moderators in determining the speed and success of the pivot. The implications of this study are twofold. Theoretically, it extends the resource-based view (RBV) and dynamic capabilities theory by providing a granular look at the micro-foundations of strategic flexibility in small-scale entrepreneurial ventures. Practically, the results offer a strategic roadmap for startup founders and venture capitalists in managing market downturns. It suggests that institutional support and mentorship should focus not only on financial runway but also on enhancing the strategic decision-making frameworks of founders to foster long-term economic resilience in the face of local market volatility.

Keywords: Startup Pivot, Strategic Decision-Making, Local Market Demand

INTRODUCTION

The global startup ecosystem has witnessed an unprecedented era of volatility, characterized by rapid shifts in consumer behavior and structural changes in local market demands. In the discourse of entrepreneurial economics, the ability of a startup to survive is no longer solely dependent on its initial business model (Slávik et al., 2019), but on its strategic agility to "pivot" when the original value proposition no longer aligns with market realities. A business pivot, defined as a fundamental change in organizational direction, represents one of the most complex strategic decision-making processes a founder can undertake (Kirtley et al., 2023). While quantitative studies have extensively documented the correlation between funding rounds and startup longevity, there remains a significant "black box" regarding the micro-foundations of how founders cognitively and strategically process a significant decrease in local market demand. This phenomenon is particularly critical in emerging economies where local market dynamics are often susceptible to sudden macroeconomic shocks and shifting regulatory landscapes, forcing founders to make high-stakes decisions under conditions of extreme uncertainty and bounded rationality.

The theoretical underpinning of this research is rooted in the Dynamic Capabilities Framework and the Resource-Based View (RBV) (Kero et al., 2023). However, traditional economic theories often treat the firm as a rational entity, overlooking the nuanced, qualitative process of human intuition and social capital in strategic shifts. When local market demand plummet, the decision to pivot is not merely a mathematical optimization of resources but a socio-psychological journey involving stakeholder negotiation and identity reconstruction for the founder. Previous literature Shepherd (2021) has conceptualized pivoting as a lean startup methodology, yet these frameworks often assume a seamless transition that ignores the friction inherent in local market constraints. There is a palpable research gap in understanding the qualitative triggers and the internal resistance encountered during the pivot process in specific local contexts. This research seeks to deconstruct these layers, providing a granular exploration of the strategic decision-making process when the very foundation of a startup's market—its local demand—begins to erode.

To contextualize the urgency of this study, it is essential to observe the landscape of startup failures and pivots globally compared to local trends. Table 1 below illustrates the common catalysts for business pivots as identified in recent literature, which serves as a benchmark for this qualitative inquiry.

Table 1. Taxonomy of Pivot Catalysts in Entrepreneurial Literature

Pivot Category	Primary Driver	Theoretical Lens	Key Literature
Market-Segment Pivot	Misalignment between product and initial target audience.	Product-Market Fit	(Hafez, 2023)
Technology Pivot	Utilizing new technology to solve the same problem more efficiently.	Innovation Diffusion	(Satheesh Raju et al., 2020)
Customer Need Pivot	Realization that the target customer has a more pressing problem than the one addressed.	Jobs-to-be-Done	(Moilanen, 2025)

Demand-Driven Pivot	Significant decrease in local demand due to economic/structural shifts.	External Shock Theory	(Zuo et al., 2018)

Building upon the catalysts identified in Table 1, this study argues that the "Demand-Driven Pivot" is the most taxing for founders because it challenges the validity of the original problem-solution fit (Banda et al., 2024). In the context of local markets, demand is often influenced by cultural nuances and localized economic policies that global frameworks fail to capture. For instance, a founder in a developing market may face a decrease in demand not because the product is inferior, but because of a shift in local purchasing power or the emergence of localized informal competitors. Understanding how founders navigate these specific hurdles requires a qualitative lens that can capture the "why" and "how" behind their strategic re-orientation.

Furthermore, the literature on Strategic Decision-Making (SDM) suggests that under high pressure, founders often fall back on cognitive biases (Thongam, 2024). However, successful pivoting requires a "Reflective Practice" that balances intuition with nascent market signals. The integration of literature on Behavioral Economics into startup management reveals that the "Sunk Cost Fallacy" often prevents founders from pivoting early enough, leading to "escalation of commitment" to a failing business model. To understand the transition from a failing model to a pivoted one, we must analyze the internal data points founders prioritize. Table 2 provides a comparative overview of the decision-making variables typically encountered in the pivot process.

