Black Swan to Phoenix: The Role of Dynamic Capabilities, Ambidexterity and Corporate Insight

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ABSTRACT

The paper presents the position that in times of Black Swan or other unforeseen or unprecedented events the path to survival is not the sole function of the company’s strategy. While much has been written about the need for companies to alter or adapt their strategies in face of such events, doing so is easier said than done. In fact, strategy is foundational and a function of and subject to the capabilities of the company. That there is no real strategy or strategy altering approach for preparing for a Black Swan like event.

The paper provides insights and alternative view of how best companies can survive, and even prosper in the face of such events. Rather, it is the company’s ability to reconfigure its capabilities and resources. Utilizing the lenses of Dynamic Capabilities, Ambidexterity and Corporate Foresight, the paper posits that when these orientations are taken in combination, provide a company a robust approach for managing the path forward. The paper presents the position that failing to focus on these orientations will result in the company’s inability to works its way through the event and remain ‘stuck on the pond’ with all the swans.

Key Words: Black Swan, Dynamic Capabilities, Ambidexterity, Corporate Foresight
INTRODUCTION

The development of the Corona Virus (COVID-19) has had a wide-spread impact upon most all aspects of life. The world, as most have known it, has changed significantly and in many instances irrevocably. The breadth of these impacts and subsequent changes goes far beyond the scope of this paper. Rather, this paper examines the impacts upon businesses and their responses.

The rise of COVID-19 has been described by many as a Black Swan event. Black Swan events are quite rare with a seemingly low probability of occurrence. Because these high impact events are unpredictable, they frequently do not warrant precautionary measures. To do so would entail operationalizing of the adage…. identify all unknown problems and plan for them!

The Black Swan idea and subsequent theory was first brought to light by quants analyst Nassim Nicholas Taleb in his two books; Fooled by Randomness: The hidden role of chance in life and in the markets (2005) and The Black Swan: The impact of the highly improbable (2007). A study performed by Deloitte over a nine-year period of the 1,000 largest companies in the world discovered approximately 380 of the firms had suffered an event described as a “Value Killer”, or Black Swan. Such events blatantly expose a company’s biggest strategic, operational and or financial weaknesses, triggering a cascade of negative events for the company (Abidi & Joshi, 2017).

The multitude of events occurring in the U.S. in 2020 may arguably be identified not as Black Swan but as a flock of Black Swans. The appearance of the COVID-19 virus, followed by the wholesale shut down of the economy, coupled with incidents of social unrest resulting from
police and racially fueled events, all under the umbrella of a contentious election cycle is more than could reasonably been foreseen. All these events singularly and collectively have conspired to wreck vast “Value Killing” impacts upon businesses, both large and small.

Much has been written about the need for companies to alter or adapt their strategies in the face of these types of events. However, in most cases the altering of a company’s strategy is something easier said, or written about, than done. This is not to say that a company’s strategy is immutable. Rather, that a strategy is foundational and a function of and subject to the capabilities of the company. In fact, if it were easy, business failure rates would not be anywhere near where they are. The reality is that there is no real strategy or strategy altering approach for preparing for a Black Swan event.

This paper attempts to provide insights and an alternative view of how best companies can survive, and even prosper in a Black Swan event/environment. While applicable to most industries and firms, it is of particular relevance to small and medium size enterprises (SMEs), regardless of industry.

Utilizing the lenses of Dynamic Capabilities, Ambidexterity, and Corporate Foresight, the author presents a set of overarching orientations that when taken in combination provide a robust approach to managing for and during Black Swan type of events. The author suggests that by focusing on this combination of orientations a firm greatly improves its odds of surviving, and even prospering during such times, to rise like the proverbial phoenix. The author
further posits that failing to focus on these orientations will result in a firm remaining ‘stuck on the pond’ with the swans.¹

**STRATEGIC PERSPECTIVES**

Most work on strategy leads one to believe that while a firm’s strategy is not immutable, it is difficult to alter quickly. The essence of a firm’s strategy lies in the activities it chooses to perform via its rivals (Porter, 1996). The research suggests that the suitability of a firm’s strategy is the result of its fit with the organization’s and its environment contingencies (Hughes & Morgan, 2008; Zajac, Kraatz, & Bresser, 2000) and the fit may be achieved by aligning the firm’s strategic resources with environmental threats and opportunities facing the firm’s strategy (Hughes & Morgan, 2008; Kraatz & Zajac, 2001). The challenge lies in the aligning of those resources in the face of a Black Swan event.

