



# Environmental Turbulence and its impact on Strategy

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## Introduction

Environmental turbulence refers to unpredictable and dynamic changes in an organization's external environment, which can significantly impact its strategy, operations, and overall performance. It stems from multiple sources, including technological advancements, economic instability, political upheavals, and social shifts, all of which can challenge an organization's ability to remain competitive. Organizations experiencing environmental turbulence must continuously adapt, innovate, and restructure their strategies to cope with the rapid pace of change. Historically, environmental turbulence has been present, but its frequency and intensity have increased due to globalization and technological disruptions (Junni et al., 2023). The advent of Industry 4.0 technologies, shifting geopolitical landscapes, and the ongoing COVID-19 pandemic

further exemplify the prevalence of such turbulence in today's world. These factors emphasize the importance of firms' ability to remain flexible and responsive to external shocks and to maintain sustainable growth through robust strategic planning (Grant & Baden-Fuller, 2023). In turbulent environments, firms must not only react to immediate threats but also develop foresight to anticipate and capitalize on emerging opportunities (Gomes & Engen, 2022). This paper examines the key components of environmental turbulence, its impact on organizational strategy, and how firms can navigate these challenges to achieve long-term success.

## Defining Environmental Turbulence

Environmental turbulence is characterized by the rate, intensity, and unpredictability of changes that occur in the external business environment, often creating

uncertainty for organizations. These changes can manifest in various ways, such as technological disruptions, regulatory shifts, or sudden economic downturns, each contributing to a volatile operating landscape (Chan, Lettice, & O'Neill, 2023). For instance, technological turbulence involves rapid advancements in technology that can outdate existing products and business models, requiring companies to innovate continuously (Hanelt et al., 2023). Market turbulence, on the other hand, refers to changes in consumer preferences, competitive dynamics, and demand patterns, often driven by shifts in socio-economic factors and global trends (Hu, Zhu, & Song, 2023). Regulatory turbulence occurs when governments introduce new policies, laws, or regulations that alter the business environment, posing both opportunities and risks to firms (Derwik & Hallin, 2023). Companies operating in highly turbulent environments face challenges in strategic planning due to the difficulty in predicting future conditions, leading to increased reliance on agile, adaptive strategies (Chermack, 2022). Defining environmental turbulence helps firms identify the types of external pressures they face and implement appropriate strategies to manage risks and capitalize on opportunities (Cui, Su, & Li, 2023). By understanding the specific nature of turbulence, firms can craft strategies that are more resilient to external shocks and better positioned for sustained competitive advantage.

Environmental turbulence is often measured along two key dimensions: its velocity and its complexity. The velocity of turbulence refers to the speed at which environmental changes occur, which can range from slow, predictable changes to rapid, disruptive shifts. High-velocity environments, such as those in the tech or telecommunications sectors, demand that organizations constantly monitor trends and update their strategies to remain relevant (Derwik & Hallin, 2023). Complexity, on the other hand, refers to the interdependence of different factors within the environment. Highly complex environments involve multiple, interconnected variables, making it difficult for organizations to identify the key drivers of change (Gomes & Engen, 2022). For example, the pharmaceutical industry operates in a highly complex environment due to the interplay between regulatory bodies, healthcare providers, and emerging medical technologies. The more turbulent an environment, the harder it becomes for firms to predict and control external variables, which increases the need for strategic agility and resilience (Chan, Lettice, & O'Neill, 2023). Organizations in high-velocity and high-complexity environments must invest in scenario planning and dynamic capabilities to cope with uncertainty and position themselves for success.

Environmental turbulence can also be classified into different categories based on its origins, including market turbulence, technological turbulence, and regulatory turbulence. Market turbulence arises from changes in customer preferences, competition, and market demand, often driven by economic cycles and social trends (Cui, Su, & Li, 2023). For instance, firms in

the consumer electronics industry must navigate market turbulence due to the constant demand for innovation and new features. Technological turbulence, meanwhile, involves rapid technological advancements that disrupt existing industries and create new competitive pressures. Companies such as Netflix and Amazon have capitalized on technological turbulence by adopting digital platforms and leveraging data analytics (Hanelt et al., 2023). Regulatory turbulence refers to changes in laws, policies, and regulations that affect the business environment. For example, the introduction of stricter environmental regulations has created both challenges and opportunities for industries such as automotive and manufacturing (Chan, Lettice, & O'Neill, 2023). Each type of turbulence presents unique challenges for firms, requiring them to adopt tailored strategies to mitigate risks and seize opportunities.

### Theories on Environmental Turbulence

Several strategic management theories provide insight into how firms can successfully navigate environmental turbulence. One of the most prominent frameworks is the resource-based view (RBV), which suggests that firms with valuable, rare, and inimitable resources are more likely to succeed in turbulent environments (Grant & Baden-Fuller, 2023). Resources such as a skilled workforce, strong brand reputation, and proprietary technologies enable firms to differentiate themselves from competitors and maintain their market position, even amidst turbulence (Derwik & Hallin, 2023). Dynamic capabilities theory, another widely cited approach, emphasizes a firm's ability to reconfigure its internal resources to address rapidly changing external conditions. According to this theory, firms with strong dynamic capabilities are better equipped to sense opportunities and threats, seize new market possibilities, and reconfigure their operations to meet evolving demands (Gomes & Engen, 2022). Dynamic capabilities include the ability to innovate, make strategic decisions quickly, and adapt organizational structures to cope with environmental turbulence.

