

**TRANSFORMATIVE ENTERPRISE
RESEARCH GROUP-*TERG***

**TERG Working Paper Series
No 18/24**

***Adaptive Edge: Strategic
Sensitivity in a Post-COVID
World***

**Georgina Booth
William Shepherd**

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TERG Working Paper Series

Paper 18/24

TRANSFORMATIVE ENTERPRISE RESEARCH GROUP-TERG

University of the West of Scotland, Paisley,

Scotland

November 2024

TERG Working Paper Series

ISSN 2977-1889 (Online)

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About the author(s)

William Shepherd and Georgina Booth are researchers at the Transformative Enterprise Research Group-TERG in Paisley, Scotland.

Route correspondence to email: william.shepherd@uws.ac.uk

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Kingsley O Omeihe, Editor-in-Chief, TERG Working Paper Series, Paisley, Scotland. King.omeihe@uws.ac.uk

Executive Summary

This paper examines the role of strategic sensitivity in organisational agility, a concept that has gained significant attention, especially during the COVID-19 pandemic. It explores the importance of strategic sensitivity in enabling businesses to detect and respond to early signs of change in their environment. Drawing on a review of existing literature, we define strategic sensitivity and highlight key relational characteristics, including agility, rapid responsiveness, and resource fluidity. We demonstrate how organisations with high strategic sensitivity were able to adapt to challenges such as supply chain disruptions and shifts in consumer behaviour. A central contribution of this paper is the identification of strategic agility as a crucial factor for competitive advantage. We conclude by discussing the implications for practice and policy, offering recommendations for further research to expand the understanding of strategic sensitivity across different business contexts.

Introduction

Strategic sensitivity, essential for navigating business landscapes, became even more significant during the COVID-19 pandemic. This concept involves an organisation's capacity to detect and interpret early signs of change in its environment. Throughout the pandemic, businesses with high strategic sensitivity quickly identified emerging threats and opportunities, allowing them to adapt swiftly to unprecedented challenges. This agility was crucial in managing disruptions, from supply chain issues to changes in consumer behaviour. By fostering heightened awareness and responsiveness, organisations could realign their strategies, ensuring resilience and sustainability during and beyond the crisis. This paper will conduct a literature review on strategic sensitivity and identify areas for further research to deepen understanding of this topic.

Today businesses compete within a fast-paced and increasingly growing global market, which hardly any business is safe from competition. Organisations are being forced to reduce lead time, diversify demand, introduce new technologies, and shorten product life expectancy (Kettunen, 2009). Therefore, traditional long-term strategic plans are irrelevant and outdated. There isn't one organisation that could have strategically planned for COVID-19 and the impact it would have on the business environment. However, organisations that had developed capabilities of agility, rapid responsiveness, and adaptation to environmental changes (Khoshnood and Nematizadeh, 2017) were able to cope with the unexpected changes, survive unprecedented threats, and take advantage of changes as opportunities (Seyadi and Elai, 2021) all to gain a competitive advantage (Khoshnood and Nematizadeh, 2017) and continue to succeed in the turbulent period.

It has been argued that organisations that were able to be agile and responsive, as well as offering services in a timely manner, were able to surpass customer expectations and increase their tendency to prolong their relationship with the organisation (Georgewill, 2021). Organisational performance is a measure in which people see differently, as some measure using quantitative indices, such as profitability, ROI, and market share, while others

measure employee performance, customer satisfaction, and competitive advantage which is harder to measure (Gerald, Obianuju and Chukwunonso, 2020). Both of which are important in measuring how effective and efficient organisations are in discharging their mandate. How flexible, adaptive, and rapid organisations are in changing to business environments and customer needs could determine performance and survival (Gerald, Obianuju and Chukwunonso, 2020). Therefore, it could be argued that organisations that are performing well against pre-determined targets and aims are strategically agile.

Strategic Agility

Strategic agility has become an important business requirement in the last few years, which is a significant change in the way many organisations plan and strategically develop. The ability to be agile is to innovate and convert challenges into opportunities by anticipating unexpected internal events effectively and efficiently (Seyadi and Elai, 2021). Teams should therefore adopt an approach to foster a culture of innovation, ensure sustainable resources and services are positioned especially in small to medium enterprises (SMEs) as they tend to have a lack of liquidity (Gerald, Obianuju and Chukwunonso, 2020) and therefore need to be flexible in their strategic approach to minimise risk and increase ROI.

