

The Importance of Strategic Agility to Business Survival During Corona Crisis and Beyond

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Received January, 2021; Accepted March, 2021

Abstract: Strategic Agility is seen by many researchers and analysts as an innovative newly developed management paradigm adopted by contemporary organizations to achieve distinction and outperform competitors under conditions of environmental instability and uncertainty. This article is an attempt to introduce the concept of Strategic Agility and to demonstrate its basic characteristics and the importance of adopting it by various organizations to achieve excellence and sustainability. In a competitive environment, characterized by acute turbulence and continual shocks, as in the current environment of COVID-19, strategic agility offers a viable means to harness non-linear scientific and technological breakthroughs with a view to profiting from both the dislocation in the consumer sentiment and behavior and the breakdown in supply chains. Moreover, the article highlights the interaction between strategic agility and firm performance and emphasizes the need to create agile organizations that will thrive in a volatile and uncertain world.

Keywords: Strategic Agility; Innovation; Business Survival; COVID-19.

Type: Research paper



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DOI: 10.51325/ijbeg.v4i2.64

Introduction

The Corona virus pandemic has generated economic disruptions in excess of that during the Global Financial Crisis (2008-2009) on a scale not witnessed since the Great Depression. In fact, it was not just an economic shock; rather, it was a catastrophic event by all standards and a flagrant challenge to the system of values, traditions and practices prevailing in different societies and a direct threat to the business models pursued by both public and private organizations. In the face of such a catastrophic and turbulent event, organizations must transform, take bold strategic steps, and quickly adapt to the repercussions of the global pandemic in order not to fail. As aptly put by Hamel and Valikangas (2003), “In a turbulent age, the only dependable advantage is a superior capacity for reinventing your business model before circumstances force you to”.

Today, many business leaders, management consultants and politicians see the necessity of reinventing organizations, both business and non-business enterprises alike, by adopting new operational modalities and engineering structural changes that facilitate proactive dynamic organizational demarches, in terms of speed and flexibility of decision-making, that leverage the challenges brought about by globalization, the fourth industrial revolution and the Covid-19 pandemic into enterprise opportunities (Kosack et al., 2021). Among the most important sources of dynamism powering strategic agility rank (1)

acceleration of creativity and innovation, (2) integration of latest-generation informational, computational and communication technologies into decision-making platforms, (3) implementation of remote work, (4) creation of a collegial environment promoting cooperation and empowerment, on the basis of value of the ideas generated by the group, irrespective of ranks in hierarchies, (5) encouragement of a cultural of creativity that overcomes risk aversion akin to setting up entrepreneurial nuclei throughout the organization and (6) rationalization of supply chains with a view to upgrade products and services, at an accelerated pace, to keep up with customer needs, to an ever-increasing extent, that change in non-linear patterns. Agile organizations exhibit flat, non-hierarchical organizational structures, enmeshed in a complex reticulation of alliances and strategic partnerships, and unleashing with decision-making sub-units reposed in highly motivated teams operating entrepreneurially.

A wide debate is currently raging between academics and practitioners about the best practices that business organizations can follow to survive and to prosper in the face of rapid, non-linear changes driven by environmental discontinuities characterized by ambiguity and instability (Ahlbäck et al., 2017; Tilman & Jacoby, 2019; Rigby et al., 2020; McKinsey & Company, 2015). Irrespective of the source of these disruptions – the result of the introduction of new technologies, the emergence of new competitors that no one expected, the spread of pandemic viruses, the occurrence of radical shifts in economic, financial and trade policies et. al. -- the companies that dominate and attain market preeminence exhibit “agility” through the adoption of the management paradigm dubbed "Strategic Agility," exponents of which, by virtue of their enhanced vision and flexibility, adapt and respond more effectively and efficiently to all sudden changes in market conditions and customer needs relative to other enterprises. Employing this leadership builds up market share, enhances enterprise reputation and increases net.

Literature Review

What is strategic agility?

