

AGNIESZKA BIAŁACHOWSKA

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## **Company Development under Dynamically Changing Market Circumstances**

### **Introduction**

“Be fearful when others are greedy, and be greedy when others are fearful”, an advice given by Warren Buffet (2008) in *The New York Times*. He encourages investors to be sharp and brave. To buy when others sell, and sell when they buy. Act opposite to the masses, opposite to what most of managers do. React quickly to changes. Do not be afraid of turbulences on the market because they bring new opportunities. Warren Buffet, one of the most successful investor in the world, surely has great experience in the matter and is probably right in his opinions. The article follows Buffet’s idea of acting sharp and “putting out the fires with fire” (Kozłowski, 2005). It presents several models of how to achieve competitive advantage in a rapidly changing environment. Those theories were selected from many concepts about the subject available in literature. The choices represent interesting points of view, from the last decade, on the same subject presented differently, valuable for the management science and practice. Each of them has been analysed and the core ideas that they introduce were identified. Those characteristics are suggestions for practitioners about management methods successful when developing company under dynamically changing market circumstances. They are presented in a graphical form after each section discussing each model. Those findings have been analysed together and grouped in clusters with shared features. As a result five recommendations for managers of methods to achieve competitive advantage under the rapidly changing business environment were created, and presented in the conclusion.

### **Chaotic Management System**

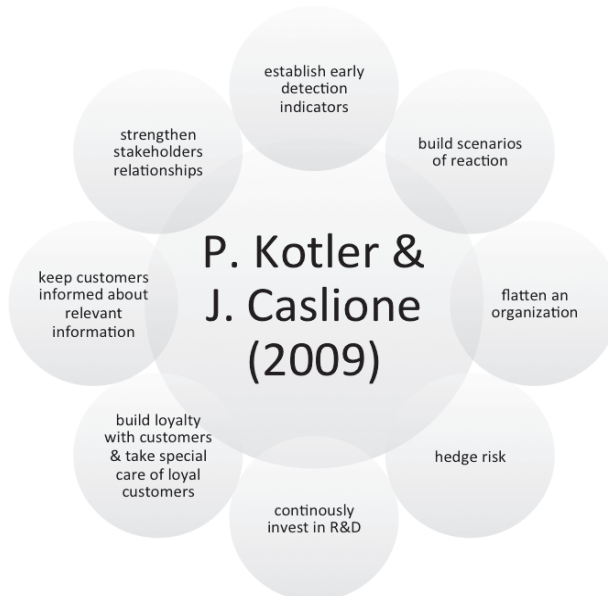
Kotler and Caslione (2009) claim that most managers do not know how to react effectively in the difficult business reality we have in the twenty-first century. They say that this is the age of turbulence and the difficulty of this age is a high number of constant and hard to predict changes coming from everywhere. According to Kotler and Caslione, the risk of constant change and chaos come from such factors as technological advances and the information revolution, disruptive technologies and innovations,

the rise of the rest, hypercompetition, the environment, and customer empowerment. But how to react in all these chaotic circumstances effectively? Response time and strategies taken by a company are crucial in determining who succeeds in the market.

Usually, when a company faces turbulences, it starts by cutting costs. Unfortunately, a very common mistake is to cut costs for marketing, research development, and advertisement. Such a move only gives the competitors an opportunity to go ahead and gain a larger share of the market. Kotler and Caslione (2009) recommend avoiding the following two common mistakes: neglecting loyal customers while trying to find new clients, and leaving customers uninformed about relevant information.

**Chart 1**

**Suggestions from the Chaotic Management System**



Source: Own study.

## **Super-Flexibility**

There are numerous examples of courageous and nimble companies in the Silicon Valley in Northern California where the world's largest technology corporations have their roots. Silicon Valley is the leading centre for high-tech innovation and development and it is an ideal place to study real-time adaptation. That is the reason why this place was selected by Bahrami and Evans (2011) to conduct research about super-flexibility and real-time adoption in doing business.

