

Collaborative transformative foresight and strategic adaptability towards VUCA-proof Malaysian SMEs

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Abstract

Purpose: Operating in VUCA world requires different strategies for businesses especially small and medium-sized enterprises (SMEs). In the context of SMEs, surviving and successfully competing in the VUCA world requires the ability to proactively anticipate and respond quickly to external changes. To build a VUCA-proof organisation, the present study proposes the adaptation of transformative foresight that focuses on four main elements which include; (1) Strategic - foresight as a key strategic tool and an integral part of strategizing processes (2) Systematic - foresight as an on-going, systematic and well-resourced activity, (3) Co-creative - employees, customers and other stakeholders are broadly engaged in the acquisition and application of future knowledge, and (4) Business-driven - the foresight to support practical business operations and understanding of current and future customer needs.

Methodology: This study has provided the conceptual framework based on the existing literature to achieve the resilience and competitiveness among SMEs. Given the need to conduct transformative foresight co-creatively with the support of the internal and external stakeholders, this research proposed the concept of Collaborative Transformative Foresight for further investigation.

Findings: It is believed that by uniting this concept with Strategic Adaptability, SMEs are better able to navigate the contemporary VUCA world. It is conjectured that SMEs need to proactively adapt to rapidly exploit opportunities created by the accelerating technology-human loops through the integration of these two concepts.

Originality/value: The originality of this study lies in its effort to formulate the VUCA-Proof Business Capabilities Model by uniting the Collaborative Transformative Foresight and Strategic Adaptability framework to enable SMEs manoeuvre the hyper-challenging business landscape.

Key Words: Collaborative Transformative Foresight, Strategic Adaptability, VUCA Proof, Small and Medium Enterprises

Introduction

The contemporary hyper VUCA landscape in which SMEs are operating requires continuous and more elaborate reflection on strategies and approaches for SMEs to be resilient and competitive (Kai & Siti-Nabiha, 2023). SMEs have to move beyond agility. i.e., react and respond to outside influences in an adaptable way that prioritizes anticipating changes, making plans for them in advance, and seizing opportunities brought about by the tightening technology-human loops (Forrester, Liou, Knowlton, Jou, & Spain, 2020). A symbiosis of technology and human allows for the adoption of collaborative transformative foresight and strategic adaptability that will enable SMEs to proactively anticipate changes and continuously innovate to be VUCA-Proof and VUCA-Ready (Costa, 2024).

According to Malaysia Digital Blueprint, cloud computing is used by 44% of SMEs, although over 80% of them mostly use it for storing documents, images, and videos for basic needs (Azhar & Shakil, 2021). Regarding Internet of Things (IoT) deployment, over 35% of SMEs have used it, mostly for fleet tracking and building surveillance (Vermanen, Rantanen, & Harkke, 2022). These are considered the lower level of utilisation and adoption of technology that may limit the ability of Malaysian SMEs to navigate the hyper-challenging business landscape. According to Tien, Ali, Miskon, Ahmad, and Abdullah (2020), the usage of technology for analytics and foresight purposes can actually facilitate SMEs in decision making, predicting sales, and ultimately influences their relationship with customers and their overall profit. To enable meaningful and informed decision making about the potential futures that SMEs may face, this foresight must be collaborative and transformative in that it brings together the knowledge, abilities, and experiences of people in a variety of roles along with a combination of business analytics tools (Forrester et al., 2020; Malmelin, Pihlajamaa, & Komonen, 2021). However, based on a study by Tien et al. (2020), the rate of adoption of the technology for analytics and foresight among SMEs is still very low. It is also argued that managing and leading in this volatile environment requires organisations to possess strategic adaptability (Zhang, Fong, & Yamoah Agyemang, 2021). The SMEs which adaptive to the changes realizes that the technology is the foundation of rapid transformation (Forrester et al., 2020).