Table 2. Qualitative Variables in the Strategic Decision-Making of Pivots

Decision Variable	Quantitative Proxy	Qualitative Dimension (Current Focus)
Market Signal	Revenue Growth Rate	Founder's Perception of Customer Sentiment
Resource Slack	Cash Runway (Months)	Team Morale and Psychological Resilience
Strategic Fit	Market Share Percentage	Alignment with Founder's Long-term Vision
External Pressure	Interest Rates / Inflation	Investor Narratives and Social Capital

The debate in current economic journals often centers on whether a pivot should be a radical break from the past or an incremental evolution. Some scholars argue that radical pivots are more likely to fail due to "organizational amnesia," where the startup loses its core competencies. Conversely, others suggest that in the face of a significant decrease in local demand, an incremental change is akin to "rearranging deck chairs on the Titanic." This research addresses this tension by examining the "Strategic Pivot Spectrum" through the lived experiences of founders. By analyzing case studies where local demand vanished almost overnight—such as during recent global health crises or sudden regulatory bans—this study provides a roadmap for "Resilient Decision-Making."

In conclusion, the introduction of this article sets the stage for a deeper investigation into the mechanics of the pivot. It moves beyond the "what" of business

strategy and delves into the "how" of entrepreneurial survival. By synthesizing existing literature on strategic management with the raw, qualitative realities of declining market demand, this research contributes a novel framework for understanding the micro-foundations of economic resilience in startups. The following sections will detail the qualitative methodology employed, the thematic findings from our case studies, and a discussion on how these findings expand our current understanding of strategic flexibility in the digital age.

The existing body of literature on entrepreneurial strategy has long been dominated by the "Silicon Valley Paradigm," which assumes a relatively stable institutional environment and a predictable trajectory of venture capital influence. However, when examining the strategic decision-making process in the context of a significant decrease in local market demand, a profound theoretical void becomes apparent. Most prevailing models, such as the Lean Startup's "Build-Measure-Learn" cycle, treat the pivot as a purely technical adjustment—a cold, rational response to data-driven feedback loops. This technocratic view fails to account for the "human-in-the-loop" complexity that characterizes founders in emerging or volatile local markets. There is a critical lack of qualitative inquiry into the emotional and cognitive dissonance that occurs when a founder's core vision clashes with a deteriorating market reality. Current economic journals have called for a more nuanced understanding of "Entrepreneurial Failure and Reorientation," yet the literature remains fragmented, often overlooking how the localized socio-economic fabric influences the speed and direction of a pivot.

This research identifies a "Triple Gap" in the current academic discourse. First, there is a Geographic and Contextual Gap. Most studies on startup pivots are situated in Western, high-trust environments where the cost of failure is mitigated by robust bankruptcy laws and social safety nets. In contrast, in many local markets where this study is situated, a decrease in demand is often coupled with institutional voids and a higher social stigma surrounding business failure. This raises a fundamental question that quantitative metrics cannot answer: How does the local institutional environment shape the founder's "perceptual filter" when recognizing a market crisis? Table 3 synthesizes the divergence between the idealized pivot models found in textbooks and the grounded realities that this research seeks to uncover.

Table 3. The Gap Between Theoretical Idealism and Grounded Reality in Pivoting

Dimension	Idealized Model	Grounded Reality
Trigger Recognition	Immediate response to negative KPIs.	Delayed recognition due to emotional attachment and cognitive bias.
Decision Speed	Agile and rapid "fail fast" approach.	Iterative, hesitant, and constrained by local stakeholder expectations.
Resource Allocation	Fluid movement of capital to new opportunities.	Rigid structures and difficulty in repurposing specific local assets.
Information Source	Big Data and Advanced Analytics.	Informal networks, "gut feeling," and fragmented local market signals.

The obsession with "Success Bias" in startup research has led to an over-reliance on post-hoc quantitative analysis. We know *what* successful startups did after the fact, but we know very little about the *process of becoming* during the eye of the storm. By employing a qualitative methodology, this study moves beyond the "binary of success

or failure" and instead maps the "liminal space" of the pivot process. This approach allows for the discovery of "Micro-pivots"—small, undocumented strategic shifts that founders make daily which eventually culminate in a major organizational turnaround. Without a qualitative lens, these nuanced decision-making layers remain invisible to economists and policymakers alike.

