

## REVELLING IN THE MESS OF THE FLAT WORLD SERVICES ECONOMY: A STRATEGIC MANAGEMENT AND ORGANISATIONAL CULTURE PERSPECTIVE

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An era of industrialisation is making way for what has become termed the global services economy that is essentially characterised by uncertainty, discontinuous change, extensive competition, and complex contextual conditions. In this paper strategy and culture, as two interdependent domains of management are analysed, from a traditional scientific management and a complexity theory perspective, as a means of gaining a competitive advantage within the services economy. An important conclusion derived from the analysis is that organisational culture cannot be intentionally managed to support a specific strategy that is to be implemented, as it essentially is emergent in nature. At best unfavourable emergent cultural patterns may be disrupted and favourable patterns encouraged. This has significant implications for strategic management within the services economy. It is also suggested that the rational analytical models of strategy formulation and implantation, that assumes linear causality, are no longer deemed to be an effective response to the complex nature of the services economy and that an emergent strategic process is far better suited for dealing therewith. A central tenet underpinning such an approach is the emergence of a culture that facilitates participation and open-ended discussions, enabling participants to make-sense of contextual conditions that are arising at the peripheral edge. It is a process that entails looking at the emergent context from widely different perspectives and experimenting to find a possible innovative strategic response for gaining a competitive advantage in the global services economy.

*Key phrases: Global Services Economy; Strategic Management, Organisational Culture; Contextual turbulence; Managing Change; Complexity theory; bounded instability; pattern emergence; emergent strategy; sense-making.*

### INTRODUCTION

“In ancient times, cartographers would label uncharted waters with ‘Here be dragons.’ In 1991, with the Cold War ended and capitalism unfurling its banner around the globe, it appeared that the dragons had all been slain. Little did we know ...”

Tom Peters (2003:19)

The uncharted waters that Tom Peters (2003:19) refers to, essentially relate to an emergent world of unprecedented change on all fronts, and his message is one of revelling in the mess (Peters 2003:27). While even very young children may well be aware that the world is round, Thomas Friedman in contrast will probably be remembered for declaring that it is indeed flat (Friedman 2006:5). The underlying rationale for Friedman’s declaration of the flattening of the world stems from the convergence of electronic technologies enabling world-wide collaboration, interaction and information sharing at an unprecedented scale (Friedman 2006:8). It is this flat world phenomenon that has that has played a significant role in engendering an

awareness of the emergent “mess” of change that confronts us each new day. Frequently people go to bed at night feeling things could really not get much worse, only to find at the dawning of the new day that overnight another dragon egg had hatched and many could probably as a result associate with Tom Peter’s (2003:19) statement “Little did we know ...” This reality is attested to by Eric Eisenberg’s (2006:1693) in claiming that:

“Many Westerners long for a simpler time where life-paths were clear. What we experience instead is a world of contradiction and confusion, where rampant subjectivity and diversity make plural that which was self-evident and certain, leaving us with a multiplicity of truths, reasons, and realities.”

Not only is the rate of change confronting South African institutions increasing, but its very nature is changing as well, in that the changes that are occurring are very difficult to predict and Tom Peter’s metaphor of uncharted waters is therefore quite appropriate if seen from a strategic management perspective. Left to make sense of the “mess” that emerges from “Breaking News” editorials of the electronic media, people are, as previously suggested by Eisenberg (2006:1693), confronted with a multiplicity of truths, reasons and realities. This diversity of interpretation stems from analysing and making sense of the events concerned using diverse values, beliefs, norms, attitudes, assumptions, past experience and similar socio-cultural attributes that collectively shape peoples’ world view interpretation. These attributes are generally to be found in many of the definitions or descriptions attributed to the concept “organisational culture” within the literature (McLean 2005:228; Newman 1996:14-15; Sanford & Taylor 2006:145; Schneider, Gunnarson & Niles-Jolly 1994:19; Weeks & Lessing 1993:29). Seen within a strategic management context the lack of clarity as to the future, as it unfolds and the multiplicity of interpretations thereof are essentially responsible for the so called “mess” or confusion Peters (2003:27) alludes to.

The traditional paradigm of management has its origins embedded in an era of scientific management that assumes a rational deductive process of decision making. This sentiment is captured by Wildavsky (in Mertzberg 1994:19) in stating that “the virtue of planning is that it embodies universal norms of rational choice”. Dalkir (2005:60) similarly states that “decision making is situated in rational decision making models that are used to identify and evaluate alternatives by processing the information and knowledge collected to date”. Implied is a linear process of identifying alternative cause-effect relationships and selecting a best option on the basis of available information and knowledge. The researcher, however, also states that there are a wide range of decision making-making models (Dalkir 2005:60) each

tending to incorporate a specific set of underpinning assumptions. The extent to which these assumptions have become ingrained in management thinking will to a large degree incorporate a culture component in the decision and sense-making process adopted in practice.