The concept of strategy first appeared in 1960 in the business and management domains. Chandler (1962, p. 13) posited strategy as the “determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”. In 1965, Ansoff (1965) elaborated upon the concept as “decision rules and guidelines” established by an organization ensuring orderly and profitable growth (Malik & Naeem, 2011, p.805). At the business level, strategy is focused on how a firm competes in each industry (Hofer, 1975). Porter (1996) presents strategy as a firm deliberately electing a different set of activities, from other firms in its market, such as to deliver a unique value proposition. The primary focus is how an advantage over competitors can be achieved,

¹ The author acknowledges the field of Crisis Management has direct implications when dealing with Black Swan events. The author choose to focus on the strategic literature. The rational being the lenses of dynamic capabilities, ambidexterity, and corporate foresight provide a symbiotic view for preparing an organization to weather, not only Black swan type of events but, other forms of disruption in the organization’s environment.
what new market opportunities can be identified or created, which new products or services should be developed, and the extent to which the needs of the customer are met such as to achieve the objectives of the firm (Johnson, 2002; Malik & Naeem, 2011).

The topic of how firms adapt to changes in their external environment is a continuing topic of interest in business literature. It is no secret that many well established firms fail to adapt effectively (Birkinshaw, Zimmermann, & Raisch, 2016) and that the current COVID-19 environment will only exasperate the failure rate. This is brought about by the fact that the COVID-19 situation has resulted in an exceedingly rapid discontinuous external change. Such changes require firms to reconfigure their existing ways of work and customer interactions. To rethink their assumptions about how to succeed in their chosen market and industry (Birkinshaw et al., 2016).

The concept of a Black Swan event is synonymous to the literature derived definition of discontinuity. Both manifest themselves as a set of significant changes often occurring in abrupt or discontinuous bursts” (Brooks, 1986, p.340), “a temporary or permanent, sometimes unexpected, break in a dominant condition in society” (Van Notten, Sleegers, & van Asselt, 2005, p.180). The concept can be extended as “a specific phenomenon [COVID-19] of behavioral dynamics, noticeable in sudden changes in the variables of an entity under observation” and therefore, “Often associated with the terms of unsteadiness, instability, nonlinearity or jump” (Deeg, 2009) (Ghezzi, 2013, p.1328).

Current conceptualization of an organization is an entity comprised of a bundle of strategic resources, working in concert to provide a distinct form of competitive heterogeneity (Barney, 1991; Camelo-Ordaz, Martín-Alcázar, & Valle-Cabrera, 2003; Hughes & Morgan, 2008; Luo, Sivakumar, & Liu, 2005). These resources comprise both tangible and intangible
elements that are idiosyncratic to the firm, and are costly to imitate, heterogeneous, imperfectly mobile, valuable, and rare (Barney, 1991; Hughes & Morgan, 2008; Hunt, 2000). Such resource are key elements of a firm’s strategic orientation and determine the ability of the firm to compete effectively.

**Dynamic Capabilities**

A firm’s strategy without the necessary resources cannot be implemented (Menon, Bharadwaj, Adidam, & Edison, 1999). As such, the firm’s strategy cannot be changed or altered to fit new environmental contingencies. However, strategic resources do not, unto themselves, confer competitive advantage. It is only when these resources are deployed through a cohesive strategy do they provide any potential for an advantage (Hunt, 2000).

Dierickx & Cool (1989) posited that the rents accruing from a particular configuration of resources is transitory and that the firm must be adept at continuously creating new resources and assembling them into require competences (Danneels, 2012). Pitelis & Teece (2010) postulate that the way a firm’s resources are coordinated and managed is as important to the firm’s survival as the resources themselves. That the capabilities of asset orchestration and market creation or co-creation are vital to the profitable management of those resources. Many of these capabilities become entrenched in the routines of the firm and reside with the top management team. These organizational capabilities can be thought of as falling into two interconnected, but separate, categories; ordinary and dynamic. Ordinary capabilities usually reside in the operational domain whereas dynamic capabilities are more strategic (Teece, David J., 2019). Teece, Pisano, & Shuen (1997) posit that dynamic capabilities are integral to the selection,
development, and coordination of ordinary capabilities. How firms utilize dynamic capabilities to create, extend, integrate, modify, and deploy their resources helps explain long-run growth and firm survival, or failure (Teece, 2019).

