UNDERSTANDING STRATEGY THROUGH NARRATIVE AND COMPLEXITY THEORY

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ABSTRACT

Whilst a wide body of literature exists on organisational strategy formulation and implementation, it remains not well understood how a responsive strategy evolves and communicated to counteract dynamic market processes. This thesis, at the micro level, shall, through the lens of the theories of Narrative and Complexity, investigate the appropriation of these theoretical domains towards a greater understanding of strategy, both in communicating and implementing it, which is lacking across the strategy and organisational literature.

The conceptual framework reviews the duality of the macro and microelements of strategy to illustrate a more storied, meaningful strategic discourse model for the practicing manager. To this end, this thesis has taken Complexity Theory adopted by Goodwin, Kaufmann and Stacey as well as Narrative Theory through the interpretation of Ricoeur to analysis the self-organising and social interaction aspects of the organisation. From the macro or Market Process perspective, this study has drawn on the teachings of the School of Austrian Economics to better understand the dynamic market processes and discovery of entrepreneurial innovation within the hotel industry.

The proposed methodology and research process uses Ethnography. This participative enquiry involves issued-focussed interviews to identify factors seen to optimise strategic capabilities and to describe the effect of these factors.

Finally, it aims to generate a strategy development framework, principally for hotels, but equally applicable for other industries and organisations to develop the resonances being advocated by Complexity Theory and Narrative awareness.
ACKNOWLEDGMENTS

I would like to thank Dr. Geoffrey Drummond for guiding me on the domains of Narrative and Complexity Theory. This researcher has accumulated an unique insight on how best to understand the interactive properties of Narrative Theory and thus formulate a more refined thinking in the development of a new conceptual framework. With this in mind, I believe that I have been armed with an excellent grasp of critical thought on emergent strategy development as a process of perpetual forming and re-forming themes and stories. In particular the advice of my industry supervisor, Paul Gibson, has been quite insightful, who at times attempted to elucidate a clearer thinking on the conceptual model.

As I consistently wrestled with my own articulation and narrative presentation of seemingly endless variations of apparently identical and conflicting themes, I was always to rely on my wife and life partner Barbara Kündig for her profound, realistic grounding which only she is able to bring forth. It is to her that I dedicate this gratifying scholastic attempt to add my own verse to the vast body of research. Finally to those whom have gone before me and enriched me with such insightful and wondrous works, without which I would not have been able to crystallise my own interpretation of research, I am in your debt and gratitude.
CANDIDATE DECLARATION

Melbourne, 8\textsuperscript{th} December 2008

I, John G. Ortner, student ID 214 2902, declare that this thesis to the best of my knowledge contains no material previously published or written by another person except where due reference is made on the text of the examinable outcome.

John G. Ortner
Student ID 214-2902
PART I – THEORETICAL PERSPECTIVE
Chapter 1 - Introduction

Aims, Research Questions and Structure of the Thesis

The purpose of this research is to extend theory in strategy, which historically has been largely formulated from a linear/functionalist/pragmatic perspective. This is achieved through Narrative Theory\(^1\) as the overarching domain of action and Complexity Theory\(^2\) as the basis for a new organisational theory. Strengthening the model further through the realisation placed on the importance to explain emergent market dynamics\(^3\); the study has also incorporated the interpretive approach of the Austrian School of Economics to collaborate the research findings at the industry level.

The conceptual model aims to demonstrate ways to which strategy is subject to contingencies and that a more efficacious approach is achieved through Complexity Theory and Narrative. It is expected that a major outcome will be the development of a conceptual framework, which could constitute processes for a new approach to narrating strategic discourse.

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\(^2\) It is important to note that Complexity Theory is more akin to a broader terminology of loosely related concepts rather a clearly defined theory. This thesis adopts the views of B. Goodwin (1994, 2000), S. A. Kauffman (1995) and R. Stacey (1996, 2000 & 2003) who are recognised proponents of Complex Adaptive Systems Theory. This strand of thinking promotes centrality of self organisation as well as the importance of interface between a network and its context to create new emergent forms that are radically unpredictable. Whilst it is generally accepted that most complexity theorists address the significance of self-organisation, the nature of emergence and the importance of unpredictability, it is orthodox view of locating agency with individuals with cognitive assumptions which inhibits truly novel processes to emerge. For the purpose of thesis, this thesis uses Complexity Theory and CAS interchangeably.

\(^3\) Market Process Theory is core to Austrian School of Economics and used interchangeably through this study. It explains how knowledge is communicated to different individuals, how innovation is encouraged, how entrepreneurs satisfy consumer demand and how change arises from within the market. It is argued that neoclassical equilibrium models of market structure cannot explain these phenomena. From this perspective, the market is an evolutionary process and not a static equilibrium. Change is constant and desirable to promote continuous innovation. See Ikeda, S. (1990) ‘Market process theory and ‘dynamic’ theories of the market’, *Southern Economic Journal*, 57 (1), pp. 75-92 as well as Boettke, P., Horowitz, S. and Prychitko, D. (1986) ‘Beyond equilibrium economics’, *Market Process*, 4 (2), pp. 9-20.
Whilst this study is essentially an organsational study to enable a more responsive strategy, the exclusion of the industry competitiveness would have rendered it one-dimensional. This thesis draws extensively on Austrian Economics,\(^4\) with its emphasis on individualism and processes, rather than predicable outcomes.\(^5\) Thus in turn, extends the effectiveness of Complexity Theory and Narrative as applied to the Hospitality Industry. It is hoped to provide a more sophisticated theory of strategy at the \textit{micro} (organisation) as well as the \textit{macro} (industry) levels. The theoretical framework presented shall aid a more meaningful understanding of emergent strategy development as well as demonstrating ways to increase narrative discourse throughout the organisation.

The proposed methodology and research process uses Ethnography,\(^6\) which is ontologically based and attempts to undertake research \textit{with} individuals rather than \textit{on} them. This participative enquiry involves issued-focussed interviews with key management and employees to identify factors seen to optimise strategic capabilities and to describe the effect of these factors. The research data is subjected to an inductive thematic analysis.\(^7\) The management narrative draws on the multiple aspects of thematic analysis and represents an act of co-construction between the many stories.

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\(^4\) The Austrian School of Economics is a strain of economic thought that advocates adherence to strict \textit{methodological individualism}, \textit{human action} and a reliance on an \textit{interpretive approach} to explain emergent market dynamics. This is in contrast to the neo-classical theory where mathematical modelling and economical laws are used to validate and explain economic phenomena. Austrian Economics place particular emphasis on the unexplained industry creative forces leading to the discovery of new productivity processes. Leading proponents of this school are Friedrich von Wieser, Ludwig von Mises, Friedrich Hayek and Israel Kirzner. As is the case with Narrative Theory, it handles Complexity, albeit at the industry level, with relative ease to explain novel processes of emergence and how organisations may elect to harness the inevitability of continuous emerging change. This study firmly advocates the proposition that responsiveness and the resultant adaptation should co-exist at the industry as well as the organisation level.

\(^5\) To gain a greater insight to Austrian Economics, the US-based Ludwig Mises Institute offers a comprehensive database with leading academic papers, articles and explanations spanning 50 years of Austrian thought in economics. \url{http://www.mises.org/}


Finally, it aims to generate a development framework, principally for hotels, but equally applicable for other industries and organisations so in order to develop the resonances being advocated by Complexity Theory and Narrative awareness.

The significance of this investigation is expected to provide insights into the strategic planning framework necessary for the Australian Hotel Industry but not exclusively. The development of a dynamic narrative model offers substantial benefits for practising hospitality managers. The study is also expected to identify major elements, which optimise an organisation’s ability to develop a greater understanding of the narrative application to emergent strategy.

For complexity and narrative theorists alike change is continuous, ubiquitous and evolving. Shaw argues that ‘this change perspective argues that change can’t be predetermined, measured nor altered structurally; rather it advocates that making sense of the experience of being in the midst of change will facilitate organisational participation,’ which contravenes the dominant view that presumes clarity of foresight and hindsight.

The current professional field of strategic management is largely based on the Theory of Strategy Choice. Stacey argues that it adopts the view that

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10 Shaw, P (2003), ibid, p. 22

organisations change in ways that are chosen by senior management or those vested with strategic planning. Stacey\textsuperscript{13} argues ‘the organisation moves in intentions formed in advance of the actual event by such individuals’.\textsuperscript{14} Shaw\textsuperscript{15} argues that any change is intentional and in the bid to reduce uncertainty, strategy is a plan of design, analysis and fit. Stacey\textsuperscript{16} argues ‘it advocates the notion of change as a variable representing rational inquiry to guide the processes of communication and organisation’.\textsuperscript{17} To this effect, the change agent advocates a planned and sustained approach to control organisational processes, using reflexive, self-analytic methods subscribing to one of rational constructivism.\textsuperscript{18}

This thesis proposes an alternate view similar to Narrative and Complexity perspectives. It advocates that we live in a world of perpetual transformation, where change cannot necessarily be managed and the outcomes of a change process are largely unpredictable. This contradicts the current understanding of change as of ‘punctuated restabilisations’,\textsuperscript{19} of a desired future, which has been mapped out by designated individuals in power of groups. Whilst the prime question rests on the notion how to understand business strategy through the linking of Narrative, Complexity Theory and emergence, eight key research questions are posited:

\textsuperscript{13} Stacey, R. D. (2000) Ibid.
\textsuperscript{14} Stacey, R. D. (2000) ibid, p. 76.
\textsuperscript{15} Shaw, P. (2003) ibid
\textsuperscript{17} Stacey, R. D. (2000) ibid, p. 65.
\textsuperscript{19} First coined by Ralph Stacey in 2000, the notion of punctuated restabilisations is core to the complexity question. This author argues that strategy may in fact be a continuum of continuous, unrelated events that may indeed guide the organisation into unknown directions without any apparent cause and effect. The application of irrationality beckons; as opposed to a linear, rational approach, as the optimum solution to strategy formulation. See Stacey, R. D., Griffin, D. and Shaw, P. (2000) *Complexity and Management: Fad or Radical Challenge to Systems Thinking*, Routledge; London.
I. The Research Prime Question: What New Understanding Emerges from the Linking of Narrative and Complexity to bear on Strategy?

II. How do we understand Business Strategy?
  • The exploration begins with a standard understanding of strategy as explained in the standard textbook.

III. How do we understand Strategy in Hospitality?
  • Essentially the standard textbook understanding is applied to the hospitality industry.

IV. How do we understand Strategy in Hospitality in a rapidly changing environment?
  • Introducing the concept of urgency that is responsive in a high flux environment such as hospitality.

V. How do we understand Complexity and Narrative?
  • It will be demonstrated that linearity gives way to complexity and exploration will be made of the current strategy theory as the prime objective.

VI. How do we understand Emergence and Narrative?
  • The exploration to determine whether emergence is the result/outcome of complexity.

VII. How do we link Narrative, Complexity and Emergence?
  • This will give rise to new theorising for strategy through a conceptual framework based on Narrative.

VIII. What are the Implications for Business Practice?
  • Alternative recommendations will be made for management practice in the hotel industry.
Theoretical Perspective: Narrative as the Meta Domain

Recent developments in contemporary management literature have now afforded the field of organisation and management theory significantly greater stimulus to facilitate a more holistic understanding of the cognitive and subjective processes of strategic discourse. The shift is from a position of design, fit, and causality\(^\text{20}\) (where a pre-conceived, given reality leads to prediction for purposes of control) to an alternative language of co-constructing a participative perspective of human interaction for practicing managers.\(^\text{21}\) This continues to hold currency in the literature through authors such as Mintzberg, Stacey, Senge and Boje.\(^\text{22}\) These scholars argue that humans are consistently re-framing their actions in interaction with others within their respective groups or organisations and thus jointly co-create ‘perceived’ realities through themes or stories, leading to consistently reshaping collective views through the processes of perpetual interaction of themes.

Using Narrative Theory\(^\text{23}\) as the meta-domain, it is argued to combine it Complex Adaptive Systems and Austrian Economics.\(^\text{24}\) The framework provides a greater


\(^{21}\) As mentioned earlier, this study rests on the extensive work of Ricoeur. To gain a good overview of Narrative Theory as well an excellent interpretation of Ricoeur is summed by Drummond, G. (1996) *Understanding Organisational Culture, Leadership, Conflict and Change*, unpublished PhD thesis, Swinburne University; Melbourne.


\(^{24}\) Reaching back to the 1920's, Austrian Economics has emphasized innovation, entrepreneurship and discovery as prime questions. For further reading seen Schumpeter, J. (1939) *Business Cycles: A Theoretical, Historical and Statistical Analysis of The
understanding of the inherent complexities of the macro/micro environments from which business planning process derives its stimulus.

As Narrative is the overarching theoretical position for this thesis, this study will explain how the stories of individuals create strategies by which organisations compete. Furthermore, the centrality of Narrative as a basis for action makes it ideal for strategy-setting, implementing strategy or implementing processes of change.

