

# Multiple Sophistication Strategy; Navigating Global Disruptions and Surviving a Radicalised Business Environment

<sup>1</sup>Headmound Okari Isoe

The Technical University of Kenya (TUK) - School of Business and Management Studies,  
Nairobi, Kenya

## Abstract

Today's business environment is characterised by what one may call "Radical Extremism". Among attributes evident in the current business environment include sharp competition, rapid and unpredictable environmental changes, heightened customer expectations and global disruptions. The COVID-19 pandemic for instance has precipitated a serious imbalance in the business environment. This phenomenon has put corporate and business leaders under pressure to manage and maintain the expected high performance under stormy circumstances. This paper sought to understand how top performing organisations have navigated the turbulence. The paper considered literature from top academic peer reviewed journals and reports of top performing business companies. Abstracts from both online and print journals were assembled. A quick scan was done on all the abstracts and those considered shallow and not adequately aligned to the topic were eliminated, while those considered most relevant were selected for inclusion in the study. After analyzing the various strategies of top performing companies, the paper concluded that the said companies exhibited a common trend. In almost all the scenarios, these companies employ a significant proportion of a plurality of strategies leading to what the paper describes as "Multiple Sophistication Strategy." Some of the common strategies identified include; digital technological innovations, ambidexterity and strategic flexibility, absolute operational efficiency, understanding and aligning with the organization context, ability to learn about and from others, constant organization reconfiguration, robust diversification, product modification and constant re-engineering of the business model. The paper concludes that, for an organization to thrive and survive in the current turbulent and competitive environment, it must leverage on what the paper terms as a "Multiple Sophistication Strategy".

## Keywords

Competition, Multiple sophistication, Radicalised Environment, Strategy

## I. Introduction

The turbulence, ambiguity, and volatility in the business environment are becoming worse each day. The COVID-19 pandemic and its profound ramifications to almost every social realm has catalyzed this phenomenon to levels never witnessed before. Corporate managers are struggling to make sense of the current realities and discern ways to navigate their organizations through such a monumental disruption.

In the current market, it is almost impossible to interact with the same player twice. Everything seems to be in a rapid state of motion such that engaging in any form of stability predicated discourse or plan becomes a venture in futility. The internet and general digital technology have also been major accelerants to creating what this paper refers to as a "radicalised business environment."

Radicalised business environment creates radical players who often hold extreme views and approaches from the centre and will never be content with the status quo. Such players will seek not just to alter the prevailing reality but to recreate it extremely anew. This reality has led to a radical shift and emerging of new paradigms in the way business organisations operate if only to survive. Investing in a single strategy is never enough, and hence what this paper refers to as "multiple sophistication strategy".

The multiple sophistication strategy is built on the premise that for an organization to thrive and survive in turbulent and competitive environments, it must leverage on more than one simple strategy. For instance, a company with the ability to acquire, apply and exploit technology is highly likely to come up with better product innovations, develop efficient production system and enjoy technological enabled market linkages. Leveraging on multiple critical success metrics is likely to propel and keep the organization afloat as opposed to focusing on one strategy.

## A. Definition of Terms

**Multiple:** Used to mean involving many things.

**Sophistication:** The characteristic of being complicated or made with great ingenuity.

**Multiple sophistication:** An ingenious system made of a superior logic by combining many actions, decisions or tactics resulting to a difficult reality to imitate. In this paper, it is the compounded effect of leveraging on several strategies by a business organization.

## II. Statement of the Problem

It is an indisputable fact that the business environment has and is increasingly becoming more turbulent, complex, and super competitive. The COVID-19 pandemic and its compounded ramifications has worsened the already challenging conditions. Economic meltdowns, technological and digital disruptions, fluctuations in fuel prices and its implications in almost every sector are some of the existential challenges in the current business environment. Other factors like local and international political policies have also contributed to business disruptions. These trends have put corporate managers under pressure to not only navigate such a monumental turbulence but also ensure survival while still sustaining and delivering value. It has been observed that despite the increased efforts to manage risk and uncertainty, managers often have limited time to devote their attention to the nature of uncertainty they are facing, and to assess their firms' capabilities to drive the market rather than be driven by it [1]. With this background, it is necessary that business players and other key stakeholders understand some of the best strategies that can be deployed in such circumstances. This is to ensure sustenance not only of business organizations but the wider economy. This paper, therefore, sought to understand how top performing organisations have navigated the turbulence in the current business environment.

