

# **Adaptability – A Strategic Capability During Crisis**

© **Adriana GÎRNEAȚĂ**

**The Bucharest Academy of Economic Studies, Bucharest, Romania**

[Adriana\\_girneata@yahoo.com](mailto:Adriana_girneata@yahoo.com)

In the last several years, the economic crisis has determined significant changes in the conditions organizations have to operate. The organizations that seek performance must learn how they can increase their abilities at managing the new, volatile risks that they face and how can they transform the adaptability into a strategic capability.

This paper offers an insight on the characteristics of organizations that can improve their chances of responding successfully to rapid change. In times of crisis that affects the global economy, organizations operating in competitive markets cannot take an approach based only on plans, due to the fact that these cannot anticipate an unpredictable future considering the turbulences of the environment. Adaptability resides in a competitive advantage for small, medium-sized and large organizations alike, because, as identified in the paper, adaptability is not necessarily a function of size. Even though an enterprise has identified its capabilities, analyzed the opportunities, and found strategies to maximize its future success, it is required that the managers cope with unexpected events that might occur in turbulent times. In order for the organization to be adaptable, the managers must be prepared to develop the company's ability to exploit new opportunities and threats.

The proposed theory does not eliminate the necessity of planned events or a well established strategy, but it highlights the need for an additional ability of the organization to adapt to the unforeseen and be capable of learning. Planned change alone is inadequate as a mechanism for managing the future. Instead, managers must find ways of dealing with the changeable future and very risky conditions under which businesses have to operate. Furthermore, they must take into consideration the means by which the organization can develop the capability of adaptive learning in order to identify dissonant elements that can be adapted and subsequently these adaptive skills can be incorporated into planned learning.

## *Introduction*

In periods of turbulence, when established revenue and profit streams can disappear overnight and new opportunities appear equally quickly, managers must have the competence to establish and refocus on the new objectives using new capabilities is vital for the survival of the organization. Due to the fact that there are no objective tests available to measure adaptability, this is more a desirable characteristic in each of the five activities of the change model: strategic change management, leadership, programme and project management, processes and culture, than a specific activity. In addition to the activities mentioned, leaders and managers must also be tolerant of adaptive behaviour.

## *What is adaptability?*

Adaptability represents the capability of an enterprise to react quickly to opportunities and risks and convert them into business advantage (Macmillan & Tampoe, 2000). Adaptability refers to:

- ⇒ The capacity to respond to the needs of customers and clients
- ⇒ The ability to make optimum choices: an intentional response to change based on the information regarding the environment - past, present and future.
- ⇒ Recognising that primarily people are the ones who must adapt not organisations. People must be empowered to: take sensible risks, build new capabilities, experiment, adjust their behaviours, be fearless, learn from their failures and share their experiences with others.
- ⇒ Simplifying the organizational structure of the company, if deficiencies are proven.

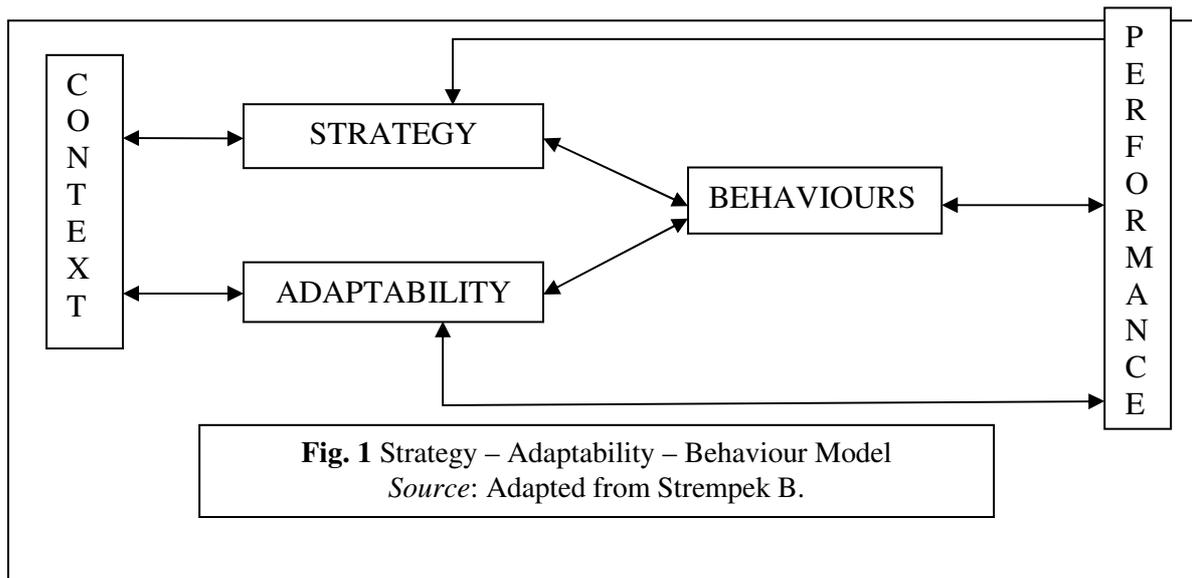
Adapting to the permanent changes in the business environment represents a continuous process that consumes many resources in an organization, like time, effort and energy.