Noting the various challenges faced by SMEs in Malaysia, mainly due to the liability of smallness and resources limitations, analysing their perspectives, especially on their capabilities to be VUCA-ready by adopting collaborative transformative foresight and strategic adaptability would enable the formulation of more realistic approaches and policies to be recommended to the SME players and policy makers. A more fine-grained and comprehensive understanding of their practices and challenges they faced in the VUCA world is important to create a conducive ecosystem for SMEs in Malaysia, hence making them more resilient and competitive in the long run. SMEs contributes 99.8% of the Malaysian firms and significantly contributes to the economy (Mohamad, Mustapa, & Razak, 2021). SMEs need the focus of the academicians to overcome the challenges under the rapid technological advancements and higher turbulent environment. Ensuring the survival of Malaysian SMEs are extremely critical given that they are the vanguard of the Malaysian economy, contributing to 65% of the overall employment, 37% of GDP and 18% of the total export contribution (Sana, Poddar, & Paul, 2020). Ensuring the survival and sustainable competitiveness of this sector has huge implications to the overall well-being of Malaysian society, economy, and nation. This research integrates the significant roles of all stakeholders - society, academic, government and industry in that it promotes a collaborative knowledge network in the identification of a VUCA-Proof Model for SMEs that are context-specific and relevant to develop resilient and competitive Malaysian SMEs.

Given the newness of the concept of collaborative transformative foresight especially in the context of SMEs, this study proposes a conceptual framework that requires further examination into the practices that reflects CTF and strategic adaptability among Malaysian SMEs. This conceptual framework calls for a subsequent research to (1) explore the understanding of Malaysian SMEs in regards to the VUCA (Volatile, Uncertain, Complex and Ambiguous) business landscape; (2) explore the understanding and practices of Collaborative Transformative Foresight (3) identify the practices of Strategic Adaptability and (4) identify the VUCA-Proof Business Capabilities in the context of Malaysian SMEs.

Literature Review

VUCA- Ready Capabilities and VUCA-Proof SMEs

In this modern era, businesses are exposed to the several challenges i.e., rapid technology transformation, digitalization, rising environmental concerns, geopolitical changes (Baran & Woznyj, 2020). Besides this, turbulent and dynamic markets significantly increases the complexity of the business environment (Ali et al., 2022). Thus, it is crucial to implement the new business models in this volatile business environment instead of relying on the conventional business models (Ritter & Pedersen, 2020). Considering the competitive and rapidly changing business environment of this modern era, businesses necessitate the SMEs to exhibit the implementation of VUCA capabilities i.e., flexibility, proactive, speed and innovativeness (Ambika, 2024).

Collaborative Transformative Foresight

Collaborative transformative foresight is the latest concept that will help enterprises solve problems faster (Wibeck, Eliasson, & Neset, 2022). It propagates how organisations are able to mobilise their people not just data to transform the organisations foresight work in identifying multiple futures to accelerate performance. Given the VUCA landscape of the business today, organisations need to be able to develop multiple strategies as a preparation to face the multiple futures. In a firm, this is how the team, as opposed to an individual, reviews, analyses, and compares data from business activities. Collaborative transformative foresights gathers the diverse minds to analyse the data and make the decision regarding future considering these diverse opinion which exhibits in VUCA strategy (Wibeck et al., 2022).

Collaborative transformative foresight brings together the skills, experiences, and knowledge of people in a variety of roles coupled with a combination of business analytics tools to allow a broad spectrum of people in an organization to participate in utilising data to create multiple futures of the organization (Mejía et al., 2023). The opportunities for insights multiply as organisation brings more minds to bear on given issues or problems faced by the organization. Lebovitz, Lifshitz-Assaf, and Levina (2022) argues that businesses need to go beyond the conventional analytics framework of descriptive, predictive, and prescriptive stage of analytics and move into the collaborative analytics stage and this will assist organisations in collaborative transformative foresight to navigate the VUCA world (Figure 1).

Collaborative Transformative Foresight requires Collaborative Analytics - labelled as “The Visionary Guard” of an organization that answer the questions of “How do we work together to deliver the best outcome?” According to Lebovitz et al. (2022), this stage goes beyond data and technology. It involves collaborative team and intelligence that allows organisations to visualize the multiple futures and formulate appropriate strategies to navigate the VUCA world.