### III. Methodology

This paper is a desk review of the existing theoretical and empirical literature on some of the current strategies used by business organizations amid global disruptions, and how these organizations sustain competitiveness and thrive despite the myriad threats and turbulence. The paper considered literature from top academic peer reviewed journals and reports of top performing business companies. More than 50 abstracts from both online and print journals were assembled. A quick scan was done on all the abstracts and those considered shallow or not adequately aligned to the topic were eliminated while those that were considered most relevant were selected. A thorough review of those selected was done and their findings and discussions were corroborated to inform the conclusions and recommendations presented in this paper.

### IV. Literature Review

#### A. Multiple Sophistication

Multiple sophistication is simply a consequent of having and combining several strategies together. Analogically, it might be compared to prescribing a variety of drug regimen to a patient exhibiting multiple symptoms. This approach seeks to combine and leverage on myriad strategies that are logically related to cause an organization not just survive, but thrive amid complex challenges. Organizations that seem to thrive amid extreme turbulence and in a highly competitive business environment are those that have been able to exploit and derive dividends from this approach. For instance, from the literature review a common trend that characterizes such organizations include; digital technological innovations, ambidexterity and strategic agility, aligning with the organization context, learning about and from others, robust diversification of different forms and constant reengineering of the business model. The aggregate effect of these strategies combined creates and accords these organizations with a unique competitive advantage.

#### B. Digital Technological Innovations

There has never been a stronger force and business revolutionary factor in history as to match technology. Technology has become the hinge around which producers, consumers and business players revolve. For instance, as observed in the Safaricom Sustainability Business Report, 2018 [2], many of its customers are quick to embrace new technologies, becoming ever more sophisticated and demanding. Technological innovations and alignments have been a major driver of competition and competitiveness. Toyota has also leveraged enormously on technology. As asserted in its report of 2018, Toyota seeks to use Connected Technologies to Expand the Freedom, Safety, and Excitement of a Smart Mobility Society [3].

During crisis and radical disruptions, technological innovations have provided solutions for escape routes for survival to corporate entities. Abubakar and Garko [4] in their paper 'Innovation as a key strategy for surviving and thriving amid COVID-19 pandemic' observe that despite the COVID-19 crisis, some organizations such as Philips, Velo3D, Signature Brew, Zoom and BAM have exploited technological innovations that have catapulted them to the next level.

Studies have suggested that companies that pursued more radical innovations in new product and market innovations responded

most effectively to previous global crises [5]. It is imperative that in the current business environment, every business organization must necessarily invest in technological developments to respond and align themselves to the emerging challenges and disruptions. This is further confirmed by Narayandas [6] who observes that industries that would otherwise have taken years to realize their digital transformation agendas, accelerated their efforts dramatically.

#### C. Ambidexterity

Ambidexterity is the capacity and ability to engage in several activities and actions while keeping the necessary precision and efficiency. The ambidexterity characteristic stems from exploiting and leveraging on complementarity effect of more than one exploration and exploitation measure. Apple for example is an outstanding case of success. It has leveraged on multiple fronts, for instance its unique ability to design and develop its own operating systems, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative design [7].

In a turbulent, ambiguous and highly competitive business environment, organizational ambidexterity is a fundamental survival attribute. A study by Wei [8] established that resource flexibility and coordination flexibility have positive moderating effects on the relationships between the two dimensions of ambidexterity and new product development. Take for instance the feedback by Toyota's customers on quality and pricing of their car. While quality is important, cost or pricing of the car equally is an important success factor. This is confirmed by the feedback from Toyota's customers as contained in the Toyota report of 2018 "As a result of our focus on improving performance and product appeal, we have heard from some customers that, while they can tell that our cars have gotten better, they find the prices rather high [3]". This observation and assertion require that Toyota develop strategies that can deliver and sustain both on quality and cost effectiveness. While not directly affirmed by Toyota, the same report points to a resolve to engage the ambidexterity approach. Unwaveringly applying the basic tenets in its global operations, Toyota has prioritized quality, reducing costs, and improving productivity as it constantly works to mass-produce ever-better cars at lower cost [3].

