

# How organizations best survive a crisis and thrive in the long-term: Creating competitive advantage in uncertain times

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Andy Grove, the former CEO Intel, guided the firm through chaotic times like the dot-com crash and current AI disruption is quoted as having said that, “Bad companies are destroyed by crisis. Good companies survive them. Great companies are improved by them”. The insight is powerful descriptively yet lacks any prescriptive advice on how to become a great company. Perseverance during distressful times is a measure of success already, but there exist managerial and leadership strategies that transform chaotic times into an opportunity for positioning a firm for long-term competitive advantage. This short article will highlight established managerial practices that correlate with business success.

Organizations that successfully navigate uncertainty develop **dynamic capabilities**, foster **organizational ambidexterity**, and practice **adaptive leadership**. Operators and managers that understand these concepts can outperform competitors and create a sustainable competitive advantage for their organizations amidst shocks in their business environment without losing sight of long-term strategic goals. These practices are both timeless and timely. Their adoption by firms in Cambodia now will help managers guide firms through the many shocks arising from current energy market turmoil, geopolitical uncertainty, supply change chokepoints, and disruptions from rapid AI adoption and technological advancement and prepare them for future uncertainties.

Knowledge of these three managerial practices and their implementation are critically important for top management teams to ensure long-run organizational survival and competitive positioning. This article attempts

to first relay three specific theoretical frameworks and then provides practical actions management can implement in their firms and three key takeaways.

## Theoretical Frameworks

### Dynamic Capabilities

In 2007, David Teece developed the framework for Dynamic Capabilities which can be synthesized into the three pillars of Sensing, Seizing, and Transforming. Sensing includes cognitive and sense-making practices that capture demand signals, while seizing relies on strategic and operational capabilities to influence pricing decisions, and transforming leads to proactive job and team design to reconfigure routines and processes for better value creation. Whereas an organizational capabilities approach focuses on how to do things to improve efficiency, a dynamic capabilities approach shifts focus instead towards doing the right things in the right way to meet strategic objectives of the organization. This involves creating, extending, and modifying the resources a firm control to create better returns than competing firms. Intel sensed the decline in DRAM chips market, seized the opportunity to pivot, and transformed the entire business model to begin producing microprocessors. Firms like Elpida Memory that did not develop dynamic capabilities faced a bankruptcy that is still considered the largest in Japanese post-WWII history.

### Organizational Ambidexterity

Robert Duncan initially coined the concept of Organizational Ambidexterity in 1976 which examines the capability of an organization to successfully balance two types of activities, namely, exploitation and exploration within a firm’s resource constraints. Exploitation derives value by relying on previously identified areas of revenue

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generation through efficiency gains by using presently available organizational resources. Exploration, on the other hand, creates value through innovations that create new resources that are currently not controlled by a firm. In this approach, there is a tension between the two approaches that can be balanced in a context dependent manner that is influenced by the external market environment. Google achieves this by exploiting the revenues from search and advertisement to explore new opportunities in “moonshot” areas like autonomous taxis with Waymo. Intel approaches this structurally with business units focused on efficiency in the mature CPU market segment while dedicating other teams to develop disruptive technologies. Meanwhile, Kodak suppressed their exploration of digital photography and focused too heavily on exploitation of the firm’s film camera revenues which is largely cited as the reason for their eventual bankruptcy.

### Adaptive Leadership

In 1994 Ronald Heifetz introduced the concept of Adaptive Change that he eventually refined into the Adaptive Leadership framework where organizational leaders are tasked with managing the types of structural breakdowns that occur in crises successfully by keeping employees within a productive zone of disruption. At the core, this theory advocates for distributing leadership, utilizing diverse skills of employees, remaining open and transparent, and building trust with authenticity. Firms that practice adaptive leadership demonstrate significant improvements in financial and operational performance and that outperformance becomes even more pronounced during periods of volatility. Overall, this approach shifts leadership from that of the role of an individual with a top-down approach to a more systemic, whole of the firm design that disperses leadership decision-making. Netflix actively practices this by disrupting its own business model internally to elicit innovations from within the firm where Blockbuster did not. Airbnb utilized the approach in dealing with customer preference shifts during COVID-19 by adapting the model to more long-term stays.