Doz and Kosonen (2008) found that strategic agility consists of three meta-capabilities: strategic sensitivity, resource fluidity, and leadership unity. They argue that strategic sensitivity is an important factor in gaining strategic agility, as organisations can use sharp perception, awareness, and attention of both the external and internal environments to foresee and therefore predict and to better understand organisational trends and current situations of the environment which is critical to the organisation's performance (Arbussa, Bikfalvi and Marquès, 2017). All of which increases the organisations' ability to adapt and innovate new ideas (Seyadi and Elai, 2021) to continue to meet customer demands, achieve KPIs and therefore strategic success. To achieve strategic sensitivity organisations must move away from forward-looking strategic strategy and move towards insight-based strategy which relies on circumstances rather than potential anticipations (Doz, 2020). However, recognising patterns can be counterintuitive as people tend to follow cognitive and emotional patterns (Beer and Eisenstat, 2004) that are embedded. Therefore, organisations could use collaborative teams (Gratton and Erickson, 2007) and open discussions (Seyadi and Elai, 2021) to reduce individual bias and facilitate a wider strategic understanding of each specialist area within the business. Also, those involved in establishing the organisation's strategy should not lose touch with reality, and continue to move out of their comfort zones, to ensure they continue to be sensitive to new and unfamiliar external factors which will reduce the likelihood of operating with autonomy (Scharmer, 2007).

Argyris (1999) and Hamel (2008) argue that strategic sensitivity is hard to achieve in large organisations, as employees are usually encouraged to develop a collective view, to achieve cultural homogenisation (Cojocar, 2011), therefore reducing the ability of employees to

predict and understand trends and adapt to new innovative ideas (Hamel, 2008). Argyris (1999) also argues that organisational success often limits strategic sensitivity, as managers become complacent when the business is prospering. However, it could be argued that strategic sensitivity is also hard to achieve in SMEs as achieving strategic sensitivity requires the ability to stay apart and detached from daily operations (Victor, Maclayton and Isoboye, 2021) to allow time for sensing. Managers within SME organisations tend to have a crossover of operational and strategic responsibilities, which could cultivate repetitive strategic choices, as there is a lack of perspective and generality. All of which could decrease strategic agility and therefore success. To make strategic decisions and changes that have been established through external analysing, internal resource capabilities must be considered. Morton (2018) argues that to successfully achieve resource fluidity, organisations must understand their internal capabilities and deploy and relocate them to gain new opportunities. Organisations must reconfigure resources adequately or they will lose their competitive advantage, as well as minimising risk associated with the poor management of internal capabilities (Seyadi and Elai, 2021).

Resource Rigidity

Many organisations suffer from resource rigidity (Gilbert, 2005), resulting from fixed routines and conservative commitments. To act on strategic sensitivity, organisations must deploy resources differently to seize new opportunities (Morton, 2018). Organisations that fail to maintain resource fluidity due to inadequate reconfiguration of their resources lose their competitive advantage (Seyadi and Elai, 2021) and become vulnerable in a hypercompetitive environment demanding innovation and dynamic capabilities (Lado et al., 2006). Traditional strategic methods leave organisations at risk, as they focus on maximising operating efficiency rather than adapting to changing environments (Birkinshaw et al., 2008). Resource fluidity, while essential, can contradict the Resource-Based View (RBV) by potentially hindering the sustainability of an organisation's competitive advantage (Seyadi and Elai, 2021). Market uncertainties often lead to resource uncertainties, making it crucial for managers to accurately assess the strategic value of resources (Seyadi and Elai, 2021). The RBV in strategic management posits that a firm's resources form the basis for survival and success, creating a comparative advantage during environmental changes (Connor, 2002) which can lead to a competitive market position (Hunt and Morgan, 1995). However, strategic decisions should be based on the firm's capabilities rather than constantly adapting to the environment (McKiernan, 1997). Dynamic Capabilities (DC) offer a more effective approach, focusing on competitive survival amidst rapid changes and maintaining performance standards (Ludwig and Pemberton, 2011). DC allows organisations to align external opportunities identified through strategic sensitivity with internal strengths, ensuring long-term advantages (Teece, 2007).

While RBV can enhance organisational efficiency and effectiveness, it is essential to distinguish it from operational effectiveness, which is not strategic (Porter, 1996). Operational effectiveness involves performing similar activities better than competitors, whereas strategic RBV focuses on unique value delivery to customers. This highlights the need for diversification to enhance strategic sensitivity (Connor, 2002). Japanese companies exemplify this by focusing on operational effectiveness, but their lack of diversification can be limiting (Porter, 1996). Thus, operational effectiveness alone is insufficient for sustained success; strategic sensitivity is key.

Intangible assets, such as strategic sensitivity, are critical as tangible assets can be easily imitated (Connor, 2002). Managerial abilities to recognise market opportunities are vital (Vasconcellos and Hambrick, 1989; Collis, 1994), emphasizing the need for corporate entrepreneurship (Stopford and Baden-Fuller, 1994). Achieving strategic agility and enhanced performance requires integrating resource and market-based strategic management while maintaining causal ambiguity to protect competitive advantages (King and Zeithaml, 2001).