Teece (2014) deconstructs dynamic capabilities into three categories: the identification and assessment of opportunities and threats (sensing), the mobilization of resource to address those opportunities and threats (seizing), and reconfiguring or transforming; the continuous renewal of the firm’s resources, both tangible and intangible (Birkinshaw et al., 2016). History has shown some firms are better than others at adopting to discontinuous changes in their environment, as such the concept of dynamic capabilities has proven sustainable. Yet, there is still an on-going debate regarding how dynamic capabilities present themselves in practice. Eisenhardt and Martin (2000) posit that they are manifested in processes, e.g., new product development or acquisitions. Teece presents the view that they manifest as ‘signature’ practices distinctive to the firm, e.g., Toyota’s lean production system (Gratton & Ghoshal, 2005) (Birkinshaw et al., 2016).

**Ambidexterity**

Another way to view and approach the issue of discontinuities, that has gained much traction recently, is the concept of ambidexterity. Ambidexterity is defined as the organization’s ability to address mutually conflicting demands in an effective manner. The literature traditionally presents the conflicting demands as exploration and exploitation.

O’Reilly and Tushman (2008) posit that ambidexterity is a dynamic capability in so much that it demonstrates the ability of a firm to simultaneously explore and exploit a variety of capabilities thus allowing a firm to adapt over time. Birkinshaw, et al., (2015, p.42) go on to
suggest that a firm’s “mode of adoption” is an import and often overlooked variable. They posit that the appropriate mode of adaptation will vary with the circumstances and thus require its own distinctive set of capabilities. It is the combination of the mode of adaptation and the associated set of capabilities that will determine if the firm is able to adapt to the discontinuous change in its eternal environment.

Teece, Peteraf and Leih (2016) present the view that firms with strong dynamic capabilities are often characterized with a highly efficient entrepreneurial management teams and robust organizational designs. Such firms can often lower the costs and risks of organizational agility with their ability to successfully manage uncertainty. Firms exhibiting superior dynamic capabilities will better know when to sacrifice efficiency for agility. That their ability to respond in times of great uncertainty or to unforeseen events ala Black Swans will be superior to those firms lacking a robust dynamic capabilities orientation.

Surviving a Black Swan like event requires management’s ability in deciding what to do as much or more so as how to do it. U.S. Secretary of Defense, Donald Rumsfeld in an infamous press briefing (2002) identified four categories in which decisions are made. Known-known (certainty), known-unknown (risk), unknown-knowns (Knightian uncertainty), and unknown-unknown (true uncertainty). Contrary to common belief, most decisions are not made under true uncertainty. Many may think that Black Swan events are unknown-unknown, they would be mistaken (Phan, Phillip H. and Wood, Geoff, 8 Oct 2020).

The real challenge is knowing what the right things are when facing a condition of unknown unknowns. Doing the right things when confronted by a Black Swan requires more of an entrepreneurial mindset (Teece, 2014). Black Swan events often result with existing “rules” being altered and new “rules” being established. The ability of the firm to adapt in these
circumstances is paramount to their very survival. Meeting these challenges requires the ability to redeploy the firm’s entire portfolio of asset and capabilities while balancing the interests of all stakeholders, both in and outside of the firm. The development of these dynamic capabilities provides the firm the ability to integrate, build and reconfigure both their internal and external resources to meet the changes in the business environment (Teece, David & Leih, 2016).

Thereby lies part of the issue. Most all traditional or classical approaches to strategic management and positioning presume relatively predictable environments. While they recognize risk, they tend to ignore the impact of uncertainty. Rather, they tend to address uncertainty in much the same manner as risk (Teece & Leih, 2016). The unfortunate outcome being that in an attempt to preserve their source of advantage, firms can over commit to codifying and institutionalizing their capabilities. As such, they make themselves more inert and vulnerable to environmental changes (Worley, Williams, & Lawler III, 2014). Dynamic capabilities provide the organization an opportunity to respond to and shape these unknown events. Such capabilities allow a firm to detect fundamental changes in their environment at an earlier stage, thus providing more time to react and reconfigure to the external shocks (Haarhaus & Liening, 2020).