In a volatile and turbulent context that is “messy” and difficult to predict with any degree of accuracy, making sense of the situation tends to be complex in nature and traditional strategic management approaches no longer appear to be as effective as in the past Davenport et al. (2006:6). It is suggested in this paper that this may largely be as a result of cultural attributes acquired during the scientific industrial era of management that are no longer effective in dealing with modern-day “messy”, volatile and complex services related economic environments, which in effect implies a need for a culture realignment and consequently way of thinking and acting. The importance of such realignment, from a services perspective, may be ascertained from research conducted by Chesbrough & Spohrer (2006:36), in terms of which it was ascertained that nearly 80% of the United States economic activity relates to a vast array of services. Sheehan (2006:43) similarly concludes that market-based services have become the main driver of economic growth and source of job creation within Organisation for Economic Co-operation and Development (OECD) countries. Wölfl (2005:6) similarly confirms that “the services sector accounts for about 70% of aggregate production and employment in OECD economies”. The transition from a manufacturing to a services economy inherently incorporates a fundamental change in the “the way things are done around here” and this attests to the importance attributed to culture as a dimension of strategic realignment.

With the preceding discussion serving as background, in the ensuing sections the concept “organisational culture” will be analysed from a scientific management and complexity theory perspective, with reference to strategic management practice within a highly competitive global services economy. The research is deemed to be an insight study that is analytically descriptive in nature. It essentially constitutes a literature survey and study, which includes a critical analysis of the information acquired. In this regard it is important to note that literature relating to culture as an emergent phenomenon appears to be very limited in scope and content and theory building on the basis of complex adaptive systems theory, based on the author’s own practical experience in this regard, informs the research study.

## PERSPECTIVES OF ORGANISATIONAL CULTURE

### A traditional scientific management perspective

“One way to define culture is “the way a group of people prefer to behave.” The trick for organizational leaders is to find ways to ensure that the company culture, that is the way their people prefer to behave, is supportive of what is needed to successfully deliver the company strategy”

Tosti (2007:21)

The above quotation attests to the importance attributed to the concept “organisational culture” in terms of traditional strategic management thinking. In order to gain an understanding of what constitutes management of an institution, concepts have been borrowed from diverse fields of study, such as philosophy, psychology, sociology, anthropology and complexity theory, to but name a few. Clearly, strategic management is no exception to the rule in this regard. The concept “culture” has its roots in cultural anthropology and frequently management researchers in developing an analogy make use of a view drawn from this field of study. Fombrun (1983:139) supports this contention by claiming that “in recent years, it has become particularly fashionable to discuss the dynamics of behaviour in organizations in terms borrowed from anthropology. This is manifest in the prevailing terminology of rituals, stories, myths, and the analysis of symbols, all of which are subsumed by the all inclusive concept of corporate culture”, which it may be argued are instrumental in defining an institution’s collective identity. Lundberg (1985:171) also concludes that many definitions attributed to organisational culture reflect more general anthropological definitions.

According to Kroeber & Kluckhohn (1952:9) the term “culture” with its modern anthropological meaning was established by an English anthropologist, with the name of Taylor, in 1871. Taylor stated that culture or civilization is that complex whole which includes knowledge, belief, art, morals, law, customs and any other capabilities and habits acquired by man as a member of society (Kroeber 1948:24). The notion of the inherent link between culture and society has relevance in that there can be no culture without a society and therefore seen within an institutional setting without the people that constitute the institution. The contention that institutions are social constructions holds significant implications, as anthropologists believe that knowledge, beliefs, values, norms, customs and traditions are learnt from others within society. The people who conform to or associate with these shared cultural attributes, more often than not, are not even consciously aware of the influence these attributes have in shaping behaviour within a specific social or

community context. It is this that makes it difficult to discover the underlying cultural attributes that are used by the people concerned to engender a sense of meaning in interpreting institutional reality. From an anthropologist perspective therefore, culture is an integrated system of beliefs, values, symbols, and artefacts, which are shared by members of a community and which in turn are manifest in behaviour patterns.

The concept of community would generally be associated with some form of geographical or institutional boundaries, which traditionally tend to be of a local nature. Institutions as virtual global constructs assign a new meaning to the concept community as social interaction takes the form of electronic communication and collaboration. Of pertinence also is the multiplicity of networks of interaction that could come into being, some of a short term nature, while others are of longer duration. These networked communities cross not only geographical but also diverse religious, racial, ethnical, language, and political boundaries that add to the complexity and nature of the interaction that takes place within the global marketplace. Implied therefore is a need for cultural flexibility and openness, which suggests a notion of respect and tolerance for diversity.