The third and perhaps most significant gap is the Theoretical Integration Gap. There is a disconnect between "Strategic Management" and "Behavioral Economics" in the context of startup pivots. While Strategic Management focuses on *Dynamic Capabilities* (the firm's ability to integrate, build, and reconfigure competencies), Behavioral Economics warns us of the *Endowment Effect* and *Overconfidence Bias*. When local demand drops, these two forces engage in a tug-of-war within the founder's mind. This research bridges this gap by proposing a "Behavioral Theory of the Pivot," exploring how founders overcome the psychological "gravity" of their original business model to achieve strategic escape velocity.

Furthermore, the role of "Local Market Intelligence" as a strategic asset has been undervalued in formal economic models. In many cases, a decrease in demand is not an aggregate trend but a hyper-local shift. Founders who successfully pivot are often those who can decode "noisy" local data—such as changes in local logistics, informal credit cycles, or community-based consumption patterns. This study argues that the strategic decision-making process is inherently "embedded" in the local ecosystem. Therefore, the pivot is not just a change in a business model; it is a re-negotiation of the startup's relationship with its local community.

To provide a deeper empirical foundation for this argument, Table 4 outlines the various "Pivot Paths" that have emerged in preliminary observations, categorized by the founder's dominant decision-making logic.

Table 4. Taxonomy of Decision-Making Logics in Response to Demand Crises

Logic Type	Primary Focus	Strategy in Demand Crisis	Expected Outcome
Causation Logic	Predetermined goals and resources.	Aggressive cost-cutting to preserve the original model.	High risk of "Death Spiral" if demand doesn't recover.
Effectuation Logic	Means-driven; focused on what is possible.	Creative repurposing of assets for entirely new markets.	High potential for "Radical Innovation."
Adaptive Logic	Market-driven; reactive.	Following competitors into adjacent market segments.	Market survival but limited competitive advantage.

By synthesizing these gaps and theoretical tensions, this Introduction establishes that the study of startup pivots is not merely an exercise in business management, but a critical investigation into economic resilience. As we move into an era of "Permanent Crisis" in local markets, understanding the anatomy of a pivot becomes essential for fostering an entrepreneurial ecosystem that can withstand structural shocks. This article, therefore, does not just describe a phenomenon; it challenges the existing static models of entrepreneurship and calls for a more dynamic, human-centric understanding of strategic choice in the face of adversity.

METHODS

This study employs a qualitative research design rooted in the interpretivist paradigm to explore the complex, non-linear strategic decision-making processes of startup founders. The choice of a qualitative approach is justified by the need to uncover the "how" and "why" behind business pivots—questions that cannot be adequately addressed through quantitative proxies. Specifically, this research adopts a multiple-case study design, as proposed by Yin (2018), which allows for a comparative analysis across different startup sectors while maintaining the depth of individual narratives. By focusing on multiple cases, the study seeks to achieve "theoretical replication" rather than statistical generalization, ensuring that the identified patterns of strategic decision-making are robust and cross-contextual within the local market.

The selection of participants was conducted using a purposive sampling technique, specifically "criterion-based sampling," to ensure that all informants possessed the necessary experiential knowledge. The primary criteria for inclusion were: (1) the individual must be a founder or co-founder with significant decision-making authority; (2) the startup must have operated for at least two years prior to the demand crisis; and (3) the startup must have executed a documented pivot (either product, market, or business model) in response to a decline in local market demand. To ensure data richness, the researchers selected 5 founders from diverse industries, including edutech, fintech, and local e-commerce, providing a holistic view of the entrepreneurial ecosystem. Table 5 provides a detailed profile of the participants and the characteristics of their respective startups, anonymized to maintain ethical standards.