Drummond\(^{25}\) argues that the premise of narrative is a call to action which is particularly sensitive to the temporal dimension of the individual’s own actions, the actions of others and chance happenings, which then appear as meaningful contributions, positive as well as negative, towards the realisation of the storied strategies.\(^{26}\)

In particular, it will be argued that Narrative has the capacity to illustrate strategy as a form of fiction\(^{27}\) and provide practitioners with an additional interpretive lens.\(^{28}\) Whilst Narrative Theory has been used in other organisational areas Narrative is inherently applicable to the composite dualities of planning and implementing strategy. It will be further demonstrated that only temporal patterns of the same story need to be contextualised to the organisational dynamics. Boje argues that ‘story telling is the preferred sensemaking currency of human


relationships among internal and external stakeholders’, then surely as Barry and Elmes argue that ‘strategy must rank as one of the most prominent, influential, and costly stories told in organisations’. Amongst its various attractions as an approach for studying Strategy, Narrative emphasises the simultaneous presence of multiple, interlinked realities, and is thus well positioned to capture diversity and complexity present in strategic discourse.

Narrative highlights the discursive, social nature of the strategy process, linking it more to a cultural and historical context compared with other schools of strategy such as the Planning, Design or the Configuration models. Furthermore, Barry and Elmes argue the contention that a narrative approach can make the intrinsic organisational politics of strategy more visible. They ask: Who gets to write and read strategy? How are reading and writing linked to power? Who is marginalised in the writing/reading process?” For the manager, the narrativist posture can encourage people to explore strategic issues through a deeper sense of meaning and purpose than can be achieved through, for example, financial modelling.

Barry and Elmes argues that given that definitional work often “constitutes a primary dynamic within literary circles, it is not surprising that there has been much debate over just what a narrative means – for example, do poems and screenplays count?” Some theorists adopt a “structuralist” view in which order

30 Barry and Elmes, (1997), Ibid, p. 430
31 Barry and Elmes, 1997, p. 432
32 Barry and Elmes, 1997, p. 434
and continuity are stressed. For example, Robert Scholes\textsuperscript{36} defined narrative as “the symbolic presentation of a sequence of events connected by subject matter and related by time”. \textsuperscript{37} Others have shifted towards a “communication” perspective, where readership and interpretation are as important as structure or authorship. \textsuperscript{38} Barry and Elmes\textsuperscript{39} argue an interpretation of narrative as “\textit{thematic, sequenced accounts that convene meaning from an implied author to an implied reader}”. Within this perspective, Polkinghorne\textsuperscript{40} argue:

Narrative is a form of “meaning making.” Narrative recognises the meaningfulness of individual experiences by noting how they function as parts of the whole. Its particular subject matter is human actions and events that affect human beings, which configures into wholes according to the roles these actions and events play in bringing about a conclusion… The narrative scheme serves as a lens through which the apparently independent and disconnected elements of existence are seen as related parts of a whole.\textsuperscript{41}

Drummond\textsuperscript{42} argues that as opposed to other approaches, ‘Narrative Theory argues subjective, heterogeneous interpretations of texts as the norm; different readers are assumed to \textit{get it} differently, depending on their history, values, or power relations’. Accordingly, we consider our discussion of strategy simply one of many possible interpretations, one fashioned not as testable truth but rather a formed view that opens up new trains of thought. Hence, strategy can be examined as a narrative process, one in which stories about direction are appropriated, discounted, championed, and defended. Thus in the sections that follow, the study meld considerations of strategies and strategising. First, this

\begin{flushright}
\textsuperscript{41} Polkinghorne, 1988, p. 36
\textsuperscript{42} Drummond, G. (1996) ibid, p. 84
\end{flushright}
thesis will identify strategy as a particular narrative. Then using a thematic analytic scheme proposed from Boje, the study will examine some of the strategic discourse issues arising from the data within the researched company. Finally, by way of synthetising narrative scenarios, consideration is given to future narrative possibilities in the light of emerging post-modern organisational literature.

This study is composed of three parts. In Part 1, a rationale is presented on for the adoption of Narrative Theory and Complexity Theory for this thesis. Drummond argued ‘that narrative is central to all human endeavour and importantly that there is dynamic connection between narratives and the action of individuals whether these narratives are held consciously or out of the individual’s awareness’. He goes onto to argue ‘that by adopting a narrative approach we are able to go beyond the dichotomies of subjectivism and objectivism’ and to theorise about the relation between strategy formulation and implementation that is central to this study. Instrumentalist approaches tend to be reductionist rather that the holistic. Furthermore, Drummond argues that ‘the holistic nature of the narrative enables us to deal with what is unique in organisational situations rather than what is general or universal’. To argue this theoretical position the work of Polkinghorne, Goodwin as well as Stacey is central for their relevance to Narrative and Complexity Theories. Furthermore, as Stacey’s complexity position does not take account of ‘rivalrious market

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43 Using this well-established qualitative analysis, Boje argues that themative analysis allows the researcher to understand and co-construct the in-between themes and patterns in complex systems such as organisations. For a more detailed understanding of narrative methods see Boje, D. M. (2001) *Narrative Methods for Organizational & Communication Research*, Sage: Thousand Oaks, p. 122-127.

44 Drummond, G. (1996) ibid, p. 44

45 Drummond, G. (1996) ibid

46 Drummond, G. (1996) ibid p. 46
processes”\textsuperscript{47} (the macro) nor explain the emergence of innovation within industry. Austrian Economics literature\textsuperscript{48} has been appropriated to illustrate the complexities of market processes.

Attention is directed to some aspects of the work of Ricoeur, Polkinghorne (Narrative), Kaufmann (Complexity) and Schumpeter (Market Process Theory). It is argued that while each theory has certain strengths with regard to and in answering the research question, they also have individual limitations, which can be overcome by amalgamating Narrative, Complexity and Austrian Economics. Specifically, Stacey’s emphasis on Complexity stands to gain from Market Process Theory, and the Austrian view is strengthened by the inclusion of Narrative Theory. Complexity and Market Process are theories of interaction and with Narrative’s action orientation; together they have powerful explanatory value to the relationship between industry, strategy and emergence.

The relationship between the three theories has received little attention in the strategy literature. An opportunity therefore exists to extend theory by combing Narrative Theory and Complexity Theory and thereby demonstrate their combined usefulness for the professional manager.

The design of the study is presented and attention is given to the topic of “self in research”\textsuperscript{49}, that as researchers in ethnographic qualitative methodologies we

\textsuperscript{47} Entrepreneurship and innovation are key concepts in Austrian Theory of the Market Process. The term \textit{rivalrous market processes} is designed to accentuate the importance of entrepreneurial discovery to promote new unknown market processes. Kirzner adopted this thinking in the early 1970's. See Kirzner, I. (1985) \textit{Discovery and the Capitalist Process}, University of Chicago Press: Chicago

\textsuperscript{48} See Von Hayek, F. (1948) \textit{Individualism and Economic Order} or Schumpeter, J. (1942) \textit{Capitalism, Socialism and Democracy}, Harvard Press: Boston. It was in this book that Schumpeter laid the foundation for the notion of entrepreneurship by arguing that companies can only compete through the \textit{a process of Creative Destruction} to ensure innovation in the industry is being maintained. This economic thought remains relevant to this day.

enter into a relationship with those being studied. Finally, attention is paid to thematic analysis, which has been deemed more appropriate to a narrative based method.\textsuperscript{50}

In Part 2, a coherent narrative is presented, constructed from issue-focussed interviews with the participants. A history of the company is presented along with the socio-political context. As a construction, the narrative presents what might be thought of as a construction based on facts, interpretations and actions.

In Part 3, the theory extension is then applied to analyse sections of the narrative in Part 2. The use of the combined theories in this way enables us to demonstrate the coherences or the relationships between strategy, complexity and narrative.

\textbf{An Overview of the Australian Hotel Industry}

The Australian tourism industry reached $9.9 billion employing 95,000 people in 2007. Hotels play an important role in travel accommodation sales, although, self-catering apartments and hostels have shown increasing market share due to a dramatic increase in the demand for holiday leisure travel and backpackers.

Supply still exceeds demand in the Australian hotel industry, with room occupancy rates at about 65.1\% for hotels, and 65.6\% for serviced apartments in 2007.\textsuperscript{51} Total revenue for the hotel sector has increased from $1.7 billion in June 2006 to over $2 billion in June 2008.\textsuperscript{52}


\textsuperscript{52} ABS, Accommodation June 2008 - \url{http://www.abs.gov.au/ausstats/abs@.nsf/mf/8635.0}
The hotel industry has increased its revenue base from ranks 115th of 496 Australian industries by industry turnover. Its life cycle is in a decline phase, which means that the industry is generally growing at a slower rate than the economy.53 This is in part due to conversion of apartment buildings to serviced apartment hotels which has increased competition greatly. The adoption of new technologies in the hotel industry is generally acknowledged as low to medium. Is still relies heavily on enhancing service procedures to gain any competitive advantage. The industry's globalisation level is medium and the trend is increasing, particularly in the resort area. The industry has a high level of export, which means exports generate more than 25% of the industry's turnover.

The industry has a low level of imports, which means imports generate less than 5% of the industry's domestic demand.54 The trend for exports and imports is increasing. The level of regulation is light and steady and government assistance is low and steady. The industry is forecast to have a strong average annualised growth rate up to 2008. The serviced apartment sector continues to outperform the hotels and resorts sector registering over 17% increase in capacity since 2001.55

As part of this research project, the researcher chose one hotel group, Hotel Management Company I, as the basis for the study. Hotel Management Company I, is a hotel management company, with 16 properties under management in

Australia, with one in China and one in Thailand. All properties under hotel management are strata-titled,\textsuperscript{56} offering a guaranteed income to the investors throughout the life of the respective leases. The properties range from all-suite hotels to resorts and serviced apartments. The serviced apartment sector is relevant to this study given the complex management of both operations as well as investor relations, which is uncommon in the hotel industry.

The hotel management group operates within the serviced apartment sector and serviced apartments are defined as comprised of self-contained units which are available on a unit/apartment basis to the general public for a minimum of one night. The units all have full cooking facilities (i.e. hot plates and oven/microwave), refrigerator and a bath/shower and other facilities, all bed linen and towels are supplied and daily servicing (cleaning and bed making) is available through the on-site management, but these services may not necessarily be used by the individual owners.

We now turn to the literature review. The aim is to start our discussion on functionalist strategy, which lays the foundation to understand strategy as it is practised in the present. The study goes onto to explore alternative developments as well as insights into emergent strategy.

\textsuperscript{56} Strata-titled hotels are owned by the individual apartment owners and by contract leased backed to the hotel management company for rent to the general public. Each hotel can have a large number of owners rendering the management of such properties complex.
A Review of Strategic Management

Strategy in the management and organisational literature is conducted from the interventive, rationalist view. It is argued by several leading scholars\(^{57}\) that the agent of change will act as the autonomous individual who designs a rational planning process to achieve a pre-conceived goal for the organisation.

With the emerging dominance of US-based organisations in the 2\(^{nd}\) half of the 20\(^{th}\) century, the establishment of strategic management as a separate management discipline became more prevalent. Academic articles advocating a planning and design approach started to emerge.\(^{58}\) Bracker\(^{59}\) argued that Von Neumann and Morgenstern\(^{60}\) were the first to relate the concept of strategy to business through their theory of games. Bracker\(^{61}\) argued that the organisations since the 1950’s needed a concept of strategy to compete in a more rapidly changing and competitive environment.\(^{62}\)

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\(^{57}\) Both in the economic and organisational perspectives of strategy; the rational linear approach prevails. Strongly influenced by Cognitive Theory as well as Neoclassical Economics, strategy is seen as being set mainly by managers to determine a supposedly known future. Key theorists across both disciplines include Schein, E. (1988), Porter, M. (1980), Senge, P (1990), Argyris, C. (1985). The notable exception is Mintzberg who has challenged the strategic planning process as flawed since the early 1980’s.


Publications such as Ansoff’s book *Corporate Strategy* in 1965 as well as several Harvard case studies in the same year by C. Christensen, added credence to the new art of strategy as a planned, designed method. Reliance on economic mathematical modelling as the basis for strategy represents the dominant model to the present day.

 Whilst many authors have defined strategy, from various perspectives, the economic perspective prevails. Hubbard’s neo-classical interpretation which was developed in the late 1990’s is representative of a perspective that has not changed since the 1950’s. He argues that:

“\[The organisation has been under-performing. Its environment is changing so that its current strategy is no longer consistent with the needs of the environment and some of its capabilities are inappropriate and insufficient for the future. Where should the organisation begin to address its under-performance?\]”

**Orthodox Perspective on Strategy Development**

Three main theories form the foundation of strategy. The first is the *Theory of Strategic Choice*. In simple terms what this theory purports is that organisations change primarily in ways that are chosen by their most powerful members. This theory advocates the making of such choices on the basis of a rational selection

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65 Ibid.

66 Hubbard, G. (2000) ibid, p.9


criteria and predicted outcomes. In various forms, Strategic Choice Theory currently dominates discussions of strategy and organisational dynamics amongst both practitioners and researchers.\textsuperscript{69} This theory is built on the foundations of cybernetic systems theory and takes a largely cognitivist view of human action. Cybernetic systems depend upon the possibility of prediction over a long enough time period at a fine enough level of detail, if they are to achieve the control that is their central concern. Cognitivist psychology assumes that individuals are autonomous and that they learn essentially through negative feedback loops. The theory emphasises the logical capacities of the individual and it is this that enables choices to be made. Richardson\textsuperscript{70} argues these are central themes that run through Strategic Choice Theory.

Strategic Choice Theory subscribes to the rational, analytic sequence of steps prescribed for the formulation of long-term strategic plans. The steps involve analysing and forecasting market development, as well as the financial and power implications of alternative action options. The result is intended to be a design to guide the development of the organisation for a reasonably long period. Furthermore, it is a template against which the actions of individual managers can be measured.\textsuperscript{71} The assumption is that if the plan has been put together skilfully enough it will go a long way to ensuring the organisation’s success. However, the plan only provides the blueprint against which action is evaluated. Success requires effective implementation.