Microsoft is also an example of an ambidextrous multinational enterprise. The organization is implementing this capability successfully and deriving top notch value from the same. Microsoft has ingeniously recombined its resources through innovating and diversifying. For example, it placed diverse strategic bets in areas including, cloud services and online gaming through organic investment and acquisitions of innovative companies such as GitHub and PlayFab [7].

#### D. Aligning with the Organization Context

Organizational context is the aggregate of the prevailing circumstances within and outside the organization. Like an eagle that finds a balance and still fly despite a raging storm, companies must fully understand the what, how, who, when of its context. It is imperative therefore that a manager get to fully understand the realities and dynamics in their operating environment. Research by Collins and Hansen [9] shows that companies that perform way above their industry average see through a double lens. The same research observes that while their leaders are focused on

the objectives, they are hyper vigilant about changes in their environment. These characteristics enable such companies to be attuned and be responsive to immediate and distant forces both in the short term and in the long term. Collins and Hansen, assert that great companies understand that they will have threats and changes in the environment and therefore are attuned to these threats even when times are good [9].

Research by Day and Schoemaker [10] on 118 companies found that what sets most vigilant companies apart are not the tools and methods they use but their systematic approaches to determining where to look and how to explore. They established a framework that these companies exploit in gaining an edge above their competitors. This entails first, that they strategically scope the environment, often scanning beyond their comfort zones. Second, they formulate guiding questions that direct the organization's scarce attention to the places most likely to spawn threats or opportunities. Third, they conduct targeted analyses to better understand the sources and meanings of any weak signals they pick up and finally, they track the most intriguing signals, amplifying and clarifying them sufficiently to act decisively when the fog clears [10].

An example of knowing where and how to look is Huawei. This company fell victim to global political uncertainty and anti-China sentiments in the USA. Due to allegations of spying and breaching sanctions on Iran, Huawei was banned from building smartphones and tablets for sale outside. Despite these political blows and continued uncertainty about the US-China trade relations, Huawei's share of global smartphone shipments rose from about 3-4% in 2012 to 18-19% in 2019, and the company's revenues continued to grow over \$100bn in 2018. Huawei focused in understanding and aligning itself with the global environmental context, as result, several countries opened their arena for the Chinese player to bid on building their 5G infrastructure. This realignment has made Huawei cut a niche for itself especially in developing countries by offering these countries irresistible low-cost deals. This has been acclaimed as the genius of Huawei leading to spectacular business performance.

### **E. Learning about and From Others**

Knowledge and the entire discourse on organizational learning has been acclaimed as a fundamental success factor. No characteristic of organizational leadership is as important as the ability to learn and using lessons learnt to transform an organization. While this position has been embraced by most organizations, at least on theory, few organizations have a strategic and solid organizational learning model. Ability to learn from others does not only save resources but significantly contributes to the quality of decisions. This becomes even more paramount during extreme crisis and disruptions. Ability to learn from others will spare an organization the waste and delays associated with attempting to reinvent the wheel.

Robalino and Robson, [11] hold the view that people with the ability to learn have a sharp, unambiguous advantage over those who are less sophisticated. They argue that the former agents extrapolate to novel circumstances information about opponents' preferences that was learned previously. Toyota for instance acknowledges lessons learnt from Suzuki through open collaboration despite the two being competing manufacturers. While Toyota has built strong business foundations in Southeast

Asia, it has yet to effectively exercise its strength in other emerging nations, such as India, where Suzuki has utilized its famous "Let's Do It" spirit to the fullest and built a solid position. In February 2017, Toyota and Suzuki concluded a memorandum regarding a business partnership. Moving toward concrete collaboration, in November 2017, the two companies agreed to discuss setting up a cooperative structure for introducing electric vehicles in the Indian market around 2020 [3]. Such a structured partnerships and collaborations provide among other advantages the symbiotic synergy derived from opportunities to learn from each other.