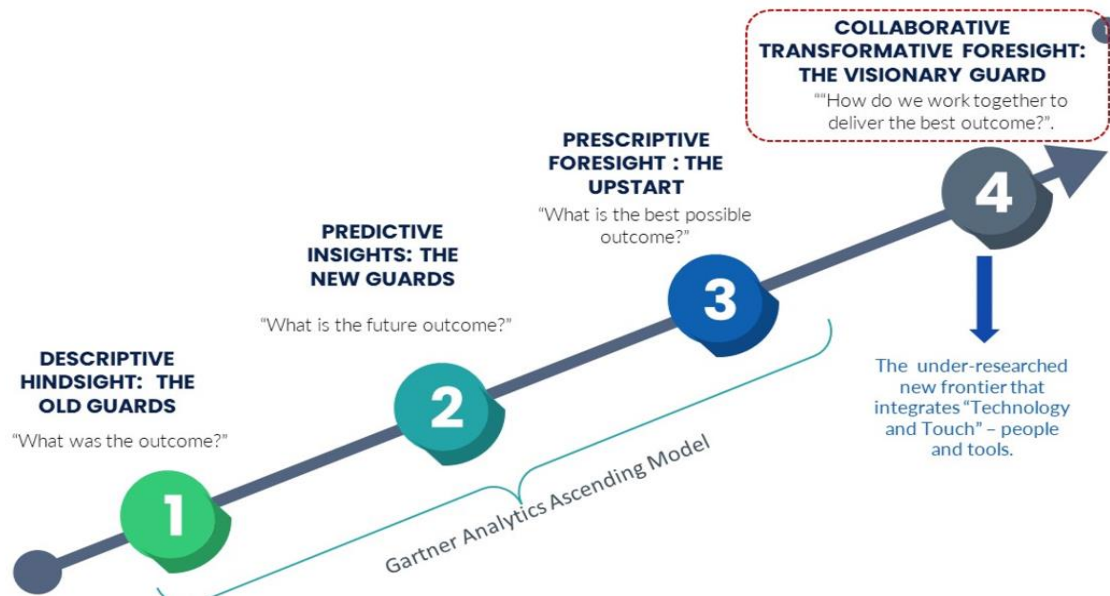


Figure 1. Collaborative Transformative Foresight: The Visionary Guard

The Cornerstones of Collaborative Transformative Foresight

According to Malmelin et al. (2021), in order to build a future-proof organisation, businesses require Transformative Foresight that focuses on four main elements which include; (1) Strategic foresight is a crucial tool that exhibits the organizational strategic process, (2) Systematic foresight is a continuous and entails the resource management activities, (3) Co-creative workers, clients, and stakeholders seek information of the future and utilize it for future plan (4) Business driven foresight helps in the routine functioning of the firms and create awareness regarding existing and future clients. Given the need to conduct transformative foresight co-creatively with the support of the internal and external stakeholders, this research proposed the concept of Collaborative Transformative Foresight for further investigation (Bevolo & Rosenius, 2021). It is believed that by uniting this concept with strategic adaptability, businesses including SMEs are better able to manoeuvre the contemporary VUCA world (Adelaiye, Adubasim, & Adim, 2020).

Strategic Adaptability

Strategic adaptability describes the organizational ability to adapt with the changes in its environment through continuous learning, sense-making, rapid prototyping and experimentations, reciprocal networking and strategic maneuvering (Wang, Modi, & Schoenherr, 2021; Zhang et al., 2021). This capacity demands shared values and supportive culture, and teamwork among staff (Fu & Shumate, 2020). Further, adaptability and agility are used as the interchangeable words and significantly influence the resilience. Adaptability refers the consideration of all the potential options, identify the opportunities and formulate the plan (Folke et al., 2010). However, agility pushes to take the rapid and pivotal measures regarding the unexpected changes in the business markets (Mrugalska & Ahmed, 2021). Precisely, adaptability describes the planning of the future and agility refers the swift response to the unforeseen events.