**Corporate Foresight**

Teece et al. (1997) define dynamic capabilities in terms of the sensing and shaping of new opportunities. Ramirez, Osterman & Gronquist (2013) relate the dynamic capabilities of sensing and shaping to the functions of scanning, learning and interpretation that comprise corporate foresight. In fact, Barreto (2010 p. 271) provides an updated definition of dynamic capabilities: “A dynamic capability is the firm’s potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-orientated
decisions, and to change its resource base.” (Schwarz, Rohrbeck, & Wach, 2019). Rohrbeck, Battistella & Huizingh (2015) go on to define corporate foresight as:

“Corporate foresight permits an organization to lay the foundation of future competitive advantage. Corporate foresight is identifying, observing, and interpreting factors that induce change, determining possible organization-specific implications, and triggering appropriate organizational responses. Corporate foresight involves multiple stakeholders and creates value through providing access to critical resources ahead of competition, preparing the organization for change, and permitting the organization to steer proactively towards a desired future.” (Rohrbeck et al., 2015, p.6).

Dynamic capabilities and corporate foresight focus on activities that aid in predicting the future or to explore possible future states within the business environment. They do so in order to address relevant firm capabilities to adapt to fast changes in the environment that threaten their competitive position (dynamic capabilities) or to pre-empt and shape it (corporate foresight) (Semke & Tiberius, 2020). Semke & Tiberius (2020) go on to posit that dynamic capabilities and foresight both aim at the organization’s ability to meet future challenges by renewal. That foresight can be regarded as a specific activity corresponding with the sensing process of dynamic capabilities. However, it is important to recognize that a strategic competitive advantage is not based on dynamic capabilities alone. Rather, it is in using the capabilities earlier than competitors to configure resources that provide superiority in the market (Semke & Tiberius, 2020; Teece et al., 1997; Teece, D. J., 2007).
Fergnani (2020) contends that corporate foresight is a firm level dynamic capability allowing firm to evaluate and become prepared for possible future events within the business environment. That corporate foresight can be integrated such as to enrich and expand the dynamic capabilities of a firm. Corporate foresight provides the additional, but often underutilized, future-orientated perspective.

Increased instability in most all aspects of commerce is of growing concern. Disruptive and unforeseeable political events, economic downturns, and pandemics (Black Swans) provide managerial challenges along multiple fronts. This coalescence of volatility, uncertainty, complexity, and ambiguity (VUCA) has become the norm in which most firms, large and small, find themselves in (Bennett & Lemoine, 2014a; Bennett & Lemoine, 2014b; Fergnani, 2020). The rapidly evolving VUCA environment weighs heavily on management confidence in their ability to plan (Bennett & Lemoine, 2014). This leads to great challenges in many aspects of the enterprise, including restructuring, designing innovative approaches, formulating partnerships, and managing human resources (Fergnani, 2020; Millar, Groth, & Mahon, 2018). The result being the increasing potential reality for a systematic collapse, or doomsday (Black Swan) event.

Many contend that corporate foresight is a strategic intelligence capability that needs to be embedded in the organization as opposed to being an episodic or externally driven phenomenon (Ahlqvist & Kohl, 2016; Sarpong, Maclean, & Alexander, 2013). Sarpong, et al (2011; 2016) posit that corporate foresight is social and ongoing, something that should be practiced every day. That it is a series of micro activities focused on negotiating the organization on a path towards the future (Sarpong et al., 2013). In order to be successful it needs to involve constant interaction by all members
of the organization, not just upper management, that employees are encouraged to share and exchange views regarding emerging changes in the environment and their impact for strategic change (Fergnani, 2020; Sarpong & Maclean, 2016).

Examination of enhancements of the resource-based view (RBV) with the integration of the dynamic capability framework (Teece et al., 1997) demonstrates that corporate foresight is well conceptualized as a dynamic capability. The framework’s foundation suggests that rapidly changing business environments prevent a firm from maintaining a competitive advantage solely with resources alone. Rather, the firm must have the capabilities to rapidly adapt, reconfigure and recreate resources and competences [capabilities] in a dynamic manner (Fergnani, 2020; Teece et al., 1997; Wang & Ahmed, 2007).