## *Literature Review*

Adaptability has been empirically linked with firm performance (Marcoulides & Heck, 1993). Some specialists demonstrated the existence of an important relationship between firm performance and adaptability, viewed as a set of cultural values. (Kotter & Heskett, 1992; Gordon & DiTomaso, 1992). These researchers state that organizations capable of better internalizing values leading to a superior ability that allows them to recognize and adapt to changing conditions are more likely to reap superior rewards. According to them, adaptability is a combination of two or more cultural values, including innovation and action orientation, that allow a firm to adjust to environmental conditions better than others, thereby, leading to superior performance.

Adaptability is also linked to the concept of strategy and appears to be more complex than a simple set of cultural values. The ability to adapt to changing conditions is an underlying premise of the strategic choice perspective (Child, 1972).

In literature, but also in practice, strategy and adaptability are closely related concepts, as it is represented in *Figure 1*. For instance, strategy is intended to help an organization to achieve success within its environment. In addition, strategy sets the organizational direction which will result in a superior competitive position within that environment. It is necessarily to state that there is an interrelationship between strategy and the changing organizational environment. In other words, a strategy is designed to help an organization adapt to a changing world. In a strategic sense, adaptability is the ability of a firm to form and execute an effective strategy. The ability to adapt, however, seems to include much more than just the ability to do strategy.



In theory, adaptability has a direct implication on achieving success, especially in a changing environment. In the present turbulent times, when business environments are changing drastically, it is expected that this relationship between adaptability and performance is identified in most industries.

In the last decades, researchers have focused simultaneously on strength of culture and particular dimensions as the determinants of superior performance. It has been stated that organizations that are characterized by a strong culture and adaptability, are also high performers (Gordon & DiTomaso, 1992). In addition to this theory, Kotter and Heskett (1992) mentioned that high performing firms are likely to have strong cultures, values which encourage adaptable behaviours, and to value customers, employees and shareholders equally. The authors stated that:

- ✓ corporate culture will become more important for performance in the future,
- ✓ cultures which inhibit strong performance are common and easily developed,
- and
- ✓ cultures can be changed to enhance performance.

Traditional approaches to strategy assume a relatively stable world. They aim to build an enduring competitive advantage by achieving dominant scale, occupying an attractive niche, or exploiting certain capabilities and resources.

But globalization, new technologies, and greater transparency have combined to upend the business environment. Sustainable competitive advantage no longer arises from positioning or resources. Instead, it stems from the *four organizational capabilities* that foster rapid adaptation (Reeves & Deimler, 2011):

- ❖ The ability to read and act on signals of change
- ❖ The ability to experiment rapidly and frequently—not only with products and services but also with business models, processes, and strategies
- ❖ The ability to manage complex and interconnected systems of multiple stakeholders
- ❖ The ability to motivate employees and partners

We consider that this point of view is accurate and describes the present situation in European and global companies alike. When the economic crisis stroke, the companies were faced with a new and problematic situation and they had to struggle

for survival in an unpredictable and constant changing market. Organizations had to adapt very quickly in order to cope with the transformation of customers' solicitations and to maintain the portfolio of clients. The companies that seek performance and have a culture that can be easily adapted to new situations have better chances of success.

### *The Analysis of Adaptive Organizations*

During periods of transformation and strategy implementation it is necessary that the organization helps the staff understand and interpret changes in a positive way. Failure to do this can result in performance degradation either because of stress and uncertainty or because the staff do not have clear goal and role definitions.