Leadership

To foster strategic sensitivity, organisations must focus on leadership that promotes corporate entrepreneurship and adapts the internal environment accordingly (Doz and Kosonen, 2010). This enhances the organisation's knowledge economy (Powell, Walter and Snellman, 2004) and innovation capacity. Effective leadership unity, formed through open innovation, communication, and cooperation, is essential (Schein, 1992). Knowledge transfer partnerships can aid this process, though they may increase the risk of imitation (Coates et al., 2018). Leadership practices should encourage dialogue and inclusive decision-making to enhance strategic sensitivity (Doz and Kosonen, 2010). Organisations where managers engage in strategic discussions are better positioned to adapt and reconfigure resources, leading to improved strategic agility and success (Seyadi and Elai, 2021). Leadership unity fosters a competitive advantage by enhancing employee engagement, creativity, and innovation (Seyadi and Elai, 2021). Organisations that embrace this unity ensure collaboration and collective commitment to strategic goals, which is crucial for agile leadership to address market uncertainties and seize opportunities (Doz and Kosonen, 2010).

A collaborative leadership approach supports continuous organisational learning, essential for maintaining strategic sensitivity in a dynamic environment (Mavengere, 2013). The infrastructure and information resources within the organisation provide significant strategic advantages (Mavengere, 2013). If an organisation can instil strategic sensitivity, resource fluidity and leadership unity, they will outperform competitors, through significant distinction to satisfy customer needs (Gerald, Obianuju and Chukwunonso, 2020). To develop a highly effective strategically agile focus, firms must have speed, flexibility, competence, and accountability. Organisations must adopt enhanced information systems,

and advance production technologies to ensure that innovation occurs quickly to meet customer expectations in comparison to industry rivals (Seyadi and Elai, 2021). However, it isn't enough for an organisation to adopt and utilise an agile strategy, the organisation must maintain this over time (Doz and Wilson, 2018), which is noted in the Nokia case study (Morton et al., 2018). Nokia failed to maintain strategic sensitivity and collaboration led to its downfall, demonstrating the importance of these capabilities in avoiding strategic paralysis (Morton et al., 2018).

Conclusion

In today's fast-paced global market, traditional long-term strategic plans are outdated, especially post-COVID-19. Organisations excelling in agility, rapid responsiveness, and adaptation have navigated unprecedented challenges. Strategic sensitivity, crucial for success, enables organisations to detect early signals of change. By adopting insight-based strategies and fostering collaborative teams, organisations can reduce biases and enhance strategic understanding. Resource fluidity and leadership unity, promoting a collaborative culture, are essential. Organisations integrating strategic sensitivity, resource fluidity, and leadership unity are more likely to achieve sustained competitive advantage and superior performance. Given its importance, exploring the broader implications and applications of strategic sensitivity is essential. Understanding its impact on crisis management can provide insights into better preparation and response to disruptions. Additionally, examining its development across different industry sectors can reveal sector-specific challenges and best practices, offering a tailored approach to fostering this critical capability. These areas of further research are crucial for deepening comprehension and enhancing the practical implementation of strategic sensitivity across various business contexts.

The COVID-19 pandemic has underscored the importance of strategic sensitivity as a key driver for organisational survival and success in a rapidly changing business environment. Organisations that were agile, responsive, and adaptable were able to navigate the unprecedented challenges posed by the pandemic, demonstrating the value of strategic sensitivity in detecting early signals of change and leveraging them for competitive advantage. This paper has highlighted the critical role of insight-based strategies, resource fluidity, and leadership unity in fostering strategic agility, which, in turn, leads to enhanced organisational performance. While traditional long-term strategic plans have become increasingly outdated, organisations that adopt a more flexible and collaborative approach are better positioned to respond to environmental disruptions. The integration of strategic sensitivity, resource fluidity, and leadership unity creates a culture of innovation and adaptability, which is essential for sustaining competitive advantage in the modern business landscape.

However, further research is needed to explore the broader implications and applications of strategic sensitivity, particularly in crisis management and across different industry sectors. By deepening our understanding of how strategic sensitivity operates in various contexts, organisations can develop more tailored approaches to resilience, adaptability, and long-term success. This continued exploration will provide valuable insights for

improving the practical implementation of strategic sensitivity and agility in diverse business environments.

Areas for further research

This paper has highlighted the importance of strategic sensitivity during the COVID-19 pandemic, but there are still areas where more research is needed. The pandemic revealed gaps in many organisations' ability to respond quickly, showing the need for better approaches to strategic agility and resilience. As businesses adapt to a post-pandemic world, it's crucial to explore how strategic sensitivity can be improved to help manage crises and respond more effectively across different sectors.

1. Impact of Strategic Sensitivity on Crisis Management

This paper suggests that with the numerous case studies from COVID-19 pandemic, it would be beneficial to explore specific strategies and practices that enhanced organisational resilience and adaptability during the crisis. This then could potentially lead to new models of strategic sensitivity and agility for organisations.

2. Development of Strategic Sensitivity in Different Industry Sectors

An additional area for exploration, could be focused on how strategic sensitivity varies across different industry sectors and identify best practices for fostering it. This research could compare the strategic responses of various industries during the COVID-19 pandemic and provide insights into sector-specific challenges and opportunities in enhancing strategic sensitivity. This could be relevant to the private, public and third sector.

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