Within a management context, although an extensive body of literature in relation to the concept "organisational culture" exists, much of this assumes a scientific management approach that is rational deductive in nature and implicit is the notion of linear causality, which infers that the concept may be managed. In this regard it is interesting to note that Dayaram (2005) claims that "most South African organisations are managed within a Western linear 'cause-effect' paradigm". Seel (2000) suggests that the approach tends "to encourage a rather mechanical view of culture change". Nord (1985:193-194) likewise construes that it suggests a "tool" view of culture relying on an organisational learning framework to understand and manage cultural change. In a similar sense Lundberg (1985:169) in researching the feasibility of cultural interventions in institutions confirms that "the question of whether organizational culture can be managed has been both debated as well as assumed. Managers and consultants have tended to assume it can be managed and changed". Of particular note in this regard is Lundberg's (1985:169) conclusion that "many definitions of organization development, for example, speak of it as 'a planned, managed, systemic process to change the culture, systems, and behaviour of an organization". Organisational culture in this sense has also been referred to as being crafted for a specific purpose (Quick 1992:45; Shirley 2007:20), a suggestion that implies a sense of purpose and intention in its shaping. Seen from a traditional strategic management perspective, Langan-Fox & Tan (1997:275) summarise the situation quite well in stating that: "more often than not, an emphasis in the organizational culture literature is on changing and managing organizational culture

in order to meet organizational objectives and strategies". Ingrained within scientific management thinking is the view that cause-effect relationships can be determined and consequently managed. It is a view underpinning a significant body of traditional strategic and organisational management thinking and it would appear has influenced theory development in relation to organisational culture.

The importance of the concept "culture" within a strategic management context stems from the fact that it serves as a perceptual and behavioural determinant, both of which have essential implications within a strategic management frame of reference. Despite the importance attributed to the concept in theory and in practice there appears to be no generally shared definition of the concept "organisational culture" (Langan-Fox & Tan 1997:274). As alluded to in the introduction, central to many definitions of the concept, however, are a constellation of values, beliefs, norms, customs, philosophies, expectations, traditions, assumptions and similar cultural attributes (Cronje et al. 1993:11; Newman 1996:14-15; Pearce & Robinson 1985:34; Sanford & Taylor 2006:145; Weeks & Lessing 1993:29) that are shared by a community and collectively serve as a frame of reference for interpreting and reacting to events and situations that materialise. In this sense they endow meaning to peoples' experiences and act as cues for appropriate behaviour within specific contexts, an aspect that has resulted in organisational culture being defined as "The way we do things around here" (Neuhauser et al. 2000:4; Shereley 2007:20; Tosti 2007:22). From a traditional scientific management perspective the concept may therefore be construed as constituting mental models or representations that have their genesis in past shared learning experiences, which are context determined and have relevance in interpreting appropriate behaviour in similar contexts.

Culture change from a scientific or traditional management perspective would seem to suggest a need for determining the prevailing culture of the institution, defining the desired culture (Langan-Fox & Tan 1997:275), identifying the gap between the two and then actively managing a process directed at changing peoples' mental models that are used for interpreting their worldview and determining appropriate behaviour in response thereto. It may also be inferred from a traditional perspective that organisational culture tends to embody a negative feedback process that serves to engender a form of stability or consistency in behaviour patterns within institutions, communities or groups. In this regard Munro & Beeson (2002:1) claim that "the human mind needs cognitive stability" and "organizational culture is the means by which that cognitive stability is attained". Langan-Fox & Tan (1997:275), in terms of their research, contend that "the culture literature also cautions that by nature of its stability, organizational culture, once established, is difficult to change". Choo et al. (2006:493) confirm that "values are hard to articulate and even harder to change",

thus insinuating a notion of stability. In this sense it could also be construed as establishing a form of comfort zone in that people know how to “do things around here” (Tosti 2007:22). Changing the culture of the institution would thus entail upsetting peoples’ well established comfort zones and this could be expected to result in resistance to change. It may be assumed that over time people have acquired insights as how to behave, so that that can keep out of trouble and gain acceptance and these insights are in turn captured in shared mental understandings, beliefs, values and assumptions. Culture change in terms of a traditional scientific management perspective can therefore be assumed to be no easy task, as these cultural attributes have become ingrained in peoples’ mindsets. The consequence is well articulated by Tosti’s (2007:22) statement that “the historical business landscape is littered with groups and businesses that did not have the “right” culture to survive over time.”

From a scientific management perspective the culture of an institution may well be difficult to change, but this does not imply that it is not possible, as by its very nature socially construed shared meanings and interpretations can be revised within the light of changing cause - effect relationships. Nord (1985:190) for instance suggests that while socialisation, values, common language and stories are apt to function to maintain a system the way it is, the content of the systems could support change. Nord (1985:190) cites openness, tolerance of failure and concern for people as typical cultural attributes in this regard. Lundberg (1985:173) agrees that culture change can be engendered, but disputes that such change can be fully controlled, as would be assumed in terms of a scientific management stance. This notwithstanding, Lundberg (1985:179) affirms that culture change results from vision driven “interventions organized into a sequence of action plans for the inducement, management and stabilization of change”, which is in line with traditional scientific strategic management thinking.

The link between strategy and culture is deeply ingrained in traditional scientific management thinking, as seen from Jarnagin & Slocum’s (2007:292) assertion that:

“It is the responsibility of top management and the board of directors to set the mission and the values of the firm, which become the underpinnings of the firm’s business strategy... they build a clear vision of who we are ... the firm’s mission statement and values form the organization’s cultural DNA, which must be replicated throughout the organization”.