Strategy is mainly about the future, which at best, is only partially predictable. It follows that planned change alone is inadequate as a mechanism for changing the future. While some uncertainty can be handled by planned change, some can only be handled by being responsive to new challenges and opportunities as they occur. Even though an organization has understood its capabilities, analysed its opportunities, and set in place strategies to optimize its success in the future, it remains necessary for it to be able to handle unexpected events. In order to achieve this, the organization needs to be adaptable.

For organizations that operate in strongly competitive markets, strategists have to allow for future uncertainty and find ways of dealing with it. They have to be able to sense change very quickly and respond to it. They have to be more adaptive and find evolutionary routes for the company's survival. Organizations that have taken adaptive routes have realized that to be adaptive, they need to spread accountability and responsibility more widely across the organization and have built cultures that are tolerant of change and risk.

The rate of change for the companies' environment is significant, although in some areas, the extent of the change is hidden. For example, in the textile sector, if a company decides to add some changes to a model already in the production line, in order to make it more appealing to other categories of customers than those, to whom it was originally created for, that single change may be monumental, in approach, execution and consequences. Under these conditions, even though a minor change was made, it can influence the whole organization.

Therefore, an adaptive enterprise must include both the ability to create new products in order to enter new markets and the capability of adapting current products to respond to smaller changes in customer needs. It is not possible to consider one to be micro changes and the other macro changes, as either one could be large or small depending on the circumstances.

In either of the two cases, it is impossible for the organization to be adaptable unless it adopts the appropriate mindset, this involving emotional and organizational adjustment. Emotionally, the stakeholders must become tolerant of change and organizationally, it is necessary for information to flow quickly and in both directions along the hierarchy chart (Robertson & Sribar, 2004). *Adaptability may have different forms:*

- ⇒ Adaptability of mind: new ideas are embraced and used
- ⇒ Adaptability of organization: the capability of the organization can be quickly transformed to match the needs of the new situations and opportunities presented to it.

*Adaptability is not necessarily a function of size.* The speed of change is influenced by the degree of acceptance of change from employees, where the manager plays a significant role. In the case of a corporation, adaptability becomes a variable closely related, on how the background of the country manager affects the business strategy, but also on the impact of decisions taken at regional level. In this case, what matters is that messages sent to employees must be consistent. A country manager often acts as the interface between the group and local staff, so his duty is to ensure good communication.

On the other hand, some small to medium-sized organizations are rigid in structure and mindset. Often these are companies that are family owned or where control rests in the hands of the owner or founder. Fearful of the new, they tend to perpetuate the strategies that have made them successful in the first instance and reject any views that question the validity of continuing the original strategy into the future.

*We consider* that adaptable organisations are able to manage two aspects equally good and at the same time: they can professionally manage the present performance and at the same time they can prepare for the future, both individually and collectively. Taking into consideration that the current business is kept under control, the managers can conserve their resources in order to focus on more important aspects regarding the development of new products, technologies or building the next generation of clients.

The main step towards organisational adaptability is adapting the organisational structure to the environmental changes that influence the proper functioning of the organization. In an ever-changing environment decisions must be taken very promptly by competent employees. The identified *characteristics of an adaptable organization* are:

- It has a very flat structure, where teams form organically to achieve a specific outcome that furthers the organization goals. People would be recognized for their knowledge and skills and not titles.
- The employees clearly understand the purpose and are committed to achieving the collective goals which in turn would fulfil their personal goals.
- The managers, together with the employees take part in brainstorming sessions, where they come together to understand, clarify or discover the problems of the organization. This can facilitate an environment fuelled by cooperation not competition, where new ideas and innovative solutions are found.
- It reacts immediately to the influences of the environment. The organization's members must be willing to react quickly and they need the ability to do so. Therefore they have to be trained and need first- hand access to all relevant information about the organization
- It implements adaptive learning systems as sources of strategic advantage. People must learn how training to be adaptive and fast- reacting and at the same time to share and acquire information effectively.

We recommend a distinction between *operational agility*, and *strategic adaptability*. Operational agility implies an ability to respond quickly to shifts in demand or customer preference *within the boundaries* of an existing business model.