Table 5. Profile of Research Informants and Startup Characteristics

Participant ID	Industry Sector	Years of Operation (Pre-Pivot)	Nature of Demand Crisis	Type of Pivot Executed
F-01	E-commerce	3 Years	Regulatory shift in local logistics	Channel Pivot
F-02	Edutech	2.5 Years	Shrinking household discretionary income	Customer Segment Pivot
F-03	Fintech	4 Years	Emergence of dominant local conglomerate	Business Model Pivot
F-04	Agritech	2 Years	Seasonal structural demand collapse	Product Feature Pivot
F-05	Logistics	2 Years	Stalled general logistics due to rigid contracts	Failed Pivot (Strategic Inertia)

Data collection was carried out through semi-structured, in-depth interviews, which lasted between 60 to 90 minutes per session. The interview protocol was designed to be flexible, allowing the researchers to probe deeper into unexpected themes such as emotional resilience and stakeholder conflict. To supplement the interview data and ensure "data triangulation," the study also analyzed internal company documents, press releases, and social media announcements related to the pivot period. This multi-method approach enhances the "credibility" and

"confirmability" of the findings, as it allows for the verification of the founders' retrospective accounts against contemporaneous records. All interviews were recorded and transcribed verbatim, with initial coding performed immediately after each interview to facilitate "constant comparative analysis."

The data analysis process followed the thematic analysis framework established by Braun and Clarke (2006). This process involved six distinct phases: familiarization with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and finally, producing the report. In the initial coding phase, the researchers identified "in vivo" codes—terms used directly by the founders—to capture the raw essence of their strategic struggles. These codes were then grouped into higher-order themes such as "Market Signal Interpretation" and "Cognitive Decoupling." To ensure the "dependability" of the analysis, a "peer debriefing" session was conducted where an external academic auditor reviewed the coding tree and the thematic map. Table 6 illustrates the coding structure and the transition from raw data to theoretical themes.

Table 6. Qualitative Coding Framework for Strategic Decision-Making

Raw Data Extract (Examples)	Initial Code	Sub-Theme	Overarching Theme
"I felt the original vision was dying."	Emotional Dissonance	Founder's Psychological State	Crisis Recognition
"We looked at what our assets could do."	Resource Audit	Asset Reconfigurability	Strategic Orientation
"The investors wanted a pivot, now."	Stakeholder Pressure	External Influence	Decision Catalysts
"We tested the new MVP in one city."	Iterative Testing	Risk Mitigation	Implementation Logic

Ethical considerations were paramount throughout the research process. Informed consent was obtained from all participants, and they were briefed on their right to withdraw at any stage. Given the sensitive nature of business failure and strategic shifts, all identifying information regarding the startups and the founders was redacted. Furthermore, to address the potential for "retrospective bias," where founders might rationalize their past decisions to appear more strategic than they actually were, the researchers employed "member checking" by sending the interview transcripts and preliminary findings back to the participants for validation. This rigorous methodological framework ensures that the subsequent findings are not only deeply grounded in the lived experiences of the founders but also meet the high standards of academic rigor required for publication in a top-tier economics journal.

RESULT

The findings of this research illustrate that the strategic decision-making process during a pivot is far from a linear, rational progression. Instead, it is a messy, iterative journey characterized by three dominant thematic pillars: *The Cognitive Recognition of Market Erosion*, *The Negotiation of Strategic Trade-offs*, and *The Reconfiguration of Organizational Assets*. These themes emerge as the core mechanisms through which founders navigate the "death valley" of significant local demand decreases.

The Cognitive Recognition of Market Erosion

The first critical phase identified in the data is the transition from observing "market noise" to recognizing a "structural crisis." Most founders reported an initial period of denial, where a decrease in local demand was attributed to temporary seasonal fluctuations or macroeconomic cycles. However, the turning point occurred when founders moved beyond quantitative dashboards and engaged in what one participant described as "deep sensing." For example, Participant F-01 noted: "*The numbers told us revenue was down 30%, but it was only when I spent a week talking to our local distributors that I realized the very behavior of our customers had shifted permanently due to the new logistics regulation. The old model wasn't just sick; it was obsolete.*"

This recognition process is often hindered by the "founder's identity trap," where the original business model is so closely tied to the founder's self-worth that acknowledging its failure feels like a personal defeat. The data suggests that successful pivots are preceded by a process of "cognitive decoupling," where the founder separates their vision from the specific product or service. Table 7 summarizes the primary indicators that founders used to distinguish between a temporary dip and a permanent demand shift.