According to Forrester et al. (2020), adaptive firms realizes the importance of technology as the key element of transformation. Thus, firm's success depends on their ability to adapt to the changes proactively and exploit opportunities. The adaptive firms grow speedily as compared to other competitors because they rapidly exploit the emerging opportunities. Likewise, adaptive firms consistently improvise their processes through investing in the technology and adoption of advance

business practices (Mirata, Hirt, Bergamin, & van der Westhuizen, 2020). The adoption of the advanced technology not only influences the efficiency and effectiveness but also accelerate the innovation (Coccia & Watts, 2020).

Conclusively, it is necessary for the organization to understand the difference between adaptability and agility. More specifically, adaptability explains the organizational flexibility to meet the changing requirement for the business markets. However, agility explains the ability to generate the rapid response to the emerging changes. Therefore, it is a continuous process of learning for the organization and staying active in taking response to the uncertain changes in the environment. In order to make sense of the complex, volatile, ambiguous, and unpredictable environment, companies need to develop adaptation as a lasting skill that enhances their operations on a deeper level.

Conceptual Framework

Particularly in today's competitive landscape defined by technological advancements and digitalization (Abed, 2022), SMEs must be able to anticipate or respond quickly and effectively to external changes in order to survive and compete in the volatile, uncertain, and complex (VUCA) world (Ravichandran, 2018). This new digital industrial revolution, the one in which processes can be enhanced by the existing and developing digital technologies requires SMEs to quickly embrace the new digital revolution to stay afloat in the industry. If organisations facilities collaboration and data sharing which is then jointly analysed, it could significantly enhance both feasibility and quality of data analytics processes, which subsequently enable SMEs to create transformative foresights to enhance their VUCA-Ready Capabilities.

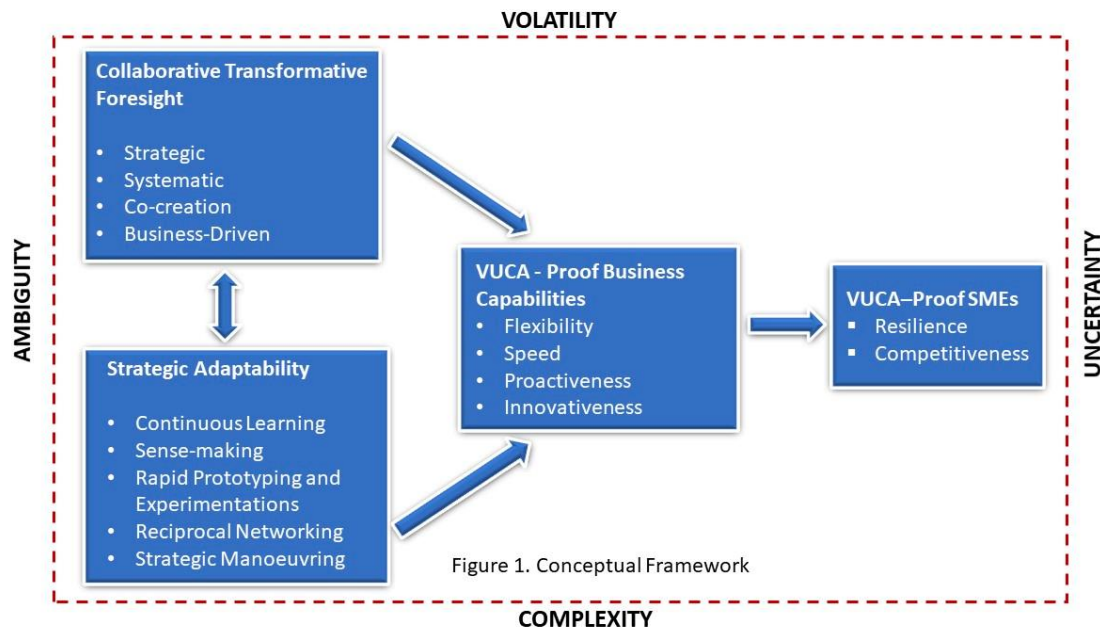


Figure 1. Conceptual Framework

Figure 2. Conceptual Framework

Proposition 1: The Collaborative Transformative Foresight will enhance VUCA-Proof Business Capabilities among Malaysian SMEs.

Proposition 2: The Strategic Adaptability will enhance VUCA-Proof Business Capabilities among Malaysian SMEs.