The research was continued for almost three decades with more than 75 technology companies during various stages of growth, ranging from emerging start-ups, to mid-sized adolescents, and to global giants (Bahrami and Evans, 2011). It turned out that those companies constantly re-invent themselves by searching for market opportunities, and introducing new products and services.

As a result of the study (Bahrami and Evans, 2011), five core principles of how to become super-flexible were defined. Those are ideas such as regular “spring cleaning”, set of non-negotiable rules, a flexible business portfolio, customised solutions, and keeping things simple. Regular “spring cleaning” means that leaders on a regular basis need to think about what to keep, to add, and what to discard. It is a challenge to decide what to keep the same and what to adapt. Establishing a set of non-negotiable rules inside the enterprise is the second suggestion of how to become super-flexible. A clear minimum set of non-negotiable rules that apply to all the enterprise citizenship keep stability and transparency in company’s operations. The third principle is keeping a flexible business portfolio. This idea reflects a shift in thinking from “one best way” to “not putting all eggs in one basket” or “let thousands flowers bloom”. The fourth rule of becoming super-flexible is that each solution to a problem has to be customised and

**Chart 2**

**Suggestions from the Super-Flexibility concept**



Source: Own study.

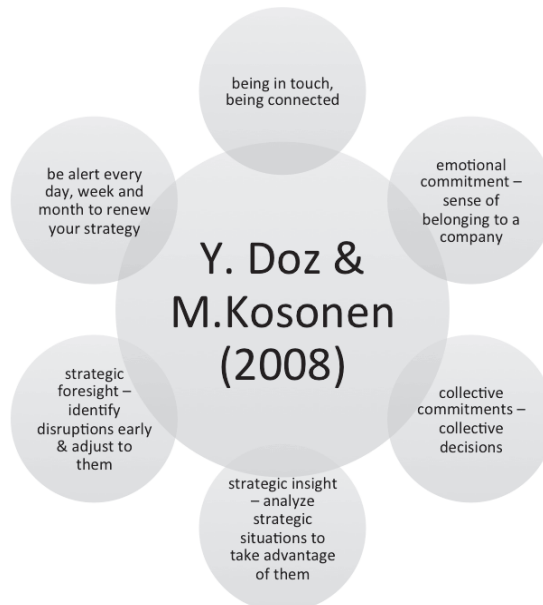
adapted for this unique and often novel situation. The fifth and last lesson is to keep things simple. It means avoiding any unnecessary complexity, because in an unstable environment it is difficult enough to change without the added complexity.

## Fast Strategy

“Strategy – as we knew it – is dead: welcome to the fast strategy game” claim Yves Doz and Mikko Kosonen in their book “Fast Strategy. How Strategic Agility Will Help You Stay Ahead Of The Game” (2008). According to the book (Doz and Kosonen, 2008), companies need strategic agility especially under complex and fast changes. Strategic sensitivity of an organisation is a key to handle complex changes. Equally important is emotional and collective commitment that drives faster and more effective responses. Strategic sensitivity contains strategic foresight and strategic insight. Strategic foresight is about identifying disruptions early and adjusting to them effectively. Strategic insight is more critical in the agile business environment. It is an ability to perceive, analyse strategic situations as they develop, and to be ready to take advantage of them.

Chart 3

### Suggestions from the Fast Strategy concept



Source: Own study.

Emotional commitment is a sense of belonging to a company. This can result with showing care, rekindle pride or contribute an emotional energy to a company. Collective commitments mean collective decisions that usually are less conservative and by diversifying knowledge exchanges are more self-confident decisions. (Doz and Kosonen, 2008)

## Management under Uncertain Circumstances

Andrzej Koźmiński also interestingly presented the rapidity of action in his book “Management under uncertain circumstances” („Zarządzanie w warunkach niepewności”) (2005). One of the advices, that the author provides, is to accumulate social capital, which are friendliness, trust, solidarity and eagerness to cooperate between co-workers and all stakeholders. High level of social capital enable innovation, changes, rapid reactions, multi-functionality, flow of information, and flexibility of structures (Koźmiński, 2005).