Contingency theory is also relevant to understanding how firms can navigate turbulent environments. This theory posits that there is no one-size-fits-all approach to strategy; instead, firms must tailor their strategies to align with the specific characteristics of their environment (Chermack, 2022). In highly turbulent environments, firms must adopt more flexible and adaptive strategies, whereas firms operating in stable environments may benefit from more rigid, long-term planning (Hu, Zhu, & Song, 2023). For instance, firms in the technology sector may need to continuously innovate and experiment with new business models to remain competitive, while firms in more stable industries like utilities can rely on incremental improvements and cost optimization (Junni et al., 2023). Contingency theory highlights the importance of strategic alignment between a firm's internal capabilities and its external environment, especially in times of turbulence.

Another key theoretical approach to managing environmental turbulence is the concept of strategic foresight. Strategic foresight refers to a firm's ability to anticipate future changes and proactively adjust its strategy to capitalize on emerging trends and avoid potential risks (Hanelt et al., 2023). Firms that engage in strategic foresight typically invest in scenario planning, market research, and innovation to stay ahead of competitors and navigate turbulent conditions. Strategic foresight allows firms to develop a long-term vision while remaining agile enough to adjust to short-term disruptions (Cui, Su, & Li, 2023). By identifying early warning signals and anticipating shifts in the external environment, firms can develop more resilient strategies that position them for success in volatile conditions (Chan, Lettice, & O'Neill, 2023). In summary, theories such as RBV, dynamic capabilities, contingency theory, and strategic foresight provide valuable insights into how firms can navigate and thrive in environments characterized by turbulence.

### The Impact of Environmental Turbulence on Strategy

Environmental turbulence significantly influences the way organizations develop and implement their strategies. In stable environments, firms can rely on long-term strategic plans and incremental improvements to achieve competitive advantage. However, in turbulent environments, the effectiveness of these strategies diminishes, as rapid and unpredictable changes make it difficult to predict future market conditions (Junni et al., 2023). Instead, firms must adopt more flexible, adaptive strategies that allow them to respond quickly to emerging threats and opportunities. Research shows that firms that embrace strategic agility—defined as the ability to pivot and make rapid decisions in response to environmental changes—are more likely to succeed in turbulent environments (Grant & Baden-Fuller, 2023). These firms tend to adopt shorter planning cycles, invest in innovation, and foster a culture of continuous learning and adaptation to navigate uncertainty effectively.

Environmental turbulence also requires firms to balance exploitation and exploration in their strategic decision-making. Exploitation involves leveraging existing resources, capabilities, and market positions to maximize current profitability, while exploration refers to the pursuit of new opportunities, innovations, and capabilities that can drive future growth (Hu, Zhu, & Song, 2023). In highly turbulent environments, firms that focus exclusively on exploitation may struggle to keep up with changing market conditions, as their existing competencies may become obsolete. On the other hand, firms that prioritize exploration without maintaining a stable foundation may face resource constraints and operational inefficiencies (Derwik & Hallin, 2023). The ability to balance exploitation and exploration, often referred to as ambidexterity, is critical for firms to maintain competitiveness and resilience in turbulent environments (Gomes & Engen, 2022). Firms that successfully achieve ambidexterity are able to optimize

their current operations while simultaneously preparing for future disruptions.

Moreover, environmental turbulence often leads to changes in competitive dynamics, which in turn influences firms' strategies. As new competitors enter the market or existing competitors adjust their strategies in response to external pressures, firms must continuously reassess their competitive positioning and make adjustments accordingly (Cui, Su, & Li, 2023). For instance, the emergence of disruptive technologies can force traditional companies to reevaluate their business models and adopt more innovative strategies to remain relevant. Companies such as Kodak, which failed to adapt to the digital photography revolution, illustrate the risks associated with neglecting environmental turbulence (Junni et al., 2023). In contrast, firms like Apple have successfully navigated turbulence by continually innovating and adapting their strategies to align with evolving market conditions.

In conclusion, environmental turbulence has a profound impact on organizational strategy. Firms operating in turbulent environments must adopt flexible, adaptive strategies that allow them to respond quickly to changes in their external environment. By leveraging theories such as the resource-based view, dynamic capabilities, contingency theory, and strategic foresight, firms can navigate uncertainty and capitalize on emerging opportunities while mitigating risks. Balancing exploitation and exploration, reassessing competitive positioning, and fostering a culture of agility are essential for firms seeking to thrive in an increasingly turbulent world.

### Conclusion

Environmental turbulence is an inherent aspect of today's business landscape, characterized by rapid and unpredictable changes that challenge traditional strategic approaches. Organizations must recognize the importance of adapting to these conditions by embracing flexibility, agility, and innovation. Theories such as the resource-based view and dynamic capabilities provide valuable frameworks for understanding how firms can navigate turbulence effectively. By prioritizing strategic foresight and fostering a culture of continuous learning, firms can not only survive but thrive in an era marked by environmental turbulence. Ultimately, the ability to respond to and anticipate change will determine the success of organizations in the face of growing uncertainty.

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