Table 7. Indicators of Structural Demand Collapse

Source of Signal	Indicator	Internal Interpretation
Direct Customers	Change in "Problem Language" (customers talk about new pain points).	Irrelevance of existing solution.
Supply Chain	Local vendors demanding shorter credit terms or exiting the market.	Ecosystem-wide instability.
Competitors	Pivot or exit of agile, local informal competitors.	Loss of market viability.
Internal Team	Front-line sales staff reporting consistent "unsolvable" rejections.	Product-Market Fit erosion.

The Negotiation of Strategic Trade-offs

Once the crisis is recognized, founders enter a high-stakes negotiation phase involving internal and external stakeholders. The results reveal a significant tension between "Investor Logic" and "Founder Logic." Investors often push for a "Radical Pivot" to protect their remaining equity, whereas founders frequently favor an "Incremental Pivot" to preserve the team and organizational culture. Participant F-03 described this tension vividly: "*Our board wanted us to jump into a completely different B2B sector because the B2C demand in our city vanished. But my team's DNA was B2C. Forcing a radical pivot would have meant firing 80% of my people. I had to negotiate a middle path—a 'Customer Segment Pivot' that utilized our existing tech stack for a different localized niche.*"

This phase also highlights the role of "Economic Intuition" in the absence of perfect data. Founders reported that in a shrinking local market, traditional market research reports are often outdated by the time they are published. Consequently, the decision-making process shifts toward "Effectuation Logic"—focusing on available means rather than predetermined goals. Founders began asking "What can we do with what we have?" rather than "What should we do to win the market?"

The Reconfiguration of Organizational Assets

The final theme centers on the actual execution of the pivot, which involves a radical realignment of resources. This research finds that the most successful pivots are not those with the most capital, but those with the highest "Asset Fluidity." This refers to the ability to repurpose human capital, software code, and physical infrastructure for a new purpose. One of the most striking findings is the importance of "Psychological Re-alignment." For a pivot to work, the founder must sell a "New Dream" to the remaining team members.

Table 8 presents the thematic mapping of how different types of assets were reconfigured during the pivot process across the studied cases.

Table 8. Resource Reconfiguration Matrix During Pivot Execution

Asset Category	Pre-Pivot State	Reconfigured State (Post-Pivot)	Logic of Change
Human Capital	Specialized functional silos.	Cross-functional "survival squads."	Agility and cost-saving.
Technological	Rigid, single-purpose MVP.	Modular, API-based infrastructure.	Scalability into new niches.
Financial	Growth-oriented "Burn" rate.	Survival-oriented "Cash-is-King" logic.	Extending runway.
Social	Brand identity as a market leader.	Brand identity as a "local problem solver."	Maintaining community trust.

Participant F-04 summarized the essence of the reconfiguration process: "*We stopped being an 'Agritech company' and became a 'Logistics efficiency company' for farmers. We used the same app, the same drivers, but changed the entire value proposition. The demand for our original product died, but the demand for moving goods cheaply during a crisis was higher than ever.*" These results suggest that the "pivot" is not a single event but a series of micro-reconfigurations that eventually coalesce into a new strategic direction, driven by the founder's ability to read local market nuances that global competitors often overlook.

The Voice of the Founders: Authentic Narratives

To provide deeper insight into the emotional and strategic burden of pivoting, the following excerpts illustrate the core tensions identified in the previous sections. These quotes highlight the "founder's dilemma" when local market demand evaporates.

Informant F-02 (Edutech Sector):

> "*Saat itu, saya harus memilih: idealisme atau gaji karyawan. Permintaan les privat online jatuh karena orang tua lebih mementingkan belanja sembako. Akhirnya, kami memutar otak dan mengubah platform menjadi pelatihan vokasi untuk orang-orang yang terkena PHK. Itu bukan lagi soal pendidikan anak, tapi soal keberlangsungan hidup orang dewasa.*"
>
> **Translation:**
>
> "*At that time, I had to choose: idealism or paying employees' salaries. Demand for online private tutoring collapsed as parents prioritized buying basic necessities. Ultimately, we brainstormed and transformed the platform*

into vocational training for people who had been laid off. It was no longer about children's education; it was about adult survival."

This narrative confirms that a pivot is often a move from "higher-order needs" to "base-level survival needs" within the local economic hierarchy during a crisis.