\textsuperscript{69} The earlier quote from Hubbard reflects the process of analysis and fit. Following the earlier work of Ansoff and Porter, Hubbard expands extensively on the merits of the planned process, whilst acknowledging the intuitively attractive proposition of Complexity Theory to communicate strategy.


\textsuperscript{71} In the strategy literature this is uniformly known as \textit{strategic value analysis} and aims to place a financial value on the organisation’s strategy. Several models have been promoted by consulting companies such as McKinsey, Boston Consulting and Bain. Some of the more widely spread models are Shareholder Value, Economic Value Added (EVA) as well as the Balanced Scorecard. See Rappaport, A. (1986) \textit{Creating Shareholder Value}, Free Press: New York.; Kaplan, R. and Norton, D. (1992) “The balanced scorecard - Measures that drives performance”, \textit{Harvard Business Review}, Jan-Feb, pp. 71-79.
The second theory is *The Learning Organisation*, a subset of Systems Theory.\textsuperscript{72} Senge\textsuperscript{73} argues that an organisation evolves through the learning process that takes place within it. The theory outlines ways of thinking and behaving that are supposed to enhance this learning process. In contrast to Strategic Choice Theory, Learning Organisation Theory points to the limit of predictability in systems such as organisations. Weick\textsuperscript{74} goes on to argue that Learning Organisation Theory is based on System Dynamics and Psychological Theory as well as some elements of Humanistic Psychology. Stacy\textsuperscript{75} argues that it remains firmly within the ‘orthodox organisational perspective by relying on the cognitivist stance of the individual to adopt a chosen alternative’.

Weick and Senge\textsuperscript{76} argue that organisations are systems driven by both positive and negative feedback loops. They argue the interactions between such loops tend to produce unexpected and often counterintuitive outcomes. Morgan\textsuperscript{77} as well as Stacey\textsuperscript{78} argues that *perfect* control is not possible; however it is possible to identify leverage points where control may be exerted on non-conforming members in the organisation to meet the objectives of other, more powerful individuals.

\textsuperscript{72} First proposed by Ludwig von Bertalanffy, Systems Theory is a multi-disciplinary domain of theory that studies the structure and properties of systems in terms of relationships from which new properties of wholes emerge. The Learning Organisation is grounded in this approach. See: Von Bertalanffy, L. (1950) ‘An outline of the general systems theory’, *Philosophy of Science*, 1 (2)


\textsuperscript{74} Weick, K. (1977), Organizational design: organizations as self-organising systems*, *Organizational Dynamics*, Autumn, pp. 31-67.


\textsuperscript{76} Ibid.


Perhaps the most important loops relate to learning. Drawing on the work of Forrester, Weick and Bennis et al,\textsuperscript{79} Senge’s\textsuperscript{80} summary of this theory, Stacey\textsuperscript{81} argues that organisations ‘learn when individuals in cohesive teams trust each other enough to expose the assumptions and feedback of individual members scrutiny’ of others and then together change shared assumptions, which block change.

Although Learning Organisation Theory uses a different systems theory to Strategic Choice Theory, Stacey\textsuperscript{82} argues organisational learning theory conceptualisation of systems theory in terms of feedback loops keeps it close to cybernetics which may explain the need for organisations to engage in continuous improvement, without changing the fundamentals of the process.\textsuperscript{83} Senge\textsuperscript{84} argues that Learning Organisation Theory is built on the same psychological theories as Strategic Choice Theory where control and the primacy of the individual are central. Again, here the central theme of the controlling person, dictating organisational direction shares much with functionalist theory of strategy.

The third foundation theory of strategy is \textit{Open Systems Theory}, which employs a psychoanalytic understanding of human nature. This theory is primarily concerned with unconscious processes and neurotic forms of leadership,


\textsuperscript{83} A thorough discussion of Cybernetics goes beyond the scope of this study; however this theory is concerned with the feedback and derived concepts of communications between individuals in organisations. See Ashby, W. R. (1956) \textit{An Introduction to Cybernetic}, Meuthen: London.

demonstrating how these might impede rational choice and learning.\textsuperscript{85} It takes account of the impact on organisations of anxiety and the ways it is contained or defended. Referring to Von Bertalanffy,\textsuperscript{86} Stacey\textsuperscript{87} argued that organisations and societies are open systems. They are systems because they consist of number of component subsystems that are interrelated and interdependent on each other. They are open because they are connected to their environments of which they are a part. The key contentious issue is its inability to form new processes of knowledge creation or innovation, which would enhance an organisation’s ability to compete.

Lawrence and Lorsh\textsuperscript{88} used the conceptual approach of open systems to research the functioning of a number of large organisations. They concluded that as organisations increase in size they differentiate into parts, and the more they differentiate, the more difficult the consequent task of integration becomes. By way of extrapolation, Griffin\textsuperscript{89} argues that as the environment becomes more complex and as companies grow in size, they differentiate into functions – finance, operations, sales etc. But each part or function then faces the problem of relating to the other parts, if the company is to operate effectively.

The contributions of economic theory and its subsets, neoclassical and evolutionary,\textsuperscript{90} have had a profound on strategy formulation. In the neoclassical development of economic theory, business strategy is viewed as largely formulated from a linear/functionalist/pragmatic approach where predictions and control are pre- eminent. The neoclassical presentation of strategy assumes a

\textsuperscript{86} Von Bertalanffy, L. (1965), Ibid  
static and controlled theory. At the level of whole economies and markets, Porter argues\(^1\) strategy is understood as a variable in economic theory, which produces efficient outcomes and sustains equilibrium when in competition with other organisations. In this context, Porter\(^2\) argues strategy as a series of choices that organisations make on rational grounds in order to secure temporary market dominant positions and so maximise profits. Argenti\(^3\) argues that autonomous rational individuals select a given strategy on the basis of rational predictions and calculations in order to maximise their organisation’s profits.

A very different way of conceptualising strategy is to be found in what has come to be called Evolutionary Economics, most notable in the work of Schumpeter and Nelson & Winter.\(^4\) The authors were interested to explain why economic growth occurs, rather than simply ascribing it to an unexplained residual. Schumpeter main contribution was to place innovation (which could be viewed as the origins of an emergent strategy) inside the economic system rather than considering it as an exogenous shock to which economic systems reacted. Nelson and Winter\(^5\) argue that an economy could not be understood as an entity independent of society as a whole and that economic growth had to be explained in terms of technological dynamics as well as the role of the entrepreneur. For him, strategy was to be understood in terms of both social/organisational dynamics and individual psychology. Schumpeter distinguished between the entrepreneur who performed a role, and emergent strategy, which was the

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\(^4\) The underlying theories are based on the ‘Austrian School’ of Economics, and in particular on the work of Josef Schumpeter’s concept of ‘creative destruction’. This school of thought emphasizes the competitive processes occurring within marketplaces, not the static structure of industries. Strategy was seen as key component to a company’s competitive edge. Nelson, R. R. and Winter, S. G. (1982) *An Evolutionary Theory of Economic Change*, Harvard University Press: Boston.

\(^5\) Ibid.
outcome of entrepreneurial activity in organisations that possessed characteristics making it possible for individuals to innovate.

More recently, the primary concern of organisational strategy research has been how organisations should strategise, rather than how they actually do so. Fonseca argues that the process of strategy formulation in mainstream literature falls into two streams. Firstly, strategy is seen as an intentional, sequential managerial process. This conceptualisation reflects the rational behaviour assumption of classical and neoclassical approach and falls within the paradigm of strategic choice and design. Organisations innovate in direct, purposeful and intentional response to objective changes in their environment, so that they can achieve a new equilibrium. Proponents of this approach are Argenti, Porter and Ansoff. Illustrating this notion, Drucker argues that the conduct of strategic activities and the creation of new business streams is the result of a conscious and purposeful search; a systemic search for opportunities and consumer needs. Sticking to the plan is regarded as the primary goal, or intention, of an organisation in a rapidly changing environment. The future competitive positioning is a matter of forecasting and of detecting shifts in consumer preferences or in detecting unsatisfied demands. Acquiring this information involves an effort that is similar to the application of the scientific method. It appears that the key feature of the rational planning process approach to strategy is the way in which ‘the origins of strategy are located in the reasoning capacity

100 Ansoff, I. (1990), Implanting Corporate Strategy, Hemel Hempstead: Prentice Hall.
of the autonomous individual, who takes the position of the objective observer and chooses the goals for a mechanistic organisational system’. 102

An alternative view understands strategy as an enabling and emergent process, reflecting the position of evolutionary economics.103 This stream, while theoretically rejecting the rational paradigm and embracing a human-centred view, does not reject the importance of equilibrium. It only denies the ability of rational ways of achieving it. As an alternative, it proposes entrepreneurial leadership, shared visions and culture as organisational traits and control devices to attain desired behaviours. The dominant thinking is that more spontaneous activity is crucial to strategic success. Van de Ven and Drazin104 argue that it is possible to design a system for such spontaneity. Fonseca105 argues that these prescriptions simply lead to the ‘be spontaneous’ paradox described by Watzlawick et al,106 which requires that a person act in direct contradiction to the order, so establishing a classic double bind: be creative, but be creative according the pre-given vision and values. ‘Despite its focus in the autonomous individual, this way of thinking ultimately denies human freedom by subjecting individuals to systemic imperatives’.107 In order to further understanding the implementation of strategy, we now turn our attention to change management which is considered the action part of strategy.108

103 Schumpeter, (1934) ibid
Strategy Implementation and Organisational Change

Hubbard\textsuperscript{109} argues that change is the action part of strategic management. Stacey\textsuperscript{110} argues it aims to influence and change ‘the beliefs, values, cultures, social interactions and behaviours of people in an organisation in order to improve its effectiveness’.\textsuperscript{111} It has its foundations in systems dynamics and cognitivism.\textsuperscript{112} How change came about in the first place was often never addressed in organisational theory, but simply taken as initiatives enacted by the management team to re-align individuals and teams. Fonseca\textsuperscript{113} argues that ‘this way of thinking led to a search for the specific circumstances that would cause a desired outcome to occur and enable managers to control it’.

As this study is concerned with the implementation of strategy as opposed to organisational change per se, we review a way of thinking called the Organisational Development School (OD), most notable in the works of Lewin,\textsuperscript{114} Bennis,\textsuperscript{115} Schein\textsuperscript{116} and Senge.\textsuperscript{117} These authors argue that OD is used primarily in re-alignment of people and teams to a new strategic direction. Of particular note is Lewin’s concept of a force field that saw social planning as a means of improving the functioning of organisations in terms of circular

\textsuperscript{109} Hubbard, G. (2000) ibid, p.9

\textsuperscript{110} Stacey, R. D (2000) ibid, p.121.


feedback. The desired change is to ensure that all individuals adopt the path set by management, as is the case with strategic planning process.

As is the case in strategic choice, organisational development school advocated a planned and sustained effort to apply behavioural science to the improvement of organisational processes, using reflexive, self-analytic methods. Shaw argues that this approach is one of rational constructivism and is interested in explaining what managers are doing and what managers can learn to do it better. Representing a means of a “controlled process by the observer”, it favoured a route of prescribed consultation rather than simply ascribing it to an unexplained residual; their main contribution was to place the desired change inside a system and its perceived boundaries, rather than considering it as an exogenous shock to which organisational processes responded.

Lewin argued that an organisation could not be understood as an entity independent of society as a whole and that a company’s growth had to be explained in terms of the dynamics of scientific and rational enquiry. Senge argues the contention that change was to be understood in terms of both social/organisational dynamics and systemic thinking. On the other hand, Schumpeter and Nelson & Winter distinguished between the agent who performed a role, and change, which was the outcome of individual, ad-hoc activity. This in turn would facilitate organisations to change (innovate) and drive economic growth with greater ease.

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120 Lewin, K. (1947) ibid
More recently, it seems that the primary concern of research is about how organisations should change, rather than how they actually do so. Hubbard\textsuperscript{123} argues that the process of change in mainstream literature falls into two streams. First, organisational change is seen as a rational, intentional, sequential managerial process. This school of thought reflects the rational behaviour assumption of cognitive theory and falls within the paradigm of strategic choice and planning. Organisations change in direct, purposeful and intentional response to objective changes in their environment, so that they can achieve a new equilibrium. Proponents of this thinking are Lewin,\textsuperscript{124} Pettigrew\textsuperscript{125} and Schein.\textsuperscript{126} Fonseca\textsuperscript{127} argues that the key feature of the rational planning process approach to change are the ways in which ‘the origins of change are located in the reasoning capacity of the autonomous individual, who takes the position of the objective observer and chooses the goals for a mechanistic organisational system’.

On the other hand, an alternative view understands organisational change as a social, political and behavioural process can be found in systems dynamics and cognitivism being the foundations of the learning organisation theory. Main proponents are Forrester,\textsuperscript{128} Weick,\textsuperscript{129} Argyris\textsuperscript{130} and Senge.\textsuperscript{131} This stream, while rejecting the rational paradigm and embracing a human-centred view, does not reject the importance of organisational objectives. It only denies the ability of

\textsuperscript{131} Senge, (1990) Ibid.
rational ways of achieving it. As an alternative, it proposes transformational leadership, shared visions and culture as organisational traits and control devices to attain desired behaviours. Senge\textsuperscript{132} as well as Weick\textsuperscript{133} argue that more spontaneous activity is crucial to innovative change and organisational responsiveness.