Another set of recommendations, provided by Koźmiński (2005), were about how to being ready to react quickly. Companies need to keep close relationship with all stake-

Chart 4

### Suggestions from the Management under Uncertain Circumstances dispute



Source: Own study.

holders, so that they derive information from the market as quickly as possible. Managers have to take care of continuous development of new products, improve integration and coordination of actions to minimise time for new products to reach the market.

An important, new trend that influences effective management is a growing significance of knowledge. Rapidity of action depends on knowledge in the organisation. Intellectual capital means education, ideas, projects, and technology (Kozłmiński, 2005).

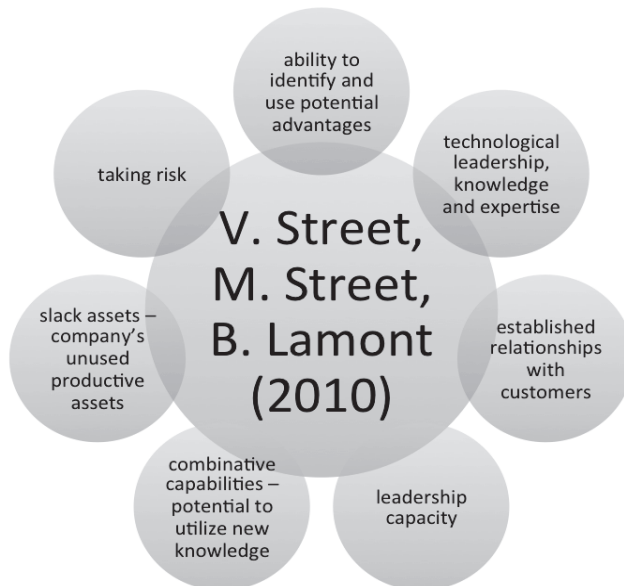
### First Move Performance

In close relation to the concepts of super-flexibility, agility, rapidity of action and Chaotic System Management is also a model of the first move performance relationship. This theoretical model is based on the work of Lieberman and Montgomery dates back to 1988. It was redesigned in terms of contemporary market circumstances by Street and Lamont (2010).

According to the model, first moves are uncertain and costly. Environmental changes lead to an asymmetry among competitors, and only those firms that have certain antecedents to move first and sources of advantage can achieve success. The

Chart 5

#### Suggestions from the First Move Performance model



Source: Own study.

success of the first move is measured by its performance - a sum of monetary value and sustainability of the move.

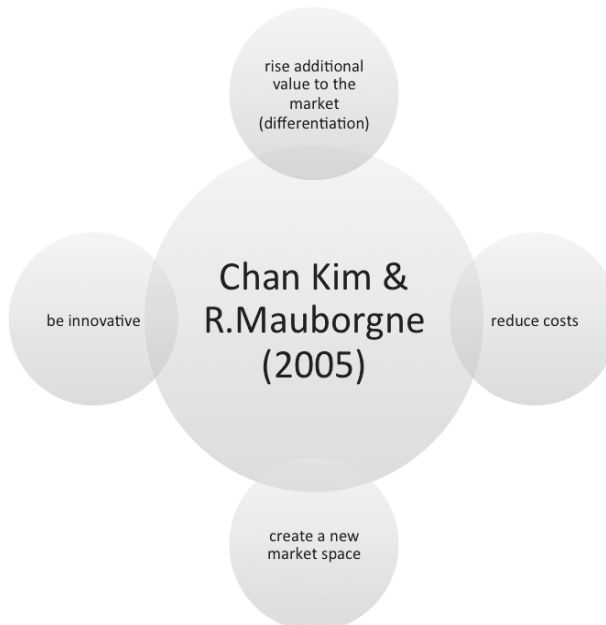
The sources of the first move advantage that may help in achieving final success are technological leadership, pre-emption of assets, and influence buyer behaviour. Technological leadership is the knowledge and expertise that the first mover has about the subject. Pre-emption of assets is an opportunity to get unique and initial assets such as supplies and positioning space. Influence over buyer behaviour is an impact that a first mover has on customers in terms of first information about a new product provided to customers.