Strategic Agility is a relatively new management concept that has emerged as evolving management paradigm in specialized literature over the past few years. In essence, Strategic Agility reflects the extent to which an organization's senior management evinces a capacity to adapt, be flexible and creative and to foresee unexpected shocks inside and outside the business environment in which it operates and respond to them proactively, quickly, and effectively, such that threats are transformed into opportunities (Tilman and Jacoby, 2019; Denning, 2018a; Al Shehab, 2020). Strategist Carl Long (2000) defines Strategic Agility as being able to produce the right products at the right place at the right time at the right price and for the right customers. Also, strategic agility has been defined as the “ability of the organization to renew itself and stay flexible without sacrificing efficiency” (Junni et al., 2015, p. 596). Likewise, Doz and Kosonen (2008a) in their rigorous book (*Fast Strategy*), described Strategic Agility as the ability to dynamically modify or reinvent the organization and its strategy as the business environment changes. Moreover, Doz and Kosonen (2008a) proposed that strategic agility combines different dynamic capabilities such as strategic sensitivity, collective commitment, and resource

fluidity – all of which allow management staff in an organization to rapidly reposition the organization to exploit new opportunities springing up in the course of non-linear changes in the environment in which the organization operates.

Strategic Versus Operational Agility:

“Strategic Agility” has several characteristics that distinguish it from “Operational” or “Manufacturing” Agility. Steve Denning, a senior writer in the arts of leadership and management and author of the 2018 book "The Age of Agile", argues that Operational Agility is the organization's endeavor to make its existing products or services better, faster, and cheaper for existing customers through cost reductions, time savings, or quality enhancements; while Strategic Agility focuses on sustainability in enhancing and reconfiguring value by penetrating new markets, adopting new business models, and introducing new products to reach new customers. Strategically agile enterprises adopt innovation, creativity, speed in creating the market and increasing returns and profits compared to other competing organizations in the same market space.

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To distinguish between the two types of agility, some quick examples can be instructive (Denning, 2018b):

- Manufacturing a candle with better specifications, is manufacturing agility; while making a light bulb, is strategic agility.
- Promoting the breeding of fast horse breeds, is manufacturing agility; while making a car, is strategic agility.
- Improving existing university curricula, is operational agility; while introducing a new academic program and using advanced pedagogy that meets the needs of future generations in vital areas such as artificial intelligence and renewable energy, is strategic agility.
- The development of mobile phones by companies such as Nokia and BlackBerry, is manufacturing agility; while Apple's development of a multifunctional device (iPhone) to attract a larger group of customers, is strategic agility.
- Improving DVDs by some companies is manufacturing agility; while Netflix broadcasts movies online, is strategic agility.
- Google's continuous improvements to keyboard-based search (KeyBoard-Base), is operational agility; while Amazon's leadership of voice-activated search (Echo), is strategic agility.

Nevertheless, it must be acknowledged that Operational Agility is a good thing, and even it is an increasingly necessary foundation for the survival of a firm. And it is also a precondition for achieving Strategic Agility as stated by Denning (2018a) and illustrated in Figure 1. But gains from Operational Agility are limited in that they do not give the firm a long-term competitive advantage as they are reflective of technologies that have reached the point of diminishing returns to customer utility as the technologies, undergirding Operational Agility, are in their twilight nearing the end of their technological life cycles!!

Figure 1: Operational Agility as a Path to Strategic Agility



Source: Steve Denning (2018a), p.137

The importance of Strategic Agility for Business Organizations:

What distinguishes successful business organizations from failures is a combination of their leadership, flexibility, proactivity, and competitiveness. In that vein, various organizations and institutions seek to adopt unconventional strategies and philosophies to meet new challenges and keep pace with the rapid developments and successive changes taking place in the work environment and achieve competitive advantage. These strategies often reflect "Strategic Agility".

In a seminal article published in Strategic Change in 2008, management professor Robert Morgan and his colleague Kelly Page portrayed "Strategic Agility" as the "key to success" in a rapidly changing business environment as it can adapt to sudden changes with a view to taking advantage of changing market opportunities. Tilman and Jacoby presented in their 2019 book "Agility: How to Navigate the Unknown and Seize the Opportunity in a Troubled World" a holistic overview of the basic nature of organizational agility and conclude that Strategic Agility enables an organization to overcome its competitors by seizing the opportunities in the face of challenges posed by the Fourth Industrial Revolution. Strategic Agility has also been described by other researchers and specialists as the best option to compete, stay in the market, adapt quickly to unexpected changes, face large risks, and monetize on the opportunities that lay untapped in the market through technological innovation (Rigby et al., 2020; Introbooks, 2018; Denning, 2018a; McKinsey & Company, 2015; Arokodare & Asikhia, 2020).

Other essential characteristics of agile organizations consist of the following:

- 1) Focusing on the client and adapting to his/her current and future needs.
- 2) Forming smart teams capable of collectively responding to crises and shocks.
- 3) Adopting a culture of growth and success in which failure is regarded as part of learning to move forward.