Research shows that firms train their personnel, design equipment and systems, and formulate responses aimed at addressing foreseeable risk. Yet they often judge it as impractical or uneconomical to prepare for events beyond a certain magnitude. Some events are so enormous that they make even the best cost-benefit plans obsolete and or happen so fast as to overwhelm any planned responses. Kaplan, et al (2020) classified such events as tsunami risks, after the Fukushima nuclear power plant catastrophe in Japan. Others might well classify this and other such events as Black Swans.

The Fukushima power plant, like many other Japanese power plants had been designed to withstand rare, or improbable events, including earthquakes and ocean waves up to 5.7 meters in height. Unfortunately, the March 2011 earthquake produced an unprecedented 14-meter-high tsunami that breached the plants seawall. The COVID-19 pandemic shares similar characteristics in that global outbreaks of viruses were not
unfamiliar. Recent events include the SARS epidemic in 2003, H5N1 “avian” flu in 2004 to 2006, and H1N1 in 2009. There was a body of experience from these events, but COVID-19 is novel because infected people could be both asymptomatic and contagious for extended periods of time. The result being the spread of the virus farther and faster than most national health care systems had planned for (Kaplan, R.S., Leonard, H.R., & Mikes, A., 2020) While these and similar events may be viewed as Black Swans, it is apparent that they do not rise to the level of ‘true unknowns’ (unknown-unknowns).

Taleb (2007) presents three scenarios for determining events as Black Swans. First, and foremost, the event comes as a surprise to observers. He does not posit that such events could not have been anticipated. In fact, in hindsight, they could have been foreseen. Rather, such events come only as a surprise from the perspective of the decision maker because of their being unschooled, inexperienced, insensitive, or simply unconcerned; Rumsfeld’s known-unknown and unknown-knowns. Second, to be a Black Swan an event must have a major impact on a large swath, if not all of society, they are impactful. Third, that after the first recorded instance of the event it is rationalized in hindsight as having been foreseeable. This is significant because in hindsight, the data and sources of data pointing to the Black Swan event are evident (Phan, Phillip H. and Wood, Geoff, 8 Oct 2020).

Corporate Foresight is a dynamic capability allowing a firm to facilitate how they realize the necessary adaptation by implementing future preparedness. As such, corporate foresight is situated as part of the dynamic capabilities’ framework. It emphasizes the need for everchanging [dynamic] capabilities within the firm to attain
and, more importantly, maintain competitive advantage and survival (Fergnani, 2020; Wang & Ahmed, 2007).

Arguably, while the construct of corporate foresight may appear as novel, it does seem to overlap with many of the elements incorporated in dynamic capabilities. Such elements as adaptive capability, the ability to identify and exploit new market opportunities (Wang & Ahmed, 2007); absorptive capacity, recognizing, assimilating, and utilizing external information (Lane, Koka, & Pathak, 2006; Wang & Ahmed, 2007); innovative capability, developing new products and processes (Wang & Ahmed, 2007); and relational capability (Helfat et al., 2007), reconfiguring the resource base by including resources of collaborators and acquisitions. The primary difference is that corporate foresight focuses on the future (Fergnani, 2020).

**IMPLICATIONS**

The question now becomes, what does this mean for businesses, particularly SMEs? Since the middle of March 2020, we have witnessed an unimaginable number of business closures and failures. The initial estimates from the Current Population Survey (CPS) of the impact of COVID-19 on U.S. business ownership for the period April – June 2020 indicated a dramatic reduction in business activity, particularly among SMEs. They report a reduction of 3.3 million active businesses (Fairlie, 2020). The industries affected are varied, with retail, arts and entertainment, personal services, food services, and hospitality experiencing the greatest impacts. Industries such as finance, professional services, and real estate have fared better, partly because of their ability to conduct business remotely or virtually (Bartik, A., Bertrand, M., Cullen, Z.B., Glaeser, E.L.,
Luca, M., & Stanton, C., 2020). The factors contributing to the reduction are varied and numerous.

In fact, a great many of these closures have no direct causation link to the current COVID-19 pandemic. The largest segment experiencing closures during the pandemic are the same segments that have historically had high failure rates. According to industry reports, from such organizations as the National Restaurant Association, 60% of restaurants fail in their first year and 80% do not make it past five years. Other segments, such as small retail, entertainment, personal services, etc., experience similar findings. The U.S. Small Business Administration reports that there are approximately 30 million small businesses in the U.S. of which only 5.9 million have employees. They further report that between 7% and 9% of those firms go out of business every year, or that as many as 531,000 businesses fail annually (Headd, 2018).