## Blue Ocean Strategy

Some original theory of gaining competitive advantage in changing environment is presented in a world bestseller “Blue Ocean Strategy. How to Create Uncontested Market Space and Make the Competition Irrelevant” written in 2005 by Chan Kim

Chart 6

### Suggestions from the Blue Ocean Strategy



Source: Own study.

and Renee Mauborgne. The cornerstone of this idea is to create a new market space called Blue Ocean and as a result to avoid competing with other suppliers.

Creating a new market space is a result of value innovation. The innovation (in product, service, or delivery) creates and raises additional value to the market (differentiation), and at the same time reduces and eliminates any unnecessary costs. (Kim and Mauborgne, 2005).

Only the creation of an innovative value can unlock and generate new demand where competition does not exist. Traditional competition-based strategies – ‘Red Ocean’ – are not able to sustain high performance. Only in blue oceans, where competition is irrelevant, high and sustainable performance can be achieved. A shift from ‘Red Ocean’ to blue ocean thinking requires a shift of attention from supply and competing to demand and value innovation. (Kim and Mauborgne, 2005).

### Conclusion

Each of the above-mentioned theories was summarised in a form of ideas of how to act in the chaotic, continuously changing, and uncertain business environment and

Chart 7

#### The First Recommendation “Be Alert”



Source: Own study.



gain competitive advantage. The above-mentioned charts from 1 to 6 show these suggestions in a graphical form.

While analysing the conclusions from each model many similarities and overlaps within those concepts can be noticed. I decided to group them into five clusters. Each group represents a strong recommendation for a company of how to act in a rapidly changing environment to become successful and gain competitive advantage.

The first recommendation advises to “be alert”. To be ready to react for market changes managers can search for new market opportunities by analysing strategic situations and identifying chances, establish early detection indicators to identify disruptions early and adapt to them, build scenarios of reaction customising solutions for any situation, and hedge risks.

The second recommendation is to “take care of relations”. The activities that can be undertaken are as the following: establishing and strengthening relationships with stakeholders including customers; building and caring for loyalty with workers, customers, and business partners; taking special care for loyal customers; keeping customers informed about important information; being in touch with all stakeholders; creating new market space.

**Chart 8**

**The Second Recommendation “Take Care of Relations”**



Source: Own study.

Chart 9

### The Third Recommendation “Invest and Develop”



Source: Own study.

Chart 10

### The Fourth Recommendation “Grow Knowledge”



Source: Own study.

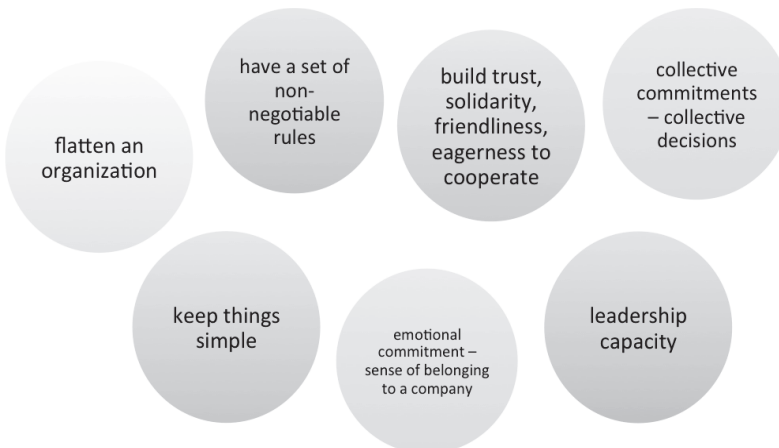
The third recommendation is “to invest and develop”. To fulfil this point a company can continuously invest in research and development and as a result introduce new products and/or services and have a flexible business portfolio. Being innovative also

means improving integration, coordination of actions, and rising additional value to the market. Regular “spring cleaning” is helpful to reduce costs, reallocate resources, and close declining businesses. Developing usually also means taking extra risk, and investing under difficulties.