The Strategic Anomaly: Analysis of a Failed Pivot

While the majority of cases studied demonstrated a successful transition, this research identified one significant anomaly (Participant F-05) whose startup failed despite attempting a pivot. Analysis of this case provides critical insights into the boundaries of strategic flexibility.

Table 9. Comparative Analysis of Success vs. Failure in Pivot Execution

Feature	Successful Cases (F-01, F-02, F-03)	The Anomaly Case (F-05)
Pivot Timing	Early recognition of demand erosion.	Late-stage response (Cash-out position).
Market Testing	Small-scale MVP in a local niche.	Large-scale "all-in" transition.
Founder Logic	Adaptive/Effectual.	Rigid/Causal (Fixed on original vision).
Result	Strategic Rebirth.	Total Liquidation.

The failure of F-05 was primarily driven by what is termed "Strategic Inertia." Unlike other founders who practiced "cognitive decoupling," F-05 remained emotionally and financially tethered to the original infrastructure, which was too heavy to be repurposed for a new market.

Informant F-05 (Logistics Sector):

"Kami mencoba beralih ke pengiriman barang medis, tapi armada kami sudah terikat kontrak sewa jangka panjang untuk logistik umum yang macet. Kami terjebak. Biaya untuk merombak sistem jauh lebih besar daripada sisa modal yang kami punya. Kami tahu harus berubah, tapi kami sudah terlambat."

Translation:

"We tried to switch to medical supply delivery, but our fleet was tied to long-term leases for general logistics that had stalled. We were trapped. The cost to overhaul the system was much greater than the remaining capital we had. We knew we had to change, but we were already too late."

DISCUSSION

The findings of this study extend the existing Dynamic Capabilities Theory by introducing the concept of "Localized Agility." While Teece (2014) emphasizes the role of institutionalized processes, our results suggest that in the context of startup founders, the pivot is an intensely personal and cognitive process. The distinction between F-01 (Success) and F-05 (Failure) underscores that the Resource-Based View (RBV) must be complemented by Behavioral Economics to fully explain startup survival.

The anomaly of F-05 proves that "having resources" is not enough; one must have "reconfigurable resources" (*Resource Liquidity*). This research challenges the *Lean Startup* narrative which often portrays pivoting as an easy, mechanical switch. In

reality, as shown in our qualitative transcripts, it is a "socio-emotional negotiation" that requires the founder to overcome the *Sunk Cost Fallacy*.

Furthermore, this study contributes a new perspective on Local Market Intelligence. In emerging markets, formal data is often lagging. The successful founders in this study relied on "informal sensing" through local networks, which provided a faster feedback loop than traditional analytics. This supports the argument that in volatile local economies, the "Founder's Intuition," when tempered by structured reflection, becomes a primary competitive advantage.

CONCLUSION

This research has deconstructed the complex strategic decision-making process of startup founders facing significant decreases in local market demand. The findings underscore that a business pivot is not merely a tactical shift in a business model, but a profound cognitive and organizational transformation. Through the qualitative lens, we have identified that successful pivoting is predicated on three critical factors: early crisis recognition through "deep sensing," the ability to practice cognitive decoupling from the original vision, and the fluidity of organizational assets.

The study concludes that the "Human Element"—specifically the founder's psychological resilience and their ability to navigate the tension between investor expectations and team morale—is the ultimate determinant of a pivot's success. The failure case analyzed in this study provides a cautionary tale regarding "Strategic Inertia," where emotional attachment to a failing model leads to the depletion of the very resources needed for a strategic rebirth. For policymakers and startup incubators, this research suggests that support systems should move beyond providing financial capital and focus on enhancing the "Strategic Literacy" of founders. Mentorship programs should prioritize training in crisis management and reflective decision-making. For founders, the study offers a roadmap: recognize the signals of structural demand collapse early, maintain asset liquidity, and ensure that the "new dream" of the pivot is communicated transparently to all stakeholders to maintain social capital.

While this multiple-case study provides deep qualitative insights, its findings are bound to the specific context of Indonesia. Future research could employ longitudinal quantitative methods to test the "Pivot Framework" developed here across a larger sample of startups in different geographical regions. Additionally, exploring the role of artificial intelligence in assisting founders to detect demand erosion could be a promising avenue for future scholarly inquiry.

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