### Managerial Implications: Practical Actions

Firstly, leaders and the top management team must cultivate their sensing abilities by nurturing cognitive

frameworks to be used to identify threats and opportunities in their industry and the market more generally. Management should develop thinking that aims beyond current operations and stay focused on changing consumer preferences. Having managers write and share a brief weekly industry trends report is a low-cost effort to build these skills. This will help lay the foundation for management to develop the sensing aspect of a dynamic capabilities’ framework.

This is especially true for firms that are facing technological disruption. Sensing activities include tasks like gathering consumer behavioral data and applying analytical techniques that can quickly identify demand sentiment. Sensing keeps the firm on top of how customer preferences are changing. Other examples of this include a proactive approach to experimentation by bringing the customer into the development process and eliciting customer feedback and participation throughout the process. These gathered data can be valuable for benchmarking and for making forward looking, testable performance metrics. In this phase, successful managers will hone their skills to be able to spot disruptions earlier than their peers. It allows firms to proactively respond to a crisis before it reaches its peak by addressing firm vulnerabilities internally and not waiting until they are forced to by the market.

Next, organizational resilience requires that the seizing mentality be sharpened as well. While sensing activities build proactive readiness, seizing is reactive and recovery focused. In this stage, firms should prioritize strategic flexibility. That includes a bricolage approach that allows resources to be reconfigured to meet new objectives. Samai distillery transformed their high proof alcohol production to make hand sanitizers during Covid by using what resources they had available in a new way. Seizing relies on rapid resource deployment when an opportunity is available. This is the action stage that takes the thinking and transforms it into firm action. By creating rapid action taskforces within a firm, the organization can learn to rely on flexible working relationships where a culture of open collaboration replaces outdated, siloed top-down organizational charts. Additional focus should be paid to developing a strategic resource reserve that can be deployed to provide additional working capacity when a crisis does inevitably arise.

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Finally, managers need to instill in their employees the confidence to act in the face of uncertainty and to work in periods of disruption without allowing psychological discomfort to paralyze their actions. Iterative training can better prepare working groups to face these challenges even when the specifics of a mitigating response are yet unknown. To better prepare employees for this more dynamic environment, managers should be more proactive in refining the design of job roles and orchestrating team design. How work is completed and teams are constructed in the firms requires a transformative mindset from the top management team.

Optimizing job design can ensure that employees are given more responsibilities with tasks that they are skilled at. This protects workers’ psychological and biological health, increases emotional regulation, and sets the stage for a workplace with greater employee engagement. Job crafting where employees have some autonomy over task assignment and gamification complement employee welfare management can help achieve higher levels of productivity from workers that remain engaged even in periods of elevated stress.

### Key Takeaways

- 1) Effective managers learn to continuously sense, seize and transform the organization to develop a firm’s dynamic capabilities where continued practice better positions a firm before, during, and after a crisis.
- 2) Organizational ambidexterity balances resource exploitation and exploration in a manner that is context dependent and capable of embracing conflicting organizational strategic goals.
- 3) Adaptive leadership develops firm resources through forward looking job role and team design by dispersing power amongst the employees and allowing for managed levels of autonomy in designing workflows.

## Conclusion

Great companies grow their dynamic capabilities, develop organizational dexterity, and practice adaptive leadership not because it is easy, but because these managerial practices have been demonstrated as the best way ensure firm survival and competitive advantage in a market. When crisis hits, firms with these characteristics are better positioned to adapt and take advantage of new market realities. Management can promote these concepts within their own firm by taking some of the simple steps highlighted in this article.

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