Clearly inferred is the notion that it is the task of top management to align the strategy and culture of the organization. Also advocated is the belief that values and

consequently cultural attributes can be instilled throughout an organization, a belief based on the conviction that culture can intentionally be managed. Seen within the context of the services economy it is important to note that Jarnagin & Slocum (2007:297) go on to state that “when customer service is a company’s product, there is a chance to delight each customer directly through the firm’s mission and values” , which implies an ability to strategically inculcate a service ethic within an institution’s cultural DNA.

In summary it may be concluded that within a traditional scientific management context the notion of intentionally managing or shaping the culture of the institution, so as to attain congruency between the organization’s culture and strategy, is well established. Just how this is to be achieved in practice is, however, not always all that clear, but leadership is generally deemed to play a crucial role in managing the change process (Munro & Beeson 2002)

### **A complexity theory perspective**

“Culture is a complex process. This process does not go in good harmony with the traditional ways – based on the Cartesian epistemology”

Browaeyts & Baets (2003:332)

Organisational culture from a complexity theory perspective is emergent in nature and cannot be intentionally managed to inculcate a specific culture within an institution, that is deemed essential for strategy implementation. It therefore tends to contradict the contention of intentional culture management as suggested within the preceding discussion, undertaken within a traditional scientific management frame of reference. As seen from the above quotation a complexity theory approach requires a fundamental change in thinking as to culture formation. A Cartesian epistemology implies rational deductive processes, with underpinning linear causality, which enables predictability that is deemed to form the very foundation on which traditional strategic management thinking is based. Emergent culture in contrast, according to Seel (2000:2), is the “result of the continuing negotiations about values, meanings and properties between the members of that organisation with its environment”. The latter within a complex setting essentially is in a state of flux with emergent patterns that constitute contextual reality, which in essence in contrast to the Cartesian epistemology defies predictability. Seel’s (2000:2) description of emergent culture infers that culture change stems from conversation exchanges, which are generally not the focus in traditional culture change initiatives directed at nurturing a specific typology of culture required for strategy implementation (Tosti 2007:21), the actual outcomes of which cannot be predicted in practice as they are emergent in nature.



It is claimed by Balthazard & Cooke (2004:2) that many unanswered questions still remain regarding the feasibility of managing culture change. Schneider, Brief & Guzzo (1996:7) for instance argue that companies encounter difficulty in engendering change, "because culture is not directly manipulable". It is also claimed by Schneider, Gunnarson & Niles-Jolly (1994:19) that culture changes emerge as a result of employees sharing interpretations of events through storytelling. Frank & Fahrback (1999:253), in a similar sense, suggest that "the causes and consequences of interaction are the core of organizational culture". It may therefore be concluded that within a highly networked environment where the potential for global interaction exists the consequence for culture formation is quite significant. In making sense of events, situations, and contexts, it is the co-created mental models or paradigms of what constitutes reality that is of particularly significance in strategic decision making. As organizational culture changes emerge from employee interaction, so these paradigms and consequently interpretations of context and behaviour could change with associated strategic decision making implications. Organizational culture assessment in terms of an emergent perspective is therefore but a snapshot in time, as it is not static in nature. Organisations as a complex ecology by implication imply a sense of dynamic ongoing cultural evolution through a process of positive and negative feedback loops, the former tending towards unpredictable change and the latter temporary equilibrium.

Jonathan Rosenhead (1998) contends that systems behaviour may be divided into two zones, plus the boundary between them. He claims that there is a stable zone which if disturbed returns to its initial state and a zone of instability where small disturbances lead to divergence. The type of behaviour exhibited, according to Rosenhead (1998), depends on the strength of positive and negative feedback mechanisms. Under appropriate conditions a state defined as the "edge of chaos" exists at the boundary between these two zones. Rosenhead (1998) describes this state as a "sort of bounded instability". Bounded instability is deemed to be a phase where the system experiences random changes that take place under the influence of what has been termed a "strange attractor", which in a sense shapes the changes and maintains a form of dynamic equilibrium at the same time. McElroy (2000:196) refers to this as "the point at which emergent behaviours inexplicably arise ... somewhere between order and chaos". Notably, Snowden (2005:48) also refers to three ontologies: chaotic, complex and ordered, and suggests that "order in complex systems is emergent in nature, arising from the interaction of many agents". Seel (2000) similarly asserts that "most change in complex systems is emergent; that is to say it comes about as a result of the interactions between the 'agents' in the system. In an organisation the agents are people — themselves complex systems". A

significant feature of the emergent process is the creativity and innovative behaviour patterns that may materialise, in the process enhancing an institutions ability to adapt to challenging environmental conditions (McElroy 2000:196). Seen within the context of a highly competitive global services economy, where innovation can provide institutions with a competitive edge, this aspect of culture emergence is of particular significance.