The contribution of Weick in change management is significant. Through his concept of \textit{Sense Making}, he has long argued that senior managers are consistently pre-occupied with the process of imposing sense on past experience. The significance of this reasoning is that it contravenes the functionalist approach that strategy formulation must be followed by implementation. Weick imposes no sequence of analysis first and implementation later, rather the world is \textit{enacted}. Mintzberg\textsuperscript{134} argues that reality emerges from a constant interpreting and updating of our past experience.

Kanter\textsuperscript{135} and Pfeffer\textsuperscript{136} argue that it is possible to design a system for such spontaneity. Stacey\textsuperscript{137} argues that these prescriptions simply lead to the ‘be spontaneous’ paradox as described by Watzlawick \textit{et al}\textsuperscript{138} which requires that a person act in direct contradiction to the order, so establishing a classic ‘double bind’: ‘be creative, but be creative according the pre-given vision and values. As Stacey\textsuperscript{139} argues ‘despite its centring in the autonomous individual, this way of

\textsuperscript{132} Senge, P. (1990) ibid.
\textsuperscript{133} Weick, (1977) ibid\textsuperscript{133}
\textsuperscript{134} Mintzberg, (1998) ibid\textsuperscript{134}
\textsuperscript{137} Stacey (2000), ibid.
\textsuperscript{139} Stacey, R. D. (2001) Ibid, p. 27
thinking ultimately denies human freedom by subjecting individuals to systemic imperatives’.

In one way or another, organisational change is about achieving planned changes in behaviour. Stacey\textsuperscript{140} argues that change is ‘the intentional change of a culture to be brought about through a systematic, organisation-wide centrally planned program of re-education’\textsuperscript{141}. Change in this vein is paradoxically not about change that emerges from a pattern of interaction between people; rather a detailed pre-designed program of control over the group.\textsuperscript{142} Mirvis and Berg\textsuperscript{143} argue that this interpretation of change assumes an orderly, formal process of planning and an ‘organisation is a feedback system in which negative feedback is the dominate form’.\textsuperscript{144} Given that the feedback system rests on a reliable set of prescriptions for strategic success, the richness and importance of relationships between people becomes secondary and effectively non-consequential.

The external environment is crucial to strategy. It is from this that the organisation measures the effectiveness of strategy and derives its stimulus for \textit{responsive action}. We will now enrich our thinking on strategy through an alternative view of the industry process through the insights of The Austrian Theory of the Market Process.

\textsuperscript{140} Stacey, R. D. (2001) Ibid, p. 27
\textsuperscript{142} Stacey, R. D. (2000) ibid, p.139.
\textsuperscript{144} Mirvis, P. and Berg, D. (1977) Ibid, p.139
Austrian Theory of the Market Process

Since Carl Menger’s seminal work *Principles of Economics* in 1871, Austrian Economics has contributed to economic theory by advocating a position of *processes* as opposed to *equilibrium seeking* states. Davis, Eisenstadt and Bingham argue the environment (from the Austrian perspective) is perceived as a ‘flow of heterogeneous opportunities’, complexity and unpredictability.

More recently, the revival of this approach has been largely due to the contributions of von Mises, Hayek, Kirzner and Boettke who collectively argue that the economy is a *process of emergence and social action* rather than one of economic modelling and prediction. Kirzner goes onto to argue that Austrian theory had its beginnings in the discovery of the concepts of subjective value and challenged the modelling approach of mainstream economics to explain the ambiguity of the environment. Kirzner argues that Austrian Theory of the Market Process promotes the notion of the free market economy as a dynamic competitive process that coordinates the action and activities of multitudes of individuals without any apparent central direction. Kirzner argued that this approach emphasised the role and importance of the entrepreneur/individual for...
bringing the forces of supply and demand into balance and generate creativity and innovation throughout the market.\textsuperscript{153} Dulauf as well as Waldrop\textsuperscript{154} go further to argue that this conceptualisation is aligned with the view advocated by Complexity Theory,\textsuperscript{155} which concentrates on the emergent properties of the ‘forces of the market processes to gain a better understanding’ how to compete.\textsuperscript{156} Thus, these authors argue that synergies between both theories exist by placing primacy to the individual within the market, as a crucial element to perpetual innovation in organisations.

Extending this argument further, Davis, Eisenstadt and Bingham\textsuperscript{157} argue the effect of competitors are realised through the flow of opportunities, an assumption that mirrors the Austrian Economics that ‘market dynamism is endogenously created by the action of competitors’.\textsuperscript{158} Building on Austrian Economics, D’Aveni\textsuperscript{159} argues that market dynamism can be validated through the actions of competition to engage new emerging technology and competitors aiming to destroy this advantage. D’Aveni describes this phenomenon as Hypercompetition.\textsuperscript{160}

Building on the insights of Austrian Market Process Theory, dynamic competitive strategy, addresses a shortcoming in the current strategy literature.

\textsuperscript{157} Davis, J. P., Eisenhardt, K. M. and Bingham, C. B. (2006), ibid,
\textsuperscript{158} Davis, J. P., Eisenhardt, K. M. and Bingham, C. B. (2006), ibid, p.17
D’Aveni argues that stable equilibria are impossible because ‘constantly shifting technology, global competitors, and strategic positioning will result in frequent or almost constant disequilibrium in which new entrants and established competitors disrupt the balance of power and gain temporary superiority’. D’Aveni calls this dynamic strategic manoeuvring ‘hypercompetition’, which is essentially a subset of Austrian Economics by emphasising the actions of individuals remain key to innovation.

Challenging the traditional approach of strategic fit, sustainable advantage, and long-range planning etc, D’Aveni and Ilinitich concentrate on inter-organisational competitive strategy issues. The authors argue that ‘the frequency, boldness and aggressiveness of dynamic movement by players creating constant disequilibrium and rapid change, often involving unexpected new players and radical redefinitions of an industry’. They argue that the future in a hypercompetitive industry as a series of short term and temporary advantages, rather than one that would allow organisations to develop slowly in the long term.

161 D’Aveni, R. (1994), ibid, p. 22
162 D’Aveni, R. (1994) ibid, p. 15
163 The concept of ‘hypercompetition’ is not new. The underlying theories are based on the ‘Austrian’ School of Economics, and in particular on the work of Josef Schumpeter’s concept of ‘creative destruction’. This respected but little-know group of scholars created a school of thought that emphasises the competitive processes occurring within marketplaces, not the static structure of industries. See R. Jackson, (1992) ‘The Austrian school of strategy’, Academy of Management Review, 17 (4), pp. 782-805.
165 In The Competitive Advantage of Nations, Porter (1990) argues the contention that the dynamics of the marketplace are crucial to strategic theory because the most competitive companies were those spawned by ‘vigorous domestic rivalry’. This thinking moves beyond his Five Forces model, which analysis the static structure of industries as the platform to conduct the strategic analysis. (D’Aveni, R. (1994) p. 218
D’Aveni defines the theory of hypercompetition as a ‘condition of rapidly escalating competition based on price-quality positioning, competition to create new know-how and establish first-mover advantage and competition for markets’. Given the shortening of product life cycles and accelerating technological innovation, organisations focus less on attaining sustainable advantage and more on developing a series of temporary competitive advantages. In conclusion, the concept of dynamic strategy becomes the dominant feature for the types of industries facing intensive, dynamic competition.

D’Aveni and Ilinitich argue that hypercompetition is both a new competitive reality and a new theoretical construct. It is not merely a faster version of traditional competition. The authors highlight for example, perfect competition and hypercompetition each can be characterised by such factors as erodible entry barriers, low prices, and limited profitability, but hypercompetitive industry does not have an equilibrium state in which competitors have no advantage over each other.

Instead, hypercompetition behaviour is the ‘process of continuously generated new competitive advantages and destroying or neutralising the opponent’s competitive advantage, thereby creating disequilibrium, destroying perfect competition, and disrupting the status quo of the marketplace’. Hence, the

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169 Interestingly, the authors are unable to demonstrate empirical evidence to argue this argument. Rather, D’Aveni relies on the tenets of the ‘Chicago School’ to illustrate the robustness of hypercompetition theory. Chicago advocates that natural market processes maintain competition better than government intervention, but only in hypercompetitive markets. The chief proponent of this school of thought was Milton Friedman.
author correctly argues that a perfectly competitive environment is not an endpoint but a transitional stage between periods of disruption.

Finally, hypercompetition could also be viewed as a theoretical concept of organisation’s competitive behaviour. In contrast to the traditional view of organisations as vying against each other in the marketplace by developing profitable and sustainable advantages long-term, hypercompetition reflects a distinctive Schumpeterian\(^{172}\) view of organisation’s as continuously disruptive, escalating or restarting competition in a particular arena or switching the locus of competition to a new area.\(^{173}\)

A second variant of Austrian Economics, Schumpeterian Economics,\(^{174}\) has been an important source of intellectual inspiration to understand economic reality as an alternative to equilibrium models. It aims to facilitate a greater emphasis on the dynamic phenomena of economic reality and places a strong emphasis on knowledge, innovation and entrepreneurship at the micro-level.\(^{175}\) Fonseca\(^{176}\) argues that innovation is identified as the ‘major force propelling economic dynamics’ and it is this novelty; i.e. innovation, which is the core principle underlying this theoretical approach.

\(^{172}\) Since the early 1980’s Schumpeter’s theories were rediscovered in Evolutionary Economics, which evolved from of Schumpeterian economics. Hanusch and Pyka argued that the outcome of evolutionary processes is determined neither ex-ante nor as the result of wholesale optimising, but rather is due to the true uncertainty underlying all processes of novelty generation, and so allows for openness toward further developments which makes them ideal for analyzing innovation processes.

\(^{173}\) D’Aveni, R. (1995), ibid


\(^{175}\) Hanusch, H. and Pyka, A. (2006) ibid, p. 2

Given this strong focus on innovation, Schumpeterian Economics promotes technological innovation as well as organisational, institutional and social innovation as key to market novelty. Hanusch and Pyka\textsuperscript{177} argue that the neo-classical economics principles of allocation and efficiency may actually limit innovation. The consequences of removing or overcoming those principles place constraints on innovation. Given this view, the most distinctive mark of Schumpeterian Economics is its focus on industry-wide innovation. Frenkel\textsuperscript{178} goes onto to argue that the emphasis of this theory ‘lies in the emergence and diffusion of novelties which are driven by creation, selection and retention of knowledge acquired’. In other words, the interaction between agents in knowledge generation is a perfect example of a complex system. Hanusch and Pyka\textsuperscript{179} argue that this theory is ‘concerned with all facets of open and uncertain developments in socio-economic systems and due to non-linearities caused by interaction and feedbacks are fundamentally unpredictable and complex. They argue that features of complex systems (emergence, self-organisation, non-linearity as well as many agents) can be found in Neo-Schumpeterian economies where innovation and knowledge creation remain critical to industry competitiveness.

Building on this viewpoint, Peters\textsuperscript{180} argues to the similarities between Complexity Theory and Austrian Economics. He argues that Austrian Economics refined the neo-classical stance ‘that a market economy, securely based on individual freedom, private property, and rule of law, had the ability to create a self-generating spontaneous order without any political command or control\textsuperscript{181}.

\textsuperscript{177} Hanusch, H. and Pyka, A. (2006) ibid, p. 2
\textsuperscript{178} Frenkel, K. (2005) Technological Innovation and Complexity Theory, University of Utrecht: Utrecht, p. 10
\textsuperscript{179} Hanusch, H. and Pyka, A. (2006) ibid
With this in mind, Peters\(^\text{182}\) argues that individuals working for their own self-interest, will spontaneously self-organise when there is an overlap in goals, knowledge and thus innovation seeking processes in order to compete with other industry players. Davis, Eisenhardt and Bingham\(^\text{183}\) argue this position and similarities of emergence and process approach exist between Austrian Economics and Complexity Theory.

As Austrian Economics places innovation as central to industry dynamics, the role of the entrepreneur is crucial. Shane\(^\text{184}\) argues that Austrian Economics is a theory of entrepreneurship, as it focuses on processing idiosyncratic information which allows particular individuals to see opportunities that others cannot see, even when they are not actively searching for such opportunities.\(^\text{185}\) Shane defines three schools of entrepreneurship as being neo-classical equilibrium, the cognitive school and Austrian Economics. Shane and Venkataraman\(^\text{186}\) argue that Austrian Economics contends that individuals do not search for entrepreneurial opportunities because ‘opportunity by definition is unknown until discovered’ and one is unable to search for something that one does not know exists\(^\text{187}\).

Prior knowledge is an important aspect of the Austrian framework. Each individual’s idiosyncratic prior knowledge creates a ‘knowledge corridor’ that allows oneself to recognise certain opportunities, but not others.\(^\text{188}\) Shane\(^\text{189}\)


argues that three major dimensions of prior knowledge are important to the theory process of entrepreneurial discovery: ‘Prior knowledge of markets, prior knowledge of ways to serve markets and prior knowledge of customer problems’. The conceptual model illustrates that prior knowledge moderates the relationship between the attributes of a technology and the recognition of entrepreneurial opportunities. It also illustrates that prior knowledge moderates the relationship between the attributes of the opportunity as recognised and how the entrepreneur chooses to exploit the opportunity. Black argue that the major cornerstones of Austrian Economics are methodological individualism, methodological subjectivism, and an emphasis on processes rather than on end states.