Proposition 3: The Integration of Collaborative Transformative Foresight and Strategic Adaptability will enhance VUCA-Proof Business Capabilities of Malaysian SMEs

Proposition 4: VUCA-Proof Business Capabilities will lead to VUCA-Proof Malaysian SMEs

The ability to anticipate or react swiftly and effectively to external changes is necessary for SMEs to survive and compete in the VUCA world (Ravichandran, 2018). This is especially true in the current competitive landscape, which is defined by technological advancements and digitalization (Abed, 2022). This new digital industrial revolution, the one in which processes can be enhanced by the existing and developing digital technologies requires SMEs to quickly embrace the new digital revolution to stay afloat in the industry. If organisations facilities collaboration and data sharing which is then jointly analysed, it could significantly enhance both feasibility and quality of data analytics processes, which subsequently enable SMEs to create transformative foresights to enhance their VUCA-Ready Capabilities.

Discussion and Conclusion

According to this study, the SMEs who can adjust to the increasing rate of change will be the next generation of VUCA-Proof SMEs. Adaptive businesses monitor the market constantly, foresee emerging possibilities driven by the needs of their customers, and innovate proactively to stay ahead of their competitors. With the increasing technology-human loops interaction, this study also highlights the significant role of Collaborative Transformative Foresight that enables SMEs to leverage the collaborative insights from various stakeholders and digital advancement to formulate multiple strategies of the multiples futures. Hence the originality and new knowledge that this study brings to the forefront efforts to formulate the VUCA-Proof Business Capabilities Model by uniting Collaborative Transformative Foresight and Strategic Adaptability framework to develop VUCA-Proof Malaysian SMEs that are resilient and competitive despite the hyper challenging business landscape.

The contemporary hyper VUCA landscape in which SMEs are operating requires continuous and more elaborate reflection on strategies and approaches for SMEs to be resilient and competitive. SMEs have to move beyond agility that reflects reacting and responding quickly to the external forces. By adopting collaborative transformative foresight and strategic adaptability, SMEs have to proactively anticipate changes and continuously innovate to be VUCA-Proof and VUCA-Ready. By analyzing the perspective of Malaysian SMEs on a more comprehensive picture of their practices as well as the challenges they faced to adopt both strategies, a more realistic approach can be recommended to the SME players and policymakers which can be applied more effectively. Ensuring the survival and sustainable competitiveness of this sector has huge implications for the overall well-being of Malaysian society, economy, and nation given the significant contribution of SMEs to the economy and overall employment of the country.

Noting the hyper-VUCA world that Malaysian SMEs are operating in, this study is very significant for the government especially agencies that govern the development and growth of Malaysian SMEs in terms of formulating the right policies and providing the right support mechanisms to prepare SMEs to be VUCA-Proof and VUCA-Ready. Since SMEs are the vanguards in catalyzing change towards Industry 4.0 (SME Corp Malaysia, 2022), government policy will need to be directed towards empowering SMEs to build up their business capabilities in innovating their business model, connect with the ecosystem partners, and grow to be globally competitive companies.

Limitations and Recommendations

This study has few limitations and recommendations. As the limitations are concerned, this study has provided only conceptual framework. Thus, future studies can consider the testing of the proposed framework. Besides this, current study has considered the context of Malaysia and consideration of other developing countries can also provide the insights regarding strategies towards VUCA proof SMEs. Further, this study has considered the role of strategic adaptability, collaborative transformative foresight towards the mediating role of VUCA capabilities. However, consideration of artificial intelligence and digitalization can significantly influence the SMEs' resilience and competitiveness.

Implications

This study findings have several implications. First this study provide the mechanism to achieve the SMEs' resilience and competitiveness. Secondly, the currently study also suggests the collaborative transformation foresight and strategic adaptability as the key strategies towards VUCA SMEs. Further, the current study also highlights the capabilities to transform the organizational strategies towards sustainable SMEs. Practically, this study framework can be useful for the SMEs to sustain in the dynamic business markets. Besides this, current study results can facilitate the policy makers and regulators of SMEs to make them more resilient and competitive under the rapidly changing and advanced technological changes.

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