In terms of the preceding discussion it is concluded that culture emerges from the interaction of people working together to achieve a shared objective and there would thus be little merit in executives attempting to shape the outcome by means of desired value and belief statements. It tends to support processes where desired values, beliefs, norms and similar cultural attributes are solicited from employees, as opposed to being decreed. The problem with organisational culture, as an emergent process, is that as contexts change, small initial changes could eventually lead to quite fundamental changes in the context and culture of the institution and this by implication means that even the solicited inputs received from employees can only be a snapshot in time. Existing values and beliefs could in effect assume a negative connotation in a world that changes quite fundamentally and in turn requires a dramatic change in the “way we do things around here”. In moving from a manufacturing to a services driven economy where innovation and creativity are important strategic imperatives this reality assumes significant consequences. It in effect implies that established behaviour patterns may need to be disrupted, which in turn from a cultural perspective will require breaking entrained mental models of what constitutes emergent reality. Nowhere is this more difficult to achieve than in a context where the organisation is experiencing a trend of successes, but in a dynamic and vibrant context such success may well be short lived. Pattern entrainment, according to Snowden (2005:52), is “very powerful” as new information is re-interpreted in the light of old knowledge and this may well lead to problematic strategic sense and decision making. Using the past and even the present to interpret the future holds the potential of being blinded to the realities of changes that are emerging.

In light of its impact as a perceptual and behavioural determinant there is a need from a strategic management perspective to acquire a cultural sensitivity, particularly as it relates to the prevailing culture of an institution. Deciphering the culture of the institution from a complexity perspective entails the use of narrative enquiry as opposed to questionnaires so frequently used within a scientific paradigm of management. Stacey (2000:50) suggests that “the nature of an organisation’s culture can be analysed by studying the stories people in the organisation tell”. In this sense story provides a self awareness descriptive capacity (Snowden 1999) that can be

used to articulate or discover the cultural traits of organisational communities. The stories represent underlying values or rule sets that provide the self-organising capabilities of the communities they represent (Snowden 1999). Group identity is in effect encapsulated within stories, which according to Patrick Lambe (2005:1), expresses different aspects of cohesive group experience. Lambe (2005:1) suggests that “our culture as a group is represented by the common themes and resonances that we replay and reinforce in our narratives”. A fundamental advantage of using storytelling to uncover the cultural attributes of an organisational community is the “richness” or expressive content of the narratives, all of which are lost in any questionnaire based culture identification processes. Two very different approaches to culture discovery and awareness are thus identified, the complexity theory approach appearing to far more effectively capture the realities of the human or social intricacies and expression involved by means of narrative enquiry.

Fractals are an inherent dynamic of complexity theory that assumes an organic perspective. Organic systems are described by Levick & Khun (2007:267) as being self-organizing, self-producing, and as manifesting criticality. Of particular interest in terms of this discussion is the contention that organic entities are adaptive, responding to changes in the external environment by changing internally (Levick & Khun, 2007:266). Through a process of self-organization, adaptation and selection, which in essence constitutes emergence, institutions are able to innovatively align themselves within a highly competitive services economy. It is in this self-organizing context that, according to Levick & Khun (2007:266), fractality presents a useful metaphor for fostering organizational change. A structure exhibiting fractality, displays a replica feature or a characteristic of self-similarity (Kelly & Allison 1999:15; Levick & Khun 2007:266), yet remains unique in nature. It is contended that an institution in fact constitutes groups, branches, divisions, departments, and similar institutional entity subcultures, each a replica of the corporate culture, but on closer examination each is found to embody unique emergent characteristics that defines the entity in question. It is these emergent fractal self-organizational cultural characteristics that enable innovative adaptation, in response to particular contextual conditions, that provide and institution with the flexibility required to function within a volatile discontinuous global services marketplace. In a metaphorical sense culture fractals emerge from the institutional DNA or as suggested by Kelly & Allison (1999:23) the enterprise’s BNA “behavioral network of activity”.

Adopting a fractal perspective provides insights into how groups, teams and departments in an institution are able to establish unique working relationships, patterns of interaction or in cultural terms “the way we do things around here”, while functioning within an overarching corporate culture. Echoes of the corporate culture

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tend to be reflected in the functional unit cultures that come into being, as employees interact with each other and clients at an operational level. From a services perspective clients have diverse needs and expectations, which also change over time and in interacting with the client community lessons will be learnt, which if reflected in a convergent pattern will lead to new emergent values, beliefs and assumptions in relation to the rendering of the services concerned. This, however, assumes a complexity management perspective as opposed to a traditional approach directed at standardization of services rendered. As noted by Axelrod & Cohen (1999:63) interaction makes complex adaptive systems come alive.