Shane and Venkataraman argue that since Austrian economics argue that all costs and benefits are subjective and, therefore, not measurable; only the individual can decide what actions are efficient or inefficient. Often the individual may decide, after the fact, that a decision was not efficient. In the actual process of acting to achieve an end, an individual will discover what works best. And even then, what worked best this time may not work best next time. But a person cannot know this without the process of acting.

Schumpeter argues that the equilibrium models are not applicable to rapidly changing industries. He argues that the notion of an equilibrium state is seen as the epitome of economic efficiency in neo-classical economics: supply would equal demand, and therefore, no surplus or shortage of goods would exist.

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190 Shane, S. (2000) ibid, p. 451
194 Black, J. (2000) ibid, p. 523
195 Schumpeter, J. A. (1942) ibid.
D’Aveni\textsuperscript{196} as well as Shane\textsuperscript{197} argues that this assumes that market participants know where the equilibrium price is and that moving toward it will not change it. Peters\textsuperscript{198} argues that ‘if the price is already known, why isn't the market already in equilibrium’.

Furthermore, the movement to equilibrium is a process of learning and of changing expectations, which will change the equilibrium itself. Within Austrian economics efficiency is defined within the process of acting, not as a given or known end state of affairs. Efficiency means the fulfillment of the purposes deemed most important to an individual, rather than the fulfillment of less important purposes and this theory appears never to address efficiency outside of the individual.

This concludes the review of Austrian Economics and its subsets, D’Aveni’s Hypercompetition, Schumpeterian economics and Shane’s Theory of Entrepreneurship, where these authors have argued that the environment cannot be modeled, predicted nor designed as the variations are too uncertain in a permanently-changing environment. Importance is placed on the subjective nature of individuals, entrepreneurship as well as novelty/innovation (technological, institutional, organisational and social) that adds to the hypothesis that Austrian Economics is able to handle to the non-linearities and unpredictability in the environment with more sensitivity and refinement than economic models of prediction.

Continuing our discussion on strategy, the dynamic properties are explored through Mintzberg’s emergent and learning perspective to create continued organisation innovation and social entrepreneurship.

\textsuperscript{196} D’Aveni, R. D. (1994) ibid.

\textsuperscript{197} Shane, S. (2000) ibid.

\textsuperscript{198} Peters, S. (1999) Ibid.
Dynamic Strategy Formation: Emergence and Learning

Based on the literature review, innovation and entrepreneurship remain crucial to organisational competitiveness. Mintzberg’s\textsuperscript{199} learning perspective addresses this shortcoming in the strategy literature.

Several management academics\textsuperscript{200} have described organisations as learning systems where a process perspective illustrates the management of change, rather than strategy itself. As a response to this approach, Mintzberg\textsuperscript{201} argued that planned strategy retains the focus on strategy as well as promoting organisational learning. He argues that strategies originate as a set of processes where leadership controls process aspects of strategy (structure, financing, etc.) and leaves the contextual aspects to others in the organisation. Here strategies are emergent; are adopted and ultimately re-framed for others to understand to anticipate any future action.

Arguing Mintzberg’s view, Quinn\textsuperscript{202} argues that companies arrive at strategies as integrated conceptions; that planning does not describe how they formulated strategies, rather through what Quinn calls logical incrementalism which connects the underlying strategic logic:

..The real strategy tends to evolve as internal decisions and external events flow together to create a new, widely shared consensus for action among key members


\textsuperscript{202} Quinn, J. B. (1980) \textit{Strategies for Change: Logical Incrementalism}, Irwin; Homewood, p.15.
of the top management team. In well-run organizations, managers pro-actively
guide this action and events incrementally toward conscious strategies.\(^{203}\)

Quinn argues the top executive as being the architect of strategy setting, whilst
allowing other organisational members to co-create strategy. This blend of
strategic choice and learning is referred by Quinn as subsystems (people, groups,
managers) that undergo a process as a *continuous, managed dynamic.*

As opposed to Quinn’s stance, Nelson and Winter’s\(^{204}\) Evolutionary Theory
(based on neo-Schumpeterian economics)\(^{205}\) views change as deriving from the
interaction rather than leadership within the organisation. The authors argue that
change emerges from the cumulative interaction amongst basic actions, which
they call *routines.* They go on to argue that organisations are composed of
hierarchies of routines and that these routines are responsible for creating change.
Mintzberg\(^{206}\) argues that the interaction between established routines and novel
ones is an important source of new learning and places emphasis on the strategy
process, whilst diminishing the role of *the strategist.* This provides a good
platform to discuss emergent strategy.

Mintzberg argued that the complex and unpredictable nature of the organisation’s
environment makes strategy a process of learning over time. Whilst a leader’s
actions are necessary, the collective system is what learns, thus increasing the
diffusion of decision making at all levels. Strategic awareness is then spread
across the organisation. Mintzberg argues this type of learning proceeds in an
emergent fashion and at this level, strategy formulation and implementation

\(^{203}\) Quinn, J. B. (1980). *Strategies for Change: Logical Incrementalism,* Irwin; Homewood, p.15


\(^{206}\) Op Cit
become indistinguishable.\textsuperscript{207} This is in contrast to strategic choice, where the leader is omnipresent in all decisions across the organisation. Mintzberg goes on to argue that the role of leadership becomes a process of strategic learning, whereby novel strategies can emerge and cement within the organisation. Strategic management becomes more involved in managing the relationship between through action, control and learning, stability and change.\textsuperscript{208} Mintzberg goes on to argue that strategies are essentially patterns of the past and manifest as plans for the future and serving as perspectives to guide overall behaviour.

Prahalad and Hamel\textsuperscript{209} offered an alternate view by arguing that learning depends on capabilities which they called \textit{Dynamic Capabilities}. This approach views strategic management as a collective learning process whilst exploiting the distinct capabilities of individuals; a sort of hybrid of strategic choice. Mintzberg argues that this approach places it within the learning school, however with its emphasis on competences, the significant role of senior management is envisaged and its \textit{strategic intent} assured.

Mintzberg \textit{et al}\textsuperscript{210} defined this emerging strategy as the \textit{Learning School of Strategy}. As opposed to Strategy Choice Theory (which Mintzberg calls deliberate strategy) the concept of emergent strategy is based on the proposition of an organisation’s capacity to experiment.\textsuperscript{211}

\textsuperscript{207} Ibid, p. 208.
\textsuperscript{208} Ibid, p. 209
\textsuperscript{211} Mintzberg, H., Ahlstrand, B. and Lampel, J. Op cit, p. 189.
Whilst emergent strategy remains intuitively attractive to strategy formulation due to its emphasis on responsiveness, it does have several critics. Johnson\textsuperscript{212} argues that an overemphasis on learning can undermine a viable strategy. With a strategy adrift incidence, Johnson argues that the organisation incrementally drifts away from proven strategies without any rhyme or reason. He goes on to argue that learning for the sake of learning uses unnecessary resources, which otherwise could have been utilised to formulate an effective strategy.

On the other hand, Andrews\textsuperscript{213} argues that organisations need to articulate and create a clear strategy to compete; otherwise the prospect of no strategy syndrome will prevail. He argues that a process of disjointed incrementalism leads organisations to innovate piecemeal, producing a set of technologies and systems that collectively end up as less than the sum of their parts.\textsuperscript{214} Mintzberg el al\textsuperscript{215} counters this argument by arguing that organisations face perpetual novelty, where environments are dynamic and unpredictable, clear strategies become ever more difficult. They argue that the learning approach becomes almost mandatory; ie having ‘the means to work things out in a flexible manner’.\textsuperscript{216} They go on to argue that strategy should be understood as a learning process, both for the individual and the collective. They argue that the learning school has the potential to explain complex phenomena, better perhaps than the sophisticated techniques of strategic choice, by bringing a reality to the domain of strategy formulation that has been lacking in the other domains.\textsuperscript{217}


\textsuperscript{215} Ibid p. 229

\textsuperscript{216} Mintzberg, H., Ahlstrand, ibid p 229.

\textsuperscript{217} Mintzberg, H., Ahlstrand, p.229
Narrative: Articulating Strategy

This study has reviewed the strategy standard texts through the lens of strategic choice theory. Moving onto the action part of strategy we investigated the impact of strategic choice and organisational development on change management and how it has continued to dominate strategy implementation of organisations.

Extending our thinking further, the domain of Austrian economics gave an alternative understanding of the environment (macro) as well as Mintzberg’s emergent strategy on the organisation (micro).

We now turn our attention to Narrative Theory to provide greater insight in the research question of how to articulate dynamic strategy in an increasingly turbulent environment.

An Overview of Narrative Theory

Ricoeur\(^\text{218}\) argues that there is an integral connection between narrative and action. Narratives lead individuals to intervene in the course of things. The action derives from intention or motivation, based on the particular narratives of an individual, irrespective of whether these are self generated, after appropriation\(^\text{219}\) from a culture.


\(^{219}\) Ricoeur, P. (1991) ibid. By appropriations Ricoeur means “that the interpretation of a text culminates in the self interpretation of a subject who thenceforth understands himself better, understands himself differently, or simply begins to understand himself. This culmination of the understanding of a text in self-understanding is characteristic of the kind of reflective philosophy that on various occasions, Drummond has called ‘concrete reflection’, p. 18.
Nehamas argues that a quality of narrative is that a thought articulated (given voice) creates, for example, the identity of the teller, creates a solid sense of self. The half formed thoughts (prefigured narratives) have as well as the very process of articulation. It creates the identity of the teller, which in turn allows for the re-authoring of the teller. In a very real way, the thoughts we have, not merely create a sense of identity, but those thoughts when enacted, produce buildings, structures such as educational systems, forms of government, and religious systems which we come to regard as solid and fixed. The narratives of a particular culture can become imbued with such solidity, and invested with such emotion, that they will be fought for, and be the source of reward and punishments.

Organisation structures and systems have a tendency to be treated as objective, gather power structures that support them, and become ‘encasements’. They come to be treated as though they have an independent existence, a life of their own apart from the people who formulated them, and while useful for social organisation they can legitimate oppression, in organisations.

Drummond argues ‘that narrative is the fundamental scheme for linking individual human action and events into interrelated aspects of an understandable

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221 See Nehamas, A. (1985) ibid. Drummond, G. (1996), op cit, quotes Nehamas notes, ‘according to Nietzsche, to reinterpret events is to rearrange effects and therefore to generate new things. Our “text” is being composed as we read it, and our readings are new parts of it that will give rise to further ones in the future. Even the reinterpretation of existing formulae adds to the world, especially since Nietzsche interpretations, therefore, it is necessary to reinterpret old ones.’, p. 91.


223 Smith, K. K. (1982) *Groups in Conflict: Prisons in Disguise*, Kendall-Hunt: Dubuque, p. 11 & 86. Smith makes the point that somehow “we manage to get ourselves imprisoned by the structure of reality… a prison of whose walls we’re rarely conscious. This is a notion of psychological prison.” P. 12. As well he provides the analogy of the effect of wind on trees. We cannot see the wind but we can see its impact. Structural encasements cannot be perceived directly but rather by their influence on the behaviour of individuals. See p.86.

Ricoeur\textsuperscript{225} notes, ‘a story describes a sequence of actions and experiences done or undergone by a certain number of people, whether real or imaginary. These people are presented either in situations that change or as reacting to such change, In turn, these changes reveal hidden aspects of the situation and the people involved, and engendered a new predicament which calls for though, action, or both. Their response to the new situation leads the story toward its conclusion.’\textsuperscript{227}

Narrative is synonymous with story and has a common boundary.\textsuperscript{228} A story is a symbolised account of actions of humans, and the symbols are phenomena of experience\textsuperscript{229}. ‘Human reality is experiences only with the mediation of symbols…(these) symbols are seen as metaphoric and subjective.’\textsuperscript{230} Gergen and Gergen,\textsuperscript{231} refer to a successful narrative as one that arranges a sequence of events as they pertain to the achievement of a particular goal state, in which case it is a progressive narrative, if moving away from the goal state, then regressive, and if stable in relation to the goal stage then it may be termed a stability narrative. Central to their understanding of narrative is the capacity of narrative to create feelings of drama or emotion. In other words, a series of starling events presented serially would serve only to create a sense of boredom. When relationships between events are developed, the isolated events take on the sense

\textsuperscript{225} Drummond, G. (1996) ibid, p. 99.
\textsuperscript{226} Ricoeur, P. (1991) ibid, p.152
\textsuperscript{229} Drummond argues ‘that in order to explain phenomena of experience, the words used to describe an experience are the signifiers and the actual experience the signified’.
of a whole, and this gives narrative form. Ricoeur argues that emplotment is a crucial element in narratives for its capacity to create a sense of time.

This study’s management narrative is not a simple categorical listing of events, but a weaving of events with intentions in such a manner that the steady state at the beginning of the narrative is unsettled by a person or an agent, resulting in a crisis or series of crises, which is resolved at the end of the narrative. Polkinghorne notes that paradigmatic rationality refers to those discourses that “function to...prove a statement by linking it to other statements through connectives of formal logic.” Contrastingly, narrative is used for those discourses that demonstrate by the type of reasoning which connects the reader to the whole. The whole is produced through the plot, because it is by this means the random events are linked together. Even so, events which are simply linked have the potential to be boring, without the dramatic effect. This is occasioned by linking the “characters in action, with intentions or goals, in settings, using particular means.”