The fourth recommendation indicates to “grow knowledge”. It is important to understand that an intellectual capital at the company is an essential success factor. The following features can be used to grow knowledge in an organisation: aim to technological leadership, focus on expertise, find potential to utilise new knowledge, and use company’s unused productive assets.

**Chart 11**

**The Fifth Recommendation “Build Organisational Culture”**



Source: Own study.

The fifth recommendation is to “build organisational culture”. Helpful to do so is keeping things simple by, for example, flattening an organisation and having a set of non-negotiable rules. A leadership style can support the process of building trust, solidarity, friendliness, and eagerness to cooperate. As a result sense of belonging to the company is created that increases emotional commitment to an organisation.

**Summary**

The article analyses management methods and a company development under unstable and rapidly changing market conditions. It is stated that being sharp, reacting

quickly to changes, and acting opposite to others is the best tactic. Managers should not be afraid of changes because they bring new opportunities. Several models of how to achieve competitive advantage under dynamically changing market circumstances are discussed in the article. Those theories were selected from many concepts from the last decade available in literature. Each of them has been analysed and the core ideas that they introduce were identified. Those findings has been analysed together and grouped in clusters with shared features. As a result five principal recommendations for managers of methods to achieve competitive advantage under a rapidly changing business environment were created. Those recommendations are as follows: be alert, take care of relations, invest and develop, grow knowledge, and build organisational culture.

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## Abstract

The article explains the concepts on management in uncertain circumstances. It highlights the methods of gaining a competitive advantage in a rapidly changing business environment. At first a literature review was conducted to select the theories about the management methods in continuously changing business conditions. Then

core aspects were selected for each of the concepts. Finally, recommendations for managers willing to achieve competitive advantage were formulated. Crucial factors needed to gain a competitive advantage in a dynamically changing business environment include: being alert to market changes; investing and developing continuously; taking special care of relationships; growing a company's knowledge; and building trustful organisational culture. The research was based on a literature review only. The results of the research can be helpful for companies to improve their development in the dynamically changing market. The study examined several management models and provided integral propositions ready to be introduced in practice.

**Key words:** company development, competitive advantage, market changes, strategy, response time.

**JEL codes:** M31

## Rozwój firmy w warunkach nagłych zmian rynkowych

### Streszczenie

Artykuł prezentuje koncepcje zarządzania w warunkach niepewności. Podkreślone zostały pomysły na to, jak zyskać przewagę konkurencyjną w gwałtownie zmieniających się warunkach rynkowych. Najpierw przeprowadzono analizę literatury, aby wyselekcjonować teorie zarządzania w warunkach zmian rynkowych. Następnie wybrano najważniejsze kwestie dla każdej z koncepcji. W rezultacie sformułowano zasadnicze rekomendacje dla managerów chcących osiągnąć przewagę konkurencyjną. Za najważniejsze czynniki wpływające na zdobycie przewagi konkurencyjnej w zmiennych warunkach rynkowych uznano monitoring postępujących zmian rynkowych, stałe inwestowanie w rozwój, dbałość o relacje oraz tworzenie kultury organizacji opartej na zaufaniu. Wyniki badań mogą być przydatne firmom w celu poprawy ich rozwoju w zmiennych warunkach rynkowych, ponieważ analiza modeli zarządzania dostarcza zintegrowaną propozycję działania gotową do wdrożenia.

**Słowa kluczowe:** rozwój firmy, przewaga konkurencyjna, zmiany rynkowe, strategia, czas reakcji.

**Kody JEL:** M31