A central tenet of traditional strategic management practice is the notion of strategic alignment between the institution and its environment. Implied in such an alignment is the need for a sense of stability, which in the contemporary services economy appears to be very difficult to achieve. The desire for stability and the need for adaptation can be accommodated if organizations are seen as functioning within what has been previously termed the “edge of chaos” or “bounded instability”, which has specific cultural implications. Stacy (2000:266) describes organizations operating at the edge of chaos as being far from equilibrium, but applying internal constraints to maintain instability within boundaries. From a cultural perspective this would translate into emergence of new values and beliefs, within a context of bounded instability that stimulates innovation and creativity without falling into a state where the changes involved become chaotic. Rosenhead (1998) concludes that the released creativity leads to an organization that continuously reinvents itself. Seen within this context culture is dynamic and innovative without becoming stagnant, a condition Rosenhead (2000) describes as leading to corporate death. In nature such states only occur fleetingly and as indicated by Rosenhead (2000) they either “breakdown in disorder or relapse into equilibrium”. The picture that emerges therefore is one of culture change taking place by moving from order states to the edge of chaos where new patterns of values beliefs and related cultural attributes emerge. An attempt can then be made to facilitate the development of emergent cultural attributes and associated behaviour patterns that support the institution’s operational activities. Snowden (2005: 52) describes a similar process for breaking entrained thinking in order to facilitate innovation.

From the above discussion it will have become clear that a complexity theory perspective assumes that culture is emergent in nature and as such cannot be intentionally managed to engender a specific desired culture within an institution. This has very significant implications when seen within a context of having to compete in a dynamic global services economy where change is the norm rather than the exception to the rule. The dynamics of the marketplace is one of extensive

interaction between a host of entities and people involved and the notion of fractals assists in providing an alternative perspective on culture formation and change within such a context.

## **THE GLOBAL SERVICES ECONOMY: A STRATEGIC PERSPECTIVE**

“The Forum traced the evolution of the services economy, particularly in knowledge-based areas, and examined how it affects business and society. With manufacturing slipping to less than 20% of GDP and the role of services rising to more than 70% in some OECD countries, services are seen as playing a principle role in economies”

Organisation for Economic Co-operation and Development (2005:3)

As may be determined from the above quotation services are increasingly becoming a major component of many countries economy. From the introduction to this paper it would appear that nearly 80% of the United States economic activity relates to services and in terms of the OECD African economic outlook it forms 66.4% of the South African GDP (OECD 2007:489). While the service sector accounts for most of the world's economic activity, Spohrer, Maglio, Bailey & Daniel Gruhl (2007:71) claim that it is the least studied part of the economy. This needs to be seen in the context that South Africa's national market is far too small to serve as a basis for sustainable economic growth and it is therefore deemed essential that the country gains a significant share of the action in global markets, which it would appear are services orientated. South Africa will thus be competing with the rest of the world in order to gain a share of the action and while South Africa has maintained its place among the top-50 most competitive economies of the world it has, however, slipped from the 42<sup>nd</sup> position it held in 2005 to 45<sup>th</sup> position in the 2006-2007 World Economic Forum Global Competitive Index. Clearly this trend does not bode well for the future and needs to be turned around. It is therefore contended that the country and its enterprises need to strategically adapt to the challenges presented by the transition to a global services economy. The last decade has been one of major changes in the social, political and economic landscape of South Africa, but the global market place has not been waiting for South Africa to catch-up and has also seen some significant changes. Davenport et al., (2006:19, 20) identify the fundamental change as one “from an industrial, good-centred to an innovation, service centred logic” that draws on ICT advances that enable universal access to knowledge that was previously dispersed and difficult to reach.

One of the most important characteristics of the global services economy is, as noted in the introduction to this paper, the convergence of electronic technologies enabling world-wide collaboration, interaction and information sharing. It in effect constitutes a need for changing the “the way we do things around here” and consequently the culture of South African institutions will need to adapt to the realities associated with innovation and collaboration deemed to be important imperatives for gaining a share of the global services economy. Trevor Manuel (2006) made the following statement that embodies important realities, as it relates to South African economic growth in a global services marketplace, namely “The knowledge base of the population, the technology that workers are able to use, the systems around which production is organised, the innovation potential of a workforce and the means of communication between agents in the economy are all key factors that drive long run economic growth”. Implied is the need for a strategy, supported by a culture that focuses on innovation and cooperative interaction in order to gain a competitive advantage in the global market place. It is, however, a dynamic evolving marketplace characterised by extensive networks of interaction, negotiations and discussions, that is hardly static in nature and that in this sense reflects the previously discussed complex state of bounded instability.

Business institutions, as living systems that strive to survive and succeed in competitive environments, according to Davenport et al. (2006:115-116), have beliefs, views, assumptions, understandings and principles, often referred to as mental models, that challenge the status quo and serve as a means for interpreting and functioning within states of bounded instability. Peltoniemi (2006:10), citing Lewin, draws an analogy between biology and the business world, suggesting that institutions, like biological organisms, operate within a rich network of interactions, forming the local and global economy. Within such a context the interactions will tend to be self-organising and the outcomes will essentially be emergent and thus unpredictable in nature. Peltoniemi (2006:10) confirms that business ecosystems are dynamic systems where the business institutions co-evolve through a process of interaction and in this sense have an effect on each other. Implied therefore is the contention that co-evolution takes place between the institution and the global services marketplace that inherently constitutes a large number of role players, many of which function in a mode where in instances they compete and in other cooperate to gain a competitive advantage in the marketplace. There is no predominant centralised entity that controls or regulates this marketplace and the entities interacting within these contexts each have their own innovative strategy that collectively interrelate and influence the nature of the marketplace that evolves. Seen within this line of reasoning, Peltoniemi’s (2006:17) statement that “emergence and

self-organization are products of decentralised decision making in a sense that the system is more than the sum of its parts” implies that within an integrated global marketplace or economic ecosystem framework any number or variations of innovative service opportunities or constraints could materialise and predicting these with limited information constraints would be attempting the near impossible. At best the emergent patterns can be identified by means of narrative discovery techniques.