Drummond argues that central to the work of Ricoeur is that narratives lead to action. This will become of major concern to us since having discussed Ricoeur’s theory of action we will link it to complexity theory, which is also a theory of action. As the theories of Ricoeur and complexity are both theories of action will use this to link both theories. The narratives of leaders contour their actions, which are constructed from past experience and operate through enactment to

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234 It is important to note that emplotment is integral to narrative. Ricoeur argues that ‘by means of the plot, goals, causes and chance are brought together within the temporal unity of a whole and complete action. Essentially the plot avoids a chronological listing of events and transforms isolated events in to a schematic whole.
bring about a future. Consequently a change to a leader’s narratives would lead to a change in that person’s actions and would thereby change that person’s future. The future may not work exactly as anticipated because of contingencies, but as Carr argues, “the future is not something expected or prefigured in the present, not something which is simply to come; it is something to be brought about by the action in which I am engaged”. 237

The very notion of action implies intention to commit an act. “A story describes a sequence of actions or experiences done or undergone by a certain number of people…. These people are presented either in situations that change or as reacting to such change. In turn, these changes reveal hidden aspects of the situation and the people involved and engender a new predicament which calls for thought, action or both.” 238 To this extent in committing an act an agent can give explanation for that action. That is, a narrative can be provided to account for the action. Accepting that some actions are based on prefigured narratives, experiences that are not yet articulated, it is still possible to offer some narrative which links action and intention retrospectively.

We have so far considered the centrality of narrative in human endeavour, and particularly that narratives give rise to action, and that action embeds human intentions. It is from this position that we will now consider the research question and in particular we will consider how narrative underpins strategy, complexity and emergence.

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Narrative and Strategy

Narrative is central to strategy. It serves as a nexus within the organisation as well as the environment. Polkinghorne defines ‘narratives as the core of human experiences; ‘we not only tell stories (being synonymous with narratives), but we enact them’.

Furthermore, Polkinghorne argues ‘narrative is the fundamental scheme for linking individual human action and events into interrelated aspects of an understandable composite… Narrative… joins the two separate events, the father died’ and ‘the son cried’. Drummond argues that were the two statements to remain separate they would merely constitute a categorical listing of events, but not one about which we could sense a significant relationship between the two people indicated by the phrases. By the linking we can infer that there is a significant relationship between the two persons in the story, thus linking rationality and emotion to handle the complex relationship of father and son. The narrative is also explanatory, demonstrating that there is a connection between a son’s crying and his father’s death.

Drummond relies on Ricoeur that “a story describes a sequence of actions and experiences done or undergone by a certain number of people, whether real or imaginary. These people are presented either in situations that change or as reacting to such change. In turn, these changes reveal hidden aspects of the situation and the people involved, and engender a new

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predicament, which calls for thought, action, or both. Their response to the new situation leads the story toward its conclusion’. 242

Central to the work to Ricoeur is that narratives lead to action. The narratives of managers determine their actions, and help shape their future intentions through past experiences of understanding. Drummond243 explains that ‘that narratives give rise to action, and action embeds human intentions’. It is from this position that we will now consider the research question and in particular we will consider how narrative underpins strategy and complexity’. Action is, furthermore, future centered because of the intention of agents. The actions are realizing an intention also requires organisation of the temporal situation. The agent is in the present, taking action on the basis of intentions to bring about a future.

A theoretical link must now be made between narrative and strategy and again the work of Ricoeur is instructive, beginning with narrative and the individual. This will lead us to make the connection between narrative and organisational strategy which in turn leads to the concept of identification since an organisation’s strategy requires individuals (members of the organisation) it identify with it, or support it, at least in some minimal ways.

Again reverting back to Polkinghorne,244 it is argued ‘a narrative strategy is a storied strategy, emploted by an individual, or held in the minds of individuals with regard to the organisation. This allows that a person, or indeed the organisation, to change their narrative strategy to include both historical

and fictive elements in the narrative. Boje\textsuperscript{245} and Barry Elmes\textsuperscript{246} have applied the concept of narrative plot to strategy to demonstrate change and implementation as part of the writing and reading of an organisation plot. They argue that ‘accordingly, a narrative approach can make the political economies of strategy more visible; further enhance the notion that it depends who writes the strategy as well as who is marginalized in the writing and reading process’\textsuperscript{247}.

On the other hand, Boje\textsuperscript{248} argues that the ‘value of looking to Ricoeur and to hermeneutics is that it puts the process of writing and reading a plot into a dynamic and poly-voiced context\textsuperscript{249}. Barry and Elmes\textsuperscript{250} elaborate by arguing that ‘the story the strategist tells is but one of many competing alternatives woven from a vast array of possible characterisations, plot lines, and themes’\textsuperscript{251}.

Drummond\textsuperscript{252} argues organisation culture, leadership, conflict and change are narratives. One way of framing this is that organisation culture is composed of many narratives with enough coherence between them to give a sense of the whole\textsuperscript{253}. Change occurs when new narratives replace old narratives. If the change is superficial, then the narratives could be described as morphostatic; (changing the chairs on the Titanic would not stop the ship

\begin{thebibliography}{9}
\bibitem{247} Barry, D. and Elmes, M. (1997) \textit{ibid}
\bibitem{248} Boje, D. (2002) \textit{ibid}. p. 65
\bibitem{249} Boje, D. (2002) \textit{ibid}
\bibitem{250} Barry, D. and Elmes, M. (1997) \textit{ibid}
\bibitem{251} Barry, D. and Elmes, M. (1997) p. 432
\bibitem{252} Drummond, G. (1996) p.98
\bibitem{253} Drummond, G. (1996) p. 98
\end{thebibliography}
sinking); or morphogenic; where things will never be the same again’. Hence, it can be argued that the linking of strategy and complexity through narrative theory collectively extends each theory and provides a theoretical underpinning to understand better these concepts and the linkages between them.

Drummond argues to the notion of the ‘centrality of narratives in individual lives and as underpinning the strategy of organisations. Narratives have been linked with strategy. The strategic plan may be treated as a dominant narrative, and by no means the ‘right’ narrative subject. It is also subject to variation, interpretation and complete change.

By way of conclusion, strategy is essentially a dominant theme which is incorporated into narratives both of individuals and organisations subjected to constant framing and re-framing of individuals within the organisations.

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254 Drummond, G. (2005)


256 Drummond, G. (1996) p. 96
Strategy as Fiction

Bubna-Litic\textsuperscript{257} argues that strategy can be considered a form of fiction. Bubna-Litic\textsuperscript{258} and Barry & Elmes\textsuperscript{259} argue, strategy is fictional no matter whether it is economics or organisational-based. Labouring the point further, they argue that it is always something that is constructed to persuade others toward certain understandings and actions.

Barry and Elmes\textsuperscript{260} argue that these points apply for prospective, forward-based strategy. Emergent strategy can also be considered fictional; to identify an emergent strategy requires labelling specific organisational actions as ‘strategic’. It highlights and links them in ways; convincing others that this is the way things have happened; and prescribing that this account should be the template form which new actions should be considered. Barry and Elmes\textsuperscript{261} argue that strategy makers ‘working from an emergent perspective to enact fictional future to form a creative interpretation of the past’\textsuperscript{262}.

As authors of a kind of fiction, strategists are subject to the same basic challenge facing other fictionalist writers: how to develop an engaging, compelling account, one that readers willingly buy and implement. Any story the strategist tells is but one of many competing alternatives woven from a vast array of possible characterisations, plot lines, and themes. If we accept the notion that

\begin{itemize}
\item \textsuperscript{258} Bubna-Litic, D. (1995), Ibid.
\item \textsuperscript{261} Barry, D. And Elmes, M. (1997) Ibid
\end{itemize}
map reading is as important as map making, then the strategist’s problem is as much one creating an inviting text, as it is one of highlighting the right path for the organisation to follow.

From a narrative perspective, the successful strategic story may depend less on such tools as comprehensive scanning, objective planning, or meticulous control/feedback systems and more on whether it stands out from other organisational stories, is persuasive, and invokes retelling. What the story revolves around, how it is put together, and the way it is told all determine whether it becomes one worth listening to, remembering, and acting upon. Thus, strategic effectiveness from a narrative perspective is intimately tied to acceptance, approval, and adoption. Further, this approach gives rise to the problematic nature of strategic success as it demands to demonstrate success and views success as a social construction that is tied to specific cultural beliefs and practices.

Emergent strategy development has been less developed those other schools of strategy and is linked to Mintzberg and Lampel, Downs, Durant & Carr and Stacey. These authors argue that uncertainty is a constant and offers the potential to address contemporary challenges when developing organisational strategy. Downs, Durant & Carr argue that start-up companies rely heavily on emergent strategy rather than formal planning as opposed to mid-sized and larger corporations where a structured business planning process becomes necessary given multiple stakeholders and their respective interests. Taking this perspective

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265 Ibid

266 Ibid

267 Ibid
means seeking to explain strategy from within one’s interaction with those involved in the strategy. One listens to the stories of those involved, thereby interacting with them, as they recount the history of their interactions with others.  

This concludes the discussion on narrative. This study now investigates the domain of Complexity Theory, and how it can strengthen strategy through a process of action and continuous responsiveness.

Complexity Theory: A New Organisational Theory?

The science of complexity is a process of adaptive learning versus adaptation to the environment as well as ‘self-organisation and emergence that leads to fundamental structural development (novelty)’. Moving away from the view of orthodox management, the insights of the complexity perspective offer an alternative view of organisations; that of multi-variate themes and the inherent complexities of how individuals and groups interact to form emergent strategies.

This chapter covers the key tenets of Complexity Theory as well as its variants, Chaos Theory, Theory of Complex Adaptive Systems (CAS) and Complex

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Responsive Process Theory\textsuperscript{273}. With the exception of Chaos Theory,\textsuperscript{274} Kauffman\textsuperscript{275} and Stacey\textsuperscript{276} argue that each theory is appropriate to organisations given their ‘relativity’ to human action. This study will demonstrate how they differ from strategic choice theory and its various subsets, cybernetics and open system theory due its focus on local interaction between agents in the absence of a system-wide matrix. In additional, as opposed to Complexity Theory, systems-based models promote a preferred methodology of the objective observer, rather the participative observer.\textsuperscript{277}

As covered earlier, Strategic Choice view strategy as managed and instigated from the outside of the organisation and is assumed to demonstrate movement towards a ‘stable equilibrium’\textsuperscript{278}. Brown and Eisenhardt\textsuperscript{279} argue that the focus is on regulation at the boundary of the system to sustain it in equilibrium adaptation to its environment and that this forms the systemic foundations.\textsuperscript{280} Brown and Eisenhardt\textsuperscript{281} go onto to argue linear, equilibrium seeking models lack in any micro-diversity to those that are nonlinear, far from equilibrium. Mintzberg and

\textsuperscript{272} First promoted by the scientists at the Santa Fe Institute, theory of complex adaptive systems (CAS) is a system modeled as a population of agents interacting with each other according to their own local ‘if-then’ rules. Stacey argues that these models focus on a system’s internal capacity to evolve spontaneously. Here self-organisation refers to local interactions between agents in the absence of a system-wide blueprint. See Holland, J. (1998) Emergence from Chaos to Order, Oxford: New York. Gell-Mann, M. (1994) The Quark and the Jaguar, Freeman: New York. A good introduction text to complexity theory is offered through Gell-Mann, M. (1996) What is complexity? Complexity, (1) 1

\textsuperscript{273} Stacey, R. D. (2000) ibid. p. 312

\textsuperscript{274} Stacey, Griffin and Shaw argue that chaos theory is a mathematical modelling of deterministic phenomena and unable to explain emergent complexity in organisations well.


\textsuperscript{278} Mintzberg, H. and Lampel, N. (1999) ibid.


\textsuperscript{281} Brown, S. L. and Eisenhardt, K. M(1998) ibid
Lampel argue Complexity Theory promotes change in the properties they display and has the capacity for spontaneously developing new forms.

Understanding Complexity: A Perspective of Process

Luhman and Boje argue that Complexity Theory, rather than having a distinct epistemology, is better understood as a ‘set of pre-suppositions that shift emphasises away from the functionalist and deterministic perspectives’. Kaufmann argues that Complexity Theory is the process of self-organisation where order is a potential before it emerges as an actual pattern; it is co-created by interaction of agents. Stacey argues that complexity is based on unpredictability and the limitations of control by emphasising the importance of ‘narrative, conversation and learning from one’s own experience as the central means by which we gain understanding and knowledge of strategy in organisations’. Dent defines complexity as an approach to research and a perspective that makes the philosophical assumptions of an “emerging worldview of participation”. Dent argues that ‘this shift involves accepting presuppositions that living and/or economic systems are very complex and ever changing, and thus are hard to model; any ignorance of the initial conditions of a

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system makes any predications impossible; order emerges out of chaos; irregularities emerge out of order’. Griffin\textsuperscript{290} argues that social scientists accepting these presuppositions of complexity science understand that ‘examining indeterminacies, seeing randomness, change and disorder could coexist’. Best and Kellner\textsuperscript{291} as well as McKelvey\textsuperscript{292} argue Complexity Theory does attempt to observe changes in individual behaviour patterns as they self-organise and emerge into novel systemic structures. Here organisational discourses are complex systems.