Determinants of strategic agility:

To achieve strategic agility, business organizations must possess the "right mix" of resources and capabilities that are both substantial and scarce (Ahlbäck, et al., 2017; Brosseau, et al., 2019). Otherwise, these organizations will, with the passage of time,

transform into rigid, regressive, and unable to compete, seize opportunities, and address the challenges of the digital age. Strategic experts such as Long (2000) and Doz and Kosonen (2008a, 2008b, 2010) emphasize three basic and fundamental capabilities that an organization needs to maintain its agility, growth, and competitive advantage:

- 1) Strategic sensitivity: reflecting the organization's ability to understand and perceive its external environment and its internal environment and the changes that are occurring to them through openness, sensing, insight, and seizing opportunities faster than competitors.
- 2) Partnership in Responsibility and Commitment to Teamwork: making decisions in cooperation with agile and highly intelligent work teams and granting them broad powers to solve problems and make decisions.
- 3) Resource fluidity: encapsulating the ability of the institution to attract and move flexibly to the resources, skills, and expertise necessary for its survival and the sustainability of its growth and competitive advantage.

A conceptual model can also be proposed that relate strategic agility to competitive capabilities as shown in Figure 2. The independent variable (X) is strategic agility with three dimensions of strategic sensitivity, leadership unity and share responsibility, and liquid reserves. The dependent variable (Y) is competitive capabilities which are measured with three indices of sustainability, profitability, customer satisfaction, innovation, and growth. This model has been developed based on an extensive review of agility literature and impact of agility on competitive capabilities of organizations.

Figure 2. The Conceptual Model



Source: Author's Literature Review.

Concluding Remarks

As the Fourth Industrial Revolution progresses in tandem with the outbreak of the Corona pandemic (COVID-19), many business organizations have been compelled to revamp their strategies and business models – the most successful have seized the opportunity to accrete profits, as pharmaceutical and medical giants Pfizer, Johnson & Johnson, Hoffmann-La Roche, and Sanofi have done through their laser-focused efforts to find a Corona vaccine. Likewise, Tech behemoths Amazon, Microsoft, Apple, Facebook, and the Chinese Alibaba Group have achieved record growth in their respective market capitalizations, especially during periods of lockdown or shutdown, against the backdrop of the pandemic consumption fuel B2C and B2B e-tailing in an environment in which a large proportion of white-collar staff work remotely. In particular, the largest tech companies listed on the DOW Jones Industrial Average, have benefited well from the recent turbulent conditions, pumping a surprisingly strong rise in valuations on the stock market. Other corporates, much less agile, however, are hardly tagging along!

Of the many strategies that business organizations and public institutions can adopt to maintain their growth and excellence in adverse environmental conditions, "Strategic Agility", according to several leading academics and practitioners, is the most promising attributable to its ability to sublimate shocks experienced in market and business environment into opportunities that plug into vicissitudes in customer desires – in turn, achieving competitive preeminence. Thus, it should be no surprise that the continued talk about Strategic Agility in the specialized literature as "the key to success", and that we are living today in the "age of agile", and that only smart and strategically agile organizations can survive, prosper, and rapidly transform digitally achieving competitive advantage in a technologically advanced but volatile and uncertain work environment. Although a dismal year (2020)¹ for most companies, governments, and most people and communities dominated by the Corona pandemic, out of the disruption of supply chains and consumption patterns, agile corporate organizations are flourishing (Smith 2020).

Strategists and business leaders confirm that the strongest cases of recovery and growth will come from companies and institutions that have intensified and developed their own operations and established a new natural situation, and used the unprecedented turmoil created by the Corona crisis as an opportunity to learn, transform, and rearrange priorities. The catastrophic impact on developing, emerging, and even advanced economies has not exhibited a uniform impact across economic sectors; inasmuch as a cross-industry crash has not manifested, it may be that \$15 trillion in financial stimulus packages combined with rapid interventions by companies, organizations, and governments will suffice to contain the economic impact of the global pandemic. Greater agility in organizations

¹ The International Monetary Fund (IMF) has warned of a recession worse than the one the world experienced after the financial crisis of 2008. However, "UNCTAD" warning that the world could see what is known as the "Minsky moment", the moment of a sudden and dramatic collapse in the values of financial assets such as stocks, bonds, and currencies, which will then lead to an all-out financial crisis and the end of the growth phase, has not become a reality in this fateful year.

provides an important glimmer of hope as well as a testament to the strength of resilience and determination of publics across the globe to contain the Corona pandemic; according to Albert Einstein, "in the midst of difficulties lies opportunities!"

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