From the above discussion it may be concluded that the interactive dynamics between all the entities within the flat-world economy tends to be very complex in nature and generally give rise to outcomes that are random and are hardly ever repeated in exactly the same pattern. From a strategic management perspective it is the contextual volatility and unpredictable that are experienced in the global marketplace that tend to invalidate traditional practices that evolved in contexts of reasonable stability. One cannot therefore use traditional theory to inform strategic management practice for navigating the uncharted and turbulent waters of the services economy ecosystem. Competing at the edge of bounded instability, it is suggested by Brown & Eisenhart (1998:7, 45), contrasts with strategic approaches that assume clear boundaries, predictable competition or knowable futures. It entails innovative improvisation and relying on limited structure with intense real-time communication allowing people to engage in complex adaptive behaviour (Brown & Eisenhart, 1998:45). The underlying insights behind competing on the edge, Brown & Eisenhart (1998:7) claim, is that strategy is the result of an institution’s organizing to change constantly and letting a semi-coherent strategic direction emerge. In strategic terms this is often referred to as “flexibility”.

Doctorow (in Day & Schoemaker 2004:127) makes use of a metaphor of driving through a fog that aptly depicts emergent strategy. It suggests that one can only see as far as your headlights, but that you can make the whole trip that way. The notion of limited short range visibility with a sense of feeling your way through the fog of contextual uncertainty equates with strategic management in competing at the edge. The world beyond their immediate vision remains elusive and emergent, just like the periphery of the moving headlights (Day & Schoemaker 2004:127). It is at the periphery of complex states where the interaction of diverse networked role player negotiations, discussion and debates take place that the weak signals of pending new patterns emerge and the headlights in effect constitute business intelligence for detecting these emergent patterns. Day & Schoemaker (2004:127) stress that “in addition to failing to see competitive threats from the periphery, companies also can make serious mistakes by failing to fully appreciate actions or reactions at the periphery. Shell’s inability to appreciate the environmental protests on its periphery led to the now infamous Brent-Spar fiasco in the North Sea.” Implied therefore is not

only the difficulty relating to the detection of disruptive events, but also the sense making difficulties associated therewith. Disruptive emergent technologies in particular have a tendency to emerge at the edge of bounded stability. Innovation plays a key role in the services economy and it is here where innovative changes in business models, processes and technology collectively have a habit of disrupting the services marketplace status quo and emergent strategy may be seen as constituting a “just in time” response or means for dealing with the detected discontinuities in conventional trends.

The notion of emergent strategy is often seen as being a reality, as institutions experience difficulty in aligning to an environmental context that exhibit patterns of unexpected changes. Mertzberg (1994:24) describes it as a realized pattern that was not expressly intended, where actions converge into some sort of consistency pattern. The question posed then relates to how emergent patterns that shape the future may be identified in practice to facilitate the emergent strategy (Weeks 2007:28). An answer may be in capturing the narratives that stem from open-ended discussions between participants involved in conversations relating to issues they deem to be important and clustering these narratives could result in the emergence of themes or patterns that serve as strategic determinants in the emergent strategic process (Weeks 2007:28). Described is a very participative process that involves employees in the front lines of interaction with suppliers, interest groups, clients and competitors. This assumes a participative culture, one where employees are able to interact and are empowered to become involved in the conversations relating to the strategy that emerges. Trust and tolerance of failure would be deemed to be an important characteristic of such a culture. The logic of hierarchical strategy formulation is in effect challenged in nature and in application by such an approach and traditional strategic management theory becomes inadequate for dealing with the disruptive realities of an emergent services dominated global marketplace where innovation and creativity are key competitive strategic determinants.

Managers and employees need to assume a far more conscious strategic sense-making role in relation to detecting and responding to changing client needs and expectations as well as competitor and other related activities that can impact on the institution. Assumed therefore is a need to move to a more conscious participative sense-making mode, to make sense of new experiences encountered, by sharing these with others (Belogun 2006:31; Day & Schoemaker 2004:137). These everyday networks of exchanges of information and sense-making social interactions take place both on a formal and informal basis. The latter in particular may well constitute casual discussions, stories, hearsay, gossip and rumours (Belogun 2006:31) which collectively may well provide early warning signs of changing client service needs,



changes in competitor strategies, the introduction of new innovative technologies and similar emergent trends or patterns that could disrupt the status quo within the ecology of the services market-place. The collective insights and interpretations that emerge from the sense-making discussions are without doubt a valuable strategic resource that more often than is lost in traditional strategic management practices.