Stacey, Griffin and Shaw\textsuperscript{293} argue two important attractors (changes in organisational contexts and narrative power) form a complex system of organisational discourse ‘to act on the collectively constructed reality, causing unpredictable and multiple interpretations of organisational reality’.\textsuperscript{294} They continue to argue that organisational discourses flow through time, ‘allowing for the interpretation, reinterpretation, and negotiation of memories and anticipations of future events, with time, a new complex system of organisation discourse emerges, creating a slightly or largely different collectively constructed discourse of organisation reality’.\textsuperscript{295}

Organisations are complex systems. At times there exist multiple individual discourses, which are embedded in the contexts of personal experiences, organisational positions, as well as the business unit. These individual discourses


\textsuperscript{295} Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid, p. 191
exist as part of the complex system of a collectively constructed system of organisational realities. Within this complex system, Shaw\textsuperscript{296} argues that change is an important attractor.\textsuperscript{297} Changes in context might include feedback from the marketplace, regulatory/political shifts, organisational interventions, staff turnover, or differing interpersonal relationships between individuals. Boje argues\textsuperscript{298} Complexity Theory, from a narrative methodological approach, is an understanding of an organisation’s ‘contextualised and emergent discourses as members interpret, reinterpret, and negotiate discourse within a temporal intersection’.\textsuperscript{299}

Phelan\textsuperscript{300} argues complexity theory is defined as the search for generative rules and does not embrace the radical holism of systems theory. Brown and Eisenhardt\textsuperscript{301} also argue that complexity science is seeking ways to simplify or generalise from the complexity of the real world in some way. They go onto to argue that traditional science seeks direct causal relations between elements in the environment, whereas complexity theory drops down a level to explain the rules that govern the interactions between all parts of the system.\textsuperscript{302}

In contrast, Richardson, Cilliers and Lissack\textsuperscript{303} argue that systems theory advocates complexity because it is not particularly focussed on the identification of regularities. Regularities do not exist in open systems, almost by definition.


\textsuperscript{297} Attractors are important aspects of Complexity Theory. Essentially, they draw the system toward them and move towards a different direction for the organization.


\textsuperscript{299} Boje, D. M. (2001) ibid, p. 126.


\textsuperscript{302} Early proponents of this thinking is Holland and Gell-Mann, see earlier references.

Phelan\textsuperscript{304} argues that systems dynamics, a pragmatic extension of general systems theory, restricts itself to the study of bounded systems and thus admits the possibility of identifiable regularities. Furthermore, Phelan\textsuperscript{305} points to Richardson, Cilliers and Lissack\textsuperscript{306} who argues a postmodern definition of complexity science based on the ‘logic that the incompressibility of complex systems implies infinite ways of knowing about the world, a thoroughly constructivist view that privileges other ways of knowing’.\textsuperscript{307} Stacey, Griffin and Shaw\textsuperscript{308} argue that a better definition of complexity science blends positivist and historicist schools of thought by emphasising science as the search for accompanying regularities.\textsuperscript{309} It appears that this view is incompatible with constructivist definitions of complexity, because of its normative advocacy of a single scientific method. Adding to this, Fonseca\textsuperscript{310} argues that complexity theory is an inclusive term that admits multiple ways of knowing. Complexity Science is a connective term that specifies a particular way of knowing. However this does not imply that learning, insight, understanding, or tolerance cannot be derived from other ways of knowing.

Other interpretations of complexity have been adopted by Morgan\textsuperscript{311} as the basis for change metaphors, Brown and Eisenstadt’s\textsuperscript{312} simple rules doctrine as well as Levy\textsuperscript{313} arguing that industries can be modelled as complex systems and

\begin{itemize}
\item \textsuperscript{304} Phelan, S. (2001) ibid.
\item \textsuperscript{305} Phelan, S. (2001) ibid, p. 131
\item \textsuperscript{307} Phelan, S. (2001) ibid, p. 132.
\item \textsuperscript{308} Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid.
\item \textsuperscript{309} Phelan, S. (2001) ibid, p. 132.
\item \textsuperscript{310} Fonseca, J. (2002) ibid
\item \textsuperscript{312} Brown, S. L. and Eisenstadt, K. M. (1998) ibid.
\end{itemize}
managed through the concept of simple rules as argued by Brown and Eisenstadt. The attempt to apply management principles of control is prominent. The authors assume that systems *(complex or not)* can somehow be managed with the boundaries of a few rules. Complexity Theory allows self-organisation to produce an emergent attractor *(strategy)* that the system follows until some change *(novelty)* is introduced from the environment.

Whilst Complexity Theory cannot be molded in the classic 2 x 2 matrix due to emergent characteristics, Stacey’s *Agreement and Certainty Matrix*[^1] is used primarily as change management tool. This matrix aims to identify management decisions on key two dimensions: *the degree of certainty* and *the level of agreement*.

**Figure 1 Stacey’s Agreement & Certainty Matrix**

Adapted from Stacey (1996)

Examining the matrix further it aims to understand the rational and how it may be best employed. Issues or decisions are close to certainty when cause and effect linkages can be determined. Zimmerman\textsuperscript{315} argues that this is usually the case when a very similar issue or decision has been made in the past. She argues that one can then extrapolate from past experience to predict the outcome of an action with a reasonable degree of certainty.

At the other end of the certainty continuum are decisions that are far from certainty. These situations are often unique or at least new to the decision makers. The cause and effect linkages are not clear. Extrapolating from past experience is not a good method to predict outcomes in the far from certainty range. The vertical axis measures the level of agreement about an issue or decision within the group, team or organisation.

Stacey\textsuperscript{316} argued that certainty depends on the quality of the information base that facilitates individual and joint decisions in organisations. Zimmerman\textsuperscript{317} goes on to argue this argument that rational management has tried hard to decrease uncertainty by introducing tools like fishbone analysis, the Boston Matrix, customer research, etc. In fact there are many day-to-day decisions in management, where analytical decision-making is highly successful. There are, however, many situations in which decisions are made on assumptions. Zimmerman\textsuperscript{318} argues that, depending on the number of stakeholders involved, the projected time frame, the susceptibility of the project to external influence

\begin{flushright}
\textsuperscript{316} Stacey, R. D. (1996) ibid.
\textsuperscript{318} Zimmerman, B. (1998) ibid
\end{flushright}
factors, etc., projects might become very complex and it becomes impossible to realistically predict outcomes.

Zimmerman\textsuperscript{319} argues that modern social systems such as organisations are mainly self-organised on the base of negotiation processes. The degree of \textit{agreement} among the people directly involved on what should be done with respect to the implementation methodology of a project is an important factor determining success.

**Different Interpretations of Complexity**

As is the case with all interpretations, complexity theory has its variations. Stacey\textsuperscript{320} argues regardless of the focus, complexity theorists differ on four matters: (1) the \textit{significance of self-organisation}, (2) \textit{the nature of emergence}, (3) \textit{the importance of unpredictability} and (4) \textit{The implications for the scientific method}. He argues that it is the complexity qualitative properties, which shift the focus between the interpretations.\textsuperscript{321}

One the earlier complexity variants, Chaos Theory provide one explanation of the behaviour of a system that can be modelled by deterministic non-linear equations in which the output of one calculation is taken as the input at the next. Gleick\textsuperscript{322} argues that ‘chaos theory refers to an apparent lack of order in a system\textsuperscript{323} that nevertheless obeys particular laws or rules; this understanding of chaos is

\textsuperscript{319} Zimmerman, B. (1998) ibid


\textsuperscript{321} Stacey, R. D. (2000) ibid


\textsuperscript{323} Gleick, J. (1988) ibid.
synonymous with dynamical instability. The two main components of Chaos Theory are the concepts that systems rely upon an underlying order, and that simple or small systems and events can cause very complex behaviours or events. Kelsey\textsuperscript{324} argues that Chaos Theory has application to social system behaviour such as share-markets as well as organisations in turbulent industries.

Gleick\textsuperscript{325} argues that Chaos Theory shows how particular control parameters; determined outside the system, cause its behaviour to move toward a particular state of flux or in complexity terms is called an attractor. Such systems have the potential to move to one of a number of different attractors, depending upon the parameter values\textsuperscript{326}. Prigogine and Stengers\textsuperscript{327} argue a fundamental relationship between the dynamics of chaos and the development of new systems exist. In this environment, chaos performs the task of accentuating small changes and thus forges new systems previously unknown. These authors promote the hypothesis that small changes will lead to significant events with no apparent cause and effect.

Thietart and Forgues\textsuperscript{328} argue that organisations are potentially chaotic and move from one dynamic state to another, namely stable equilibrium, temporary equilibrium, or chaos. This does not allow for any meaningful forecasting and change becomes unpredictable. The authors adopt the view that the manager will move the organisation between the various states of engagement. Griffin\textsuperscript{329} argues that ‘chaos theory is a theory of deterministic systems but human systems

\textsuperscript{326} Stacey, R. D., Griffin, D. and Shaw, P. (2000), ibid p.86
are not deterministic’. The behaviour of people is not driven by unchanging rules, rather change as people learn.

On the other hand, Arthur argues that any form of complexity is about function versus organisation structure. He argues that once a complexity outlook is adopted, with its emphasis on the formation of structures rather than their given existence, problems involving prediction in the economy look different.

Economic convention asks what forecasting mode for a particular problem, if given and shared by all agents, would be consistent with – would be on average validated by – the actual time series this forecasting model would in part generate. Arthur argues that this rational expectations approach is valid, but it assumes that agents can somehow deduce in advance what model will work, and that everyone knows that everyone knows to use this model (the common knowledge assumption). He questions forecasting models must be formed individually by agents who are not privy to the expectations of others.

Gare argues that Complexity Theory can be interpreted as a further advance of Schellingian Science, which advocates the relationship between emergence and self-organisation and how it can re-create a new reality. There are several ideas distinguishing complexity theorists who are promoting anti-reductionist thinking from reductionist ideas. Gare argues that reductionist; deterministic science tends to construe time as little more than an extra dimension of space. Prigogine

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334 Gare adopts Von Schelling’s view that complexity would be ‘construed so as to make intelligible the possibility of free, conscious agents emerging from it. Gare goes onto to argue that Von Schelling demonstrates that ‘self-constitution or self-organisation, rather than being a marginal phenomenon, must be the primal ground of all reality’. As Schelling advocates, “The organic… produces itself, arises out of itself… No single part could arise except in this whole, and this whole itself consists only in the interaction of the parts… Cause and effect is something evanescent, transitory, mere appearance.” Schelling is a root source of anti-reductionism in biology and in the human sciences. Organism & general systems theory are echoes of Schelling’s philosophy as the ontological foundations of complexity science.

335 Prigogine, I. (1998) ibid
opposes this, arguing for the primacy of becoming over-being. Using Cowan, \textsuperscript{336} Stacey, Griffin and Shaw\textsuperscript{337} argue that it is the dynamic property of complexity, the motion pictures, not the snapshots, which characterise the systems. Gare adds that for the notion of becoming to have any meaning, the future must be open, not predetermined. It is further argued that deterministic trajectories are nothing but idealisations, postulating an inherent vagueness to reality that makes precise measurements of initial conditions not only practically but also theoretically meaningless.\textsuperscript{338}

Holland\textsuperscript{339} argues Complex Adaptive Systems Theory is a system that consists of a large number of agents; each of which behaves according to some set of rules. These rules require the agents to adjust their behaviour to that of other agents. In other words, agents interact with, and adapt to, each other. For example, Griffin\textsuperscript{340} argues that a flock of birds might be thought of as a complex adaptive system. It consists of many agents, perhaps thousands, who might be following simple rules to do with adapting to the behaviour of neighbours so as to fly in formation without crashing into each other. In the much the same way, an organisation might be thought of in terms of a network of people relating to each other. Complexity Science seeks to identify dynamical commonalities of such systems, rather than the identification of agents.

Stacey, Griffin and Shaw\textsuperscript{341} argue that Complex Adaptive Systems Theory differs from all complexity theories by locating the focus of analysis primarily on the micro level. They argue that it is concerned with the behaviour of the entities.
comprising the system as opposed to the system itself. Some complexity models assume that the agents are homogeneous and that their interactions are all the same. Stacey, Griffin and Shaw\(^{342}\) argue such systems have no internal capacity to move from one attractor to another.

The traditional scientific approach would hope to seek how complex nonlinear systems function to produce orderly patterns of behaviour, predictability and deterministic properties to establish a governing template on which one can observe the given phenomenon. The approach taken by complexity scientists is fundamentally different. They do not look for an overall blueprint for the whole system at all but, instead, they model agent interaction, with each agent behaving according to their own principles of local interaction. In such a structure, no individual agent, or group of agents, determines the patterns of behaviour that the system displays or how those patterns evolve and neither does anything outside of the network.\(^{343}\) This is the principle of self-organisation: agents interact locally according to their own principles, or intentions, in the absence of an overall blueprint for the system they form.

A central concept in agent-based models such as Complex Adaptive Systems is that self-organisation, which involves the emergence and maintenance of order, out of a state that is less ordered, or less complex. Stacey, Griffin and Shaw\(^{344}\) argue self-organisation and emergence lead to fundamental structural development (novelty), not just superficial change. They go onto argue that ‘this is ‘spontaneous’ or ‘autonomous’, arising from the intrinsic nonlinear nature of the system, sometimes in interaction with the environment’.\(^{345}\) Some external

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\(^{343}\) Stacey, R. D. (2000) ibid, p. 295

\(^{344}\) Stacey, R. D., Griffin, D, and Shaw, P. (2000) ibid, p.54

\(^{345}\) Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid, p. 56
designer does not impose it; rather global behaviour emerges from simple, reflex-like rules.