While the COVID19 pandemic has had a significant impact and even functioned as an accelerant upon business closures, it is not the sole reason for the failures. Arguably, the principal reason businesses, particularly SMEs, fail is due to a lack of capital. This is how the pandemic has affected business failures. The pandemic has resulted in a rapid unexpected, and therefore unplanned for, shrinkage in business activities. First there was the nationwide lockdown in mid-April 2020 followed by many local targeted lockdowns. The result being that the life blood for most businesses, their cash flow, was severely constrained, if not completely shut off, and like any entity deprived of its life blood, it dies. It is estimated that by July 2020, nearly 420,000 small businesses have failed as a result of becoming insolvent, a number typically seen for an entire year (Bauer, Broady, Edelberg, & O’Donnell, 2020; Hamilton, 2020).
Another contributing factor is the impact the epidemic has had on the supply chain for so many businesses. These challenges and even disruptions in the supply chain have a ripple effect throughout the chain culminating with the final consumer, be it another business or individual consumer. Supply chain disruption can lead to lost sales and opportunity costs. However, it is interesting to note that many businesses placed supply chain disruption as being less of a factor than reductions in overall demand and employee health concerns (Bartik, A., Bertrand, M., Cullen, Z.B., Glaeser, E.L., Luca, M., & Stanton, C., 2020).

The question becomes how can businesses plan or address events such as COVID-19 or other Black Swans? A large body of literature suggests that firms need to adjust their strategies. However, the author suggests that simply adjusting one strategy is neither simple nor appropriate. A firm’s strategy is a fundamental view or approach of how a firm positions itself in its respective market. That the adjustment of a strategy takes time to implement and that in the case of Black Swan types of events time is a resource sorely lacking.

Black Swan events frequently create imperatives for firms to reconfigure and transform their operations. Manufacturing firms often find that such events cause disruption to their supply channels. Impacted firms need to become less dependent upon a single supply channel or vendor. Rather, they need to look to omni-channels to ensure the continual flow of required inputs to their processes. To successfully accomplish this may require a firm to dynamically reconfigure and adapt their capabilities. Arguably, a firm that is vigilant in seeking ways to expand / enlarge its supply channels is exhibiting ambidextrous behavior, exploiting existing channels while simultaneously seeking
(exploring) new sources. While instrumental to the firm’s survival, these changes do not necessitate an altering of the firm’s strategic orientation.

Challenges for consumer facing companies are often more multi-faceted. On one hand, they may be experiencing difficulties sourcing many of the products or services (inputs) necessary to support their company. While on the other hand, gaining access to or providing for access from their customers may also be problematic. The current Black Swan event, COVID-19, has dramatically and possibly irrevocably induced changes in shopping behavior forever altering consumer businesses. Companies that have traditionally relied upon actual ‘face-to-face’ contact with their customers have had to find a way to dynamically develop or expand their capabilities in the ecommerce arena.

However, the challenges do deeper than merely adapting or adjusting to ecommerce. Per a McKinsey (Sneader, K., & Singhal, S., 2021) survey, there is a strong lack of brand loyalty among online buyers. Mckinsey found that only 60 percent of consumer goods companies feel they are evenly moderately prepared to capitalize on ecommerce opportunities. Direct-to-consumer selling requires the adoption or development of new skills and capabilities not a revamping of strategic orientation. The firm is still trying to sell the same products or services to the same targeted market; thus, the strategy is the same. Rather, it is how to reach and deliver the goods (capabilities) to the market.

The key to surviving a Black Swan event, or even just surviving in today’s hypercompetitive environment, is the firm’s ability to adjust and reconfigure their capabilities. That a firm’s capabilities must remain malleable with the ability to be dynamically reconfigured to address changes, both anticipate and unanticipated, in the firm’s operating environment.
Strong dynamic capabilities are a requisite for fostering the agility necessary to address and adapt to uncertainty (Teece et al., 2016).