The IBM Corporation has come to realise the strategic value of worldwide conversations for identifying emergent patterns at the intersection of technology, business and society. In 2004 it launched the Global Innovation Outlook (GIO) initiative to engage the world's foremost strategic thinkers and thought leaders in a series of open ended candid discussions in relation to the important issues confronting communities across the globe. The discussions were multidisciplinary as the issues concerned tended to be complex in nature, thereby requiring a diverse mix of skills, expertise and experience in an exploration for innovative insights for dealing therewith. The 2005 GIO 2 initiative for instance involved 248 thought leaders from across the world, representing 178 organisations, gathered together on four continents to discuss emerging trends, challenges and opportunities that affect business and society (IBM 2006:3). The broad ecosystems of expertise from diverse backgrounds, cultures, and experiential learning provided the intellectual diversity and energy required for innovative sense-making.

A fundamental difficulty encountered in practice in dealing with strategy on an emergent basis relates to sense-making of the tsunami of information that emerges on a day-to-day basis and which holds the potential to engulf both executives and managers alike. Within the global services economy there is constant innovative activity and consequently new information emerging at the edge of visibility within the fog of contextual uncertainty. Day & Schoemaker (2004:137) suggest that to improve interpretation of the information acquired the organization needs to develop appropriate internal channels for the sharing and interpreting of information, which is similar in nature to the IBM approach referred to above. This approach assumes that the people involved have acquired the appropriate skills required and that the technology for supporting the interaction is available to the employees concerned. The culture of the institution also needs to support such an interactive sense-making process as previously alluded to. Day & Schoemaker (2004:137), however caution that: "as more resources are devoted to scanning the periphery, information overload can become a serious problem. The ensuing confusion, combined with the actual out-of-pocket cost of canvassing the periphery, will cause diminishing marginal return to any additional resource allocation and eventually a point of reduced benefits. At that point, no additional resources should be expanded to studying the periphery until the organisation's capacity to handle the new information supply is improved".

Clearly, this is an important factor of consideration that needs to be taken seriously in dealing with an emergent services strategy. The difficulties associated with information collection, interpretation and sense making, strategy adaptation and implementation on a “just in time” basis, while still having to attend to the day-to-day management and operational activities of the institution, is very pertinent. It cuts across established strategic management practice that more often than not is far more directed at stabilizing an intuition within turbulent contexts. Again the importance of the need for a culture supporting emergent strategic processes is seen as being of critical concern.

Many business institutions have put in place business or competitive intelligence information systems in order to deal with the information needs of strategy. In researching obstacles to effective strategy implementation Hrebiniak (2006:13) concludes that the scientific management paradigm of sequential strategy formulation and implementation as distinct separate functional entities is still quite prevalent and leads to significant difficulties. Add to this the fact that services entail a collection of related value streams, each embodying an ongoing global competitive and business intelligence review and the difficulties associated with emergent strategy as an interdependent adaptive process becomes apparent. The processes involved are not in effect separate in nature but coexisting and are interrelated entities. Traditional strategic management thinking, as a cultural constraint in dealing with emergent strategy therefore again assumes relevance in this regard. One of the key characteristics of the global services economy is that, as stressed by Martin (1995:48), “things happen fast” and windows of opportunity that emerge need to be acted on within relatively short periods of time. The same applies for treats that emerge at the edge of stability. Snowden & Boone (2007:71) stress that within complex contexts, such as the services economy, executives and managers need to “stay connected” to what is happening in order to recognize contextual changes. This it is suggested implies a need for communication channels that allows dissenters to provide early warning signs associated with complacency.

The identification of emergent patterns within the global services market place needs to be factored into the institution’s strategic response where relevant. Snowden & Boone (2007:74) contend that instead of attempting to impose a course of action, leaders must patiently allow the path forward to reveal itself. They use the example of the Apollo 13 situation and the crises experienced by the astronauts as an example. None of the experts called in had an answer for the problem that had emerged and they had to let a solution manifest itself through innovative and creative experimentation utilizing the restricted materials available. Essential in developing and implementing a strategic response is the need to view the emergent issue or

pattern from different perspectives and realizing that an apparent response in implementation may reveal unexpected outcomes that in turn would need to be dealt with on an emergent basis. Of primary concern to Snowden & Boone (2007:74) is the temptation that exists for management to fall back into a traditional command-and-control management mindset directed at fail-safe business plans with defined outcomes, without realizing that complex contexts require a more experimental mode of management. It reflects processes of feeling their way through the fog of uncertainty.

## CONCLUSION

The central tenet emerging from the discussion is that emergent strategy, in dealing with the mess of the flat world service economy, entails the need for a culture that supports complex adaptive systems. Seen in the context of complexity theory it is not a culture which can be intentionally managed and therefore stands in contrast to the traditional scientific management perspective of culture management, directed at ensuring that culture supports the strategy to be implemented. The contention that the global services economy is characteristic of complex states implies that strategy, as an emergent process, incorporates a need for multi-perspective discussions and creative alternatives derived from experimentation in response to perceived emergent patterns of opportunity and potential negative strategic patterns that may impact on the institution's activities.

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