On the other hand, *strategic adaptability* is based on the company's capacity to reconfigure its underlying business concept. In order to accomplish this, it must rethink some important aspects, like: the redefinition of the company's mission in order to meet the new demands on the market; the correct identification of the final customer, the distribution channels, the pricing model it must apply under the new

conditions, the markets it activates on: the competitors and their main competencies, the business partners and many others.

*Strategic adaptability* must include, apart from rethinking of organizational strategy, also redesigning and reengineering through proactive insights about the future, and the modality in which these can be applied. For organizations to be strategically adaptable, at the core of their mission and purpose must be this intent to allow for innovation. This is not suggesting that it be simply listed as a core value or goal, though that might be a place to start, but must be co-created across management and individual functions, and authentically emulated by senior leaders so that trust in such processes that foster an adaptable culture can exist and evolve. Also, strategic adaptability should enable the organization to be proactively future focused on consumer wants and needs through empowered, engaged, innovative and overall healthy employees while maintaining the least disruptive environmental and community path.

Based on the studies and researches in the field, we can affirm that potential adaptable company traits include:

- embedded into mission and values that builds connection with employees and customers
- customer focused, not worried what competitors are doing but carving its own path
- works smart, quick and with minimal waste
- encourages risk taking, embraces and learns from failures
- transparent with both internal and external communities
- all stakeholders support and empower employees to develop, create, innovate discover, collaborate, experiment
- long-term growth, consistently at the top of its industry

## *Planned Adaptive Organizations*

Survival and growth require the ability to exploit current strengths and grow new ones with which to benefit from future opportunities. Organizations that wish to survive over the long time without intermittent periods or turbulence and disorientation must learn and evolve so that they can anticipate and influence the future and therefore are not surprised by it. A critical faculty in these turbulent times is the ability of the organization to learn from its history. By studying past successes and failures, an organization can determine which of its organizational capabilities have the adaptability to enable it to face and overcome future challenges or exploit future opportunities.

Planned learning organizations combine the characteristics of planned change and unplanned adaptability. The planned elements can be those activities associated with exploiting cash cows in known markets. The unplanned aspects can be focused on the innovative and entrepreneurial activities of the business. Inherent in planned learning systems is the need for effective information flows. Without these, no system can adapt to environment or realize that its plans are invalid or inappropriate.

In our view, the approach that is appropriate for turbulent times is a planned adaptive organization. Some characteristics of the planned adaptive organization are:

- ❖ Flexibility built into their information systems to enable organizational entities to be grouped and regrouped to meet the needs of the business without losing financial or operational control
- ❖ Effective followers, people who can adapt to the changing needs. Generally, they would be proactive and willing to learn new skills and equally willing to shed the outdated and irrelevant ones.
- ❖ Managers who have the flexibility of mind and can re-orchestrate the organization to match the changing needs
- ❖ Fast implementation capability to put new strategies quickly into plan.

## *Conclusion*

Adaptability of strategy, organizational mindset, and organization structures and processes is a necessary capability for sustaining an organization in turbulent times. The strategy makes sure that the adaptability does not deflect the enterprise away from its main objectives or the exploitation of its core competencies. The adaptability ensures that unplanned events can be accommodated without disrupting the progression to greater growth and prosperity. The influence of adaptability on a company's performance becomes more evident with every succeeding finding of a strong positive correlation. The component indicators of adaptability are elements that managers are able to control to some degree. Therefore, these indicators can provide stakeholders new management tool for diagnostics and influence.

## *References*

- CHILD, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sociology*, 6 (1), 1-22.
- GORDON, G. G., & DITOMASO, N. (1992). Predicting Corporate Performance from Organizational Culture. *Journal of Management Studies*, 29 (6), 783-798.
- KOTTER, J. P., & HESKETT, J. L. (1992). *Corporate Culture and Performance*. New York: The Free Press.
- MACMILLAN, H., & TAMPOE, M. (2000). *Strategic Management*. Oxford: Oxford University Press.
- MARCOULIDES, G. A., & HECK, R. H. (1993). Organizational Culture and Performance: Proposing and Testing a Model. *Organization Science*, 4 (2), 209-225.
- REEVES, M., & DEIMLER, M. (2011). Adaptability: The New Competitive Advantage. *Harvard Business Review*, 89 (7), 135-141.
- ROBERTSON, B., & SRIBAR, V. (2004). *The Adaptive Enterprise IT Infrastructure Strategies to Manage Change and Enable Growth*. IT Best Practices series. Intel Press.