Another facet that should be incorporated is some aspects of corporate foresight. These anticipatory practices can contribute to a firm’s ability to adopt to new courses of action. While no firm can predict or foresee the future with any real certainty, the practice of corporate foresight has been shown to have a significant positive effect on the firm’s ability to see external changes sooner and thereby act on them sooner (Schoemaker, 2019; Schwarz et al., 2019).

The last aspect needing consideration is that of ambidexterity. The ambidextrous firm is one that successfully navigates between the conflicting demands of exploiting current capabilities while exploring new and often untested capabilities. Such an approach allows a firm a higher potential for successful adaptation over time.

All these approaches should be integral components of a firm’s strategic orientation. In fact, they are foundational in the development, and more importantly, the operationalization of a firm’s strategy. They, along with the actual capabilities, serve as how the firm conducts and competes in its market. The capabilities of the firm are the market-facing side of the firm. It is the how of their existence. When faced by a Black Swan or other altering event, the ability of the firm to adjust, adapt, and realign its capabilities to meet those events will determine the success or failure of the firm.

By way of an example, restaurants surviving the COVID-19 are not those that altered the strategy from fine dining to casual, their strategic orientation. Rather, it is those restaurants that could adapt their capabilities from dining in to out-side dining, take-out, and delivery dining.
Such establishments did not alter their strategic orientation, what they did was to adjust, adapt and alter their existing capabilities to meet the changes in their environment.

When examining the wide breadth of occurrences from the COVID-19 pandemic, we see many business failures. However, we are also seeing many success stories. Firms that can maintain their basic strategic orientation, but to meet and deliver on that orientation, often in new and novel ways. They have mutated or morphed their capabilities as needed to meet the challenge. To paraphrase James Carville’s 1992 oft quoted televised quip….‘it’s the capabilities, stupid.’

CONCLUSION

There are many ways companies can adapt or adjust their capabilities. What a firm does and how they do it will be specific to the individual firm. How a firm responds is very much a function of how dynamic a firm is. Their ability to dynamically alter their capabilities to explore new approaches while simultaneously exploiting existing capabilities that are foundational to their existing mode of conducting business. Areas to consider exploring include going digital, adopting omni-channels, providing service in a different manner, i.e., outdoors, via delivery, in homes, and pivoting to new products and services to name just a few.

Another possible approach is to simplify or reduce the firm’s offerings. A critical examination of the firm’s offerings considering the new conditions, changing customer behaviors, increasing costs may expose areas of waste and inefficiencies. Excessive variety can easily Drive waste, mistakes, and training costs. The result being reduced employee productivity. High variety means higher process and decision fatigue for the consumer. Often
customers are more willing to buy if presented with fewer options (Iyengar, S. S., & Lepper, M. R., 2000; Kalloch, S. & Ton, Z., 2021).

To summarize, a firm’s ability to react and respond to changes in their environment, be it the result of a Black Swan or any other event, is less about its strategic orientation and more about the capabilities of the firm. The firm’s ability to dynamically reconfigure and adapt those capabilities to the changes in their environment is critical to the firm’s survival. This ability is not the exclusive domain of large organizations. It needs to be practiced by firms of all size. Arguably, it may be even more important for small firms, since they often do not have the financial wherefore all to weather radical changes in their environment.

The ability to maintain a dynamic capabilities orientation requires the firm to also practice in some form a degree of corporate foresight. In fact, the basic functions of the classic SWOT (strengths, weaknesses, opportunities, and threats) analysis indirectly contribute by having the firm constantly examine its external environment [opportunities, and threats] in an attempt to ascertain potential changes in their environment.

The ambidexterity skill set can also be achieved by the SWOT functions of examining the firm’s strengths and weaknesses. The identification of the firm’s strengths provides insight into capabilities of the firm that can be exploited. Capabilities that need to be maximized for the betterment of the firm. The weaknesses identification provides insights into where the firm needs to explore, either how to improve upon existing capabilities or to seek new ones.

The author posits that when corporate foresight and ambidexterity are taken together to foster an environment for dynamic capabilities, the firm will increase is chances for survival during periods of significant environmental change, disruption, and uncertainty. That such an
orientation is more sensitive and responsive to change than the firm’s overall strategic orientation. That while a firm’s strategic orientation is important for establishing long-term direction, it is not malleable enough to respond and guide a firm through periods of unexpected and rapid disruption, i.e., Black Swan events.
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