

Five capabilities needed for firms to become flexible to external interruptions, revealed by new research

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In a business environment where companies must deal with a vast number of external factors which can threaten long-term success, a new report from Vlerick Business School highlights the five capabilities needed for firms to counteract this turbulence through strategic flexibility.

Becoming strategically flexible is not an easy task for companies, and this report looks to simply highlight the capabilities firms need in order to prepare for a post-covid normality, where turbulence and unpredictability are part and parcel.

The report was authored by Carine Peeters, Professor of Strategy at Vlerick Business School, who has researched into companies' adaptive capabilities, reviewing the strategic flexibility of over 400 organisations in a number of industries and locations.

Professor Peeters says,

“As the world digests the longer-term effects of the recent pandemic, we need to prepare for a new normal that will continue to be turbulent. That means learning to minimize the threats of turbulence, while shaping and grasping opportunities to derive new sources of competitive advantage. Strategic flexibility requires striking a balance between not changing enough and changing too much, with the risk of losing focus or alienating the organisation in the process.”

This research shows that adaptive organisations achieve this balance thanks to a system of 5 key capabilities that they proactively build and nurture:

Awareness

Firms must be able to identify relevant changes happening in their markets, and beyond: in other industries, technologies or countries that may give an indication of key trends that can affect the business going forward. The research shows that companies are well equipped to identify relevant trends, but struggle to tie them to the needs of their business.

Experimentation

Companies are good at generating new ideas, but they often struggle to capture and embed customer and market feedback early enough in the process. One way to strengthen this skill is to encourage teams to use 'disciplined' experimentation, where companies invest in small, short-term projects that if they fail there is little consequences, but big possibilities if they succeed.

Partnering

Firms can increase the odds of success by making sure they have the right skills and expertise on board to explore new opportunities. Internally, partnering means recombining skills and expertise available on a case-by-case basis. Whilst externally, companies should be looking to partner with other relevant organisations in order to experiment.

Ambidexterity

Companies must be able to both explore new opportunities and innovate, and, at the same time, exploit the company's existing core business. This is one of the biggest challenges for established organisations, but it is also an opportunity when competing against start-ups.

Decisiveness

Acting decisively does not necessarily mean being the first or the fastest. Rather, it means being able to implement decisions in a timely manner – or 'when the time is right'. Getting the timing right on projects is tricky, but those who do it successfully will see their projects flourish.

The researchers state that the majority of companies struggle most with the timing of their strategic decisions and actions to match the speed of change in their market. In order to become more flexible and adaptable to external environments, the researchers suggest a five point-plan to boosting these capabilities.