In presenting some of the novelty lessons the rest of the world can learn from Chinese companies, Narayandas [6] outlines them as; Leverage digital technologies so that they could adapt and innovate, try out novel business models, Stitch together solutions to address emerging and previously unrecognized customer needs, Develop new business processes and practices and Redefine models for collaboration and teamwork.

### **F. Strategic Agility**

Swiftness in decision making and action is a necessary attribute of an organization especially in and during turbulence. Strategic flexibility, as one type of dynamic capability, may help firms better reallocate resources and break down existing operational routines. As a result, strategic flexibility has the potential to strengthen the positive effects of technological capability on exploration and shift a firm's current frontier to a higher level [12].

In the current business environment, temporary opportunities and risks are rampant. For instance, technological innovations and products with extremely a short lifespan are common. Such development sometime can present tremendous opportunities for exploitation or can also cause significant injury to the business. Therefore, organizations that are able to constantly recreate and responsively realign to the prevailing realities will have a competitive advantage as opposed to those operating from a rigid position.

### **G. Robust Diversification**

One of the ways through which business organizations present a multiple faced approach is by diversification. This is a strategy in which a business organization sets up or acquires businesses outside its current products, geographical scope or technological orientation. The main objective of diversification for an organization is to gain an extra market share and seek opportunities which may generate synergy. Diversification strategy may also be pursued to spread risks and ensure survival during turbulent times. Other scholars also affirm that there exists a relationship between diversification as a strategy and organizational performance [13], [14]. An organization derives added value from diversification through economies of scale and by leveraging their capabilities in coordination of multiple product lines. From his research findings, Oyedijo [15] confirms that diversification is positively associated with an organization's growth. Most of the companies that seem to navigate the challenge of environmental turbulence have significantly diversified their products, geographical spread and technologically diversified. This characteristic grants such organizations the necessary ability and capacity to absorb shocks because of market disruptions.

### **H. Constant Reengineering of the Business Model**

During crisis, one of the most important tactical move is to

interrogate the existing business model and reconfigure to adapt as appropriate. The marketing function's distinctive influence on the fate of organizations, especially amidst crisis, rests in devising product-market and service offerings that are new-to-the-firm [5]. Among possible areas of focus can be to assess the existing supply chain to identify points of strength and weaknesses in relation to the prevailing circumstances. It might be necessary to get rid of the unnecessary intermediaries or sometimes it might require introducing or creating new partnerships.

Using the example of Apple known not just for its innovation and design but also to have one of the best supply chain. One of its success factor can be attributed to its ability to reengineering its model by ensuring its suppliers have the capacity to produce enough parts for the current product demand. A lack of control by Apple regarding its assembly manufacturers causes a delay in delivery to customers that have already placed their orders. This points to the significance of interrogating the business supply chain. A company like Apple with an enviable reputations and success story could still not meet its customer demands.

### V. Conclusion and Recommendations

This paper sought to understand how top performing organisations navigate the turbulence in the current extremely disruptive business environment. From the reviewed literature, the paper concludes that most of top performing organization especially those captured in the paper seem to share certain common strategy trends. Some of the strategies identified by the paper include Technological Innovations, Ambidexterity and Strategic Flexibility, Absolute Operations Efficiency, Alignment with the Organization context, Ability to learn about and From Others, Constant Organization reconfiguration, Robust diversification of different forms and constant Reengineering of their business model. The paper concludes that for an organization to thrive and survive in turbulent and competitive environments, it must leverage on more than one simple strategy that result into a compounded net effect of what the paper terms as "multiple sophistication strategy."

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Dr. Headmound Okari is a Senior Lecturer and Academic Team Leader in the Department of Business Administration and Entrepreneurship at the Technical University of Kenya. He holds a PhD (Business Administration) from Jomo Kenyatta University of Agriculture and Technology-Kenya, MBA from the Catholic University of Eastern Africa and a BA from Uganda Martyrs University. He is a full member of the Kenya Institute of Management (KIM) among other academic and professional associations. Dr. Okari has published in various peer reviewed Journals and made public scholarly presentations at different academic conferences in areas related to business administration and management. His research interests are in the areas of strategic management and corporate governance.