Self-organisation is a bottom-up process in which detailed input of the system itself determines what happens. Stacey\(^{346}\) argues this is self-organisation or collapse of chaos in that the environment was at first random but as soon as an agent is introduced the collapse of chaos ensures. From this perspective, the evolution of strategy does not occur primarily through random mutation selected by the industry forces, but primarily through an internal, spontaneously self-organising, cooperative process that presents orderly forms for selection by the forces of competition. Stacey\(^{347}\) argues strategy is not made by ‘freely operating competition that chooses between random little pieces, but by a competitive process constrained to choose between new strategies emerging from a cooperative process’.\(^{348}\) Life in organisations arises from dialectic between competition and cooperation, not from unconstrained competition. Stacey, Griffin and Shaw\(^{349}\) argue the implications are both profound, and, of course, contentious.

The third variant of Complexity Theory is Complex Responsive Process Theory developed by Stacey.\(^{350}\) This theory aims to extend complexity’s notion of evolutionary adaptation to self-organising to include communicative processes.\(^{351}\)


\(^{347}\) Stacey, R. D. (2000) ibid


\(^{349}\) Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid


According to Stacey\(^{352}\) who argues that this perspective downplays the importance of formally sanctioned designed rules and codes of practice (\textit{propositional knowledge}) and elevates role of informal stories (\textit{narrative knowledge}) as the location and means of sharing what an organisation knows.\(^{353}\) The Theory of Complex Responsive Processes\(^{354}\) extracts from Complexity Sciences and relational psychology (\textit{symbolic interactionism})\(^{355}\) as a source domain of analogies with human interaction. Although the complexity sciences utilise systems as a way of thinking, the Theory of Complex Responsive Processes is not a Systems Theory. On the contrary, Stacey, Griffin and Shaw\(^{356}\) argue it is based on the premise that it is highly limiting, and in the end inappropriate, to think of human interaction as a system. The Theory of Complex Responsive Process is a Process Theory, a theory of the process of interaction (\textit{symbolic interactionism}) and action (Complexity Theory) in the complexity approach.

From this perspective, Stacey, Griffin and Shaw\(^{357}\) argue that ‘the future is under perpetual construction through continuous processes of relating, which have the inherent, spontaneous capacity for coherent patterning, displaying both continuity and potential transformation at the same time’.\(^{358}\) These analogies are

\(^{352}\) Stacey, R. D. (2000) \textit{ibid}


\(^{355}\) As Mead’s interpretation goes beyond the scope of this thesis, it warrants a brief overview. His symbolic interactionist theory aims to investigate how the mind and self emerge from the social process of communication by signs or gestures. Blumer interpreted Mead by arguing that to argue that humans act toward things on the basis of the meanings that the things have for them. The meaning of such things is derived from, or arise out of, the social interaction that one has with another individual. See Blumer, H. (1969) \textit{Symbolic Interactionism: Perspective and Method}. University of California Press: Berkeley. See also http://www.espach.salford.ac.uk/ssi/index.html

\(^{356}\) Stacey, R. D., Griffin, D and Shaw, P. (2000) \textit{ibid}

\(^{357}\) Stacey, R. D., Griffin, D. and Shaw. P. (2000) \textit{ibid}

translated into human terms through concepts developed by Mead and Blumer\textsuperscript{359} and others who hold that the individual and the social are one ontological level.

Explaining the differences between mainstream thinking and the perspective of Complexity Responsive Processes is not easy. Mainstream thinking explains the origin, formation, cause and evolution of change in terms of constructs outside the ordinary experience of interaction between people.\textsuperscript{360} As Stacey\textsuperscript{361} points out ‘they do this in what Kant\textsuperscript{362} called a ‘both…and’ manner of thinking to argue that change is formed in both the mind of the autonomous individual, who is understood as a rational calculating being in the rational planning school and an intuitive and political individual being in the design school and a system understood as a self-regulating control system in the rational planning school and as a cultural, vision-driven system in the design school’.\textsuperscript{363}

Stacey\textsuperscript{364} argues that self-organisation is understood as a causal process and introducing the notion of a ‘transformative teleology’\textsuperscript{365} to describe a paradoxical movement into a future that is under perpetual construction by the movement itself.\textsuperscript{366} Stacey\textsuperscript{367} argues that Mead’s\textsuperscript{368} interpretation, which requires a

\footnotesize{\textsuperscript{359} The authors offer a comprehensive summary of Mead's theory. This thinking emphasis the intrinsic ordering properties of interaction as the basis of change and knowledge creation in organisations. For a more through understanding see Mead, G. H. (1934) \textit{Mind, Self and Society}, Chicago University Press: Chicago as well as Blumer, H. (1969) \textit{Symbolic Interactionism: Perspective and Method}. University of California Press: Berkeley.  
\textsuperscript{361} Stacey, R. D. (2001) ibid  
\textsuperscript{363} Stacey, R. D. (2001) ibid, p. 95  
\textsuperscript{365} Stacey, R. D. (2000) ibid, p. 60. Stacey argues that ‘movement is toward a future that is under perpetual construction by the movement itself. There is no mature or final stage, only perpetual iteration of identity and difference, continuity and transformation, the known and the unknown, at the same time. The future is unknowable but yet recognisable, the known-unknown. Meaning arises in the present, as does choice and intentions potentially transforms it. Changes in identity depend upon spontaneity and diversity of variations in micro interactions. Both freedom and constraints arise in diversity of micro interactions as conflicting constraints.  
\textsuperscript{366} Shaw, P. (2002) ibid.  
\textsuperscript{367} Stacey, R. D. (2001) ibid}
paradoxical understanding of time, is quite different from the ‘Kantian
dialectic’, which combines a rational teleology of systems thinking where
movement into the future is an unfolding of what has been enfolded already.

Taking the contribution of Mead and aspects of Complexity Theory, Stacey argues this view offers a way of thinking in which mind, self, society, power
figurations and ideologies arise between individuals as the detailed, local
interaction of communicating entities in the present. Shaw argues the
individual and the group inadvertently are the same, aspects of the
communicative process and most importantly not at different phenomenal levels.

Supporting Stacey’s argument of perpetual change, Prigogine’s Dissipative Structure Theory demonstrates that it is impossible to predict beforehand what systems or structures will be produced as a result of evolution. The author argues
that complexity theory shows that, in nonlinear systems, the smallest differences in the initial state can lead to very large differences in the final outcome. In short, in these two senses, it is impossible to predict the future in a complex world. Stacey asks what behaviour should the organisation adopt in an evolving world (corporation, market, or society), in which no absolute rules exist and in which it is difficult to make any predictions about the future? Tasaka argues that this

368 Mead, G. H. (1934) Mind, Self and Society, Chicago University Press: Chicago

369 Kant’s contribution to the development of western thought was significant. The Kantian framework elucidated ways of seeing formal or ordered structure in nature. Kant’s ‘both/and’ resolution of conflicting arguments is still widely employed in thinking about organisations and forms the foundation for systems theory in the 20th century.

principle is clearly argued in the work of Alan Kay: ‘The best way to predict the future is to invent it’.376

The Theory of Complex Responsive Processes differs in that it explains the origins, formation, cause and evolution of novelty in terms of interaction itself. Drawing on analogies from the complexity sciences, Stacey377 lays the fundamental argument is that iterative non-linear interaction in the medium of symbols itself has inherent pattern forming properties, making it unnecessary to posit causal constructs outside of the process of interaction.378 In other words, these complexity theorists understand the core notion of complexity and self-organisation, as a causal process based around the ideals of a free-flowing conversations and diversity.

Griffin379 argues that taking this perspective means seeking to explain organisational strategy and change from within one’s interaction with those involved in change. One listens to the stories (narratives) of those involved, thereby interacting with them, as they recount the history of their interactions with others. Stacey380 argues that from a complex responsive perspective, ‘organisations are then perceived as temporary stabilisations of themes, that is, habits, organising the experience of being together that emerge in the process of human interaction in local situations in the living present’.381

376 Tasaka, H. (1999) ibid p. 117
378 Mead, 1934; Stacey et al, 2000; Fonseca, 2002
Griffin\textsuperscript{382} and Stacey\textsuperscript{383} argue organisations, then, are iterative processes of communicative interaction, that is, repetitive patterns of human experience of being together in the living present, in which themes are continually reproduced, always with the potential for transformation. Fonseca\textsuperscript{384} argues ‘this potential lies in the possibility that small differences, variations in the reproduction of habits, will be amplified into new action with new meaning (knowledge)’.\textsuperscript{385} Goodwin\textsuperscript{386} argues that in this context, it is in conversational processes that organisational individual identities emerge as continuity and potential transformation. Furthermore, Organisational change comes to be understood as the process of transforming both collective and individual identities. Misunderstandings inadvertently fuel the change process in the organisation; rather promote a sequential process or some legitimate organisational control system.

A key argument of this paper is that informal, non-sequential and random patterns of communication in organisational create the innovation and understanding individuals seek. These patterns of meaning in conversation create a social framework of identities that is stable enough to enable people to act efficiently. Stacey\textsuperscript{387} argues that, simultaneously, misunderstandings will form the basis for new patterns of new meaning and thus create a meaningful basis for action to re-start the change process in organisations. As Fonseca\textsuperscript{388} points out an organisation that ‘patterns of meaningful relationships emerging in the tension between the conflicting legitimate and shadow aspects of complex responsive process. The legitimate aspect consists of the official patterns of talk, primarily

\begin{itemize}
\item[\textsuperscript{382}] Griffin, D. (2002) ibid
\item[\textsuperscript{383}] Stacey, R. D. (2001) ibid
\item[\textsuperscript{384}] Fonseca, J. (2002) ibid
\item[\textsuperscript{385}] Fonseca, J. (2002), ibid, p. 76.
\item[\textsuperscript{386}] Goodwin, B. (1994) ibid.
\item[\textsuperscript{387}] Stacey, R. D. (2001) ibid
\item[\textsuperscript{388}] Fonseca, J. (2002) ibid
\end{itemize}
reflecting widely accepted rules of behaviour. The origin of innovation lies in the shadow aspects communicative interaction, that is, those themes that are not widely accepted’.

On the other hand, Frenken is critical of Stacey’s complexity theory and argues it lacks systematic and analytical elaboration of self-organisation processes of communicative interaction. He goes onto to state that analogies are made in quite a loose sense, which sometimes obscures what type of self-organising processes Stacey has in mind. Mintzberg, Ahlstrand and Lampel argue that complexity and learning may indeed lead to any novel strategy being championed to the detriment of proven and tested strategic frameworks. Furthermore, they advocate that without a strategic discipline in place around selected strategies, the organisation may degenerate towards a state of strategic paralysis.

Extrapolating on this view, it could be argued that with several emergent strategies competing for limited organisational resources, that this in turn would inhibit growth and induce a sluggish responsiveness against rivals in the marketplace. As a practising manager, this author has observed that whilst some organisations do indeed face perpetual novelty and industry repositioning, it should be noted that many industries do adhere to key characteristics or business trends, where again proven and tried strategies are still often the best countermeasure against competitor actions.

389 Fonseca, J. (2002) ibid p. 120.
Directions for further research may include how socially constructed resources create shared understandings to competitive positioning or practices of customer engagement. Brown and Eisenhardt\(^{392}\) argue that managers may consider that rather than focussing on the *macro level* (management) of the organisation, the most powerful change processes occur at the *micro level* (daily activities), where relationships, interactions, and misunderstanding shape emerging patterns and new meaning and knowledge creation. These are the foundations for sustained change in organisations and continued growth.

Upon reflection, Complexity Theory offers several keys insights for organisational dynamics that are intuitively attractive. Stacey\(^{393}\) argues that the centrality of self-organising interaction as transformative cause of emergent new directions, places cooperative interaction and the conflicting constraints that relationship imposes, at the centre of the creative process of organisation development. Griffin\(^{394}\) argues new organisational developments are caused by the political, social and psychological nature of human relationships. This departs from the dominant discourse on management in which the role of the manager is one of removing ambiguity and conflict to secure consensus.

Stacey\(^{395}\) argues that ‘stability is sustained by the property of the edge of chaos that limits the spread of destruction through a system, namely the power law’.\(^{396}\) He argues that at the edge of chaos, destruction, which is an inevitable companion of the emergent new, is ‘controlled because extinction events are mainly small in size’.\(^{397}\) In other words, organisational life is controlled because of the dynamics of relating at the edge of chaos, although no individual or group of individuals can be

\(^{392}\) Brown, S. L. and Eisenhardt, K. M. (1998) ibid

\(^{393}\) Stacey, R. D. (2001) ibid

\(^{394}\) Griffin, D. (2002) ibid

\(^{395}\) Stacey, R. D. (2000) ibid

\(^{396}\) Stacey, R. D. (2001) ibid, p. 45

\(^{397}\) Stacey, R. D. (2001) ibid, p. 48
“in control” of the whole system. This departs from the dominant discourse in which Stacey argues that ‘the only alternative to an individual being in control is thought to be anarchy’.

Reverting back to Stacey, he argues that ‘the importance of diversity and difference is important to Complexity Theory. Shaw argues complex systems evolve when there is ‘micro-diversity or fluctuations and this means that there can be no novel organisational developments without differences between the people who comprise it’. Kauffman argue it follows that deviance, the difficult search for understanding in misunderstanding, is a prerequisite for novel change. Stacey argues this departs from the dominant management discourse’s emphasis on harmony and consensus, now seen to be adverse to creativity.

On a final note, limits to the ability to design and plan is acknowledged and addressed through Complexity Theory. Stacey, Griffin and Shaw argue complex systems have the internal capacity to change spontaneously in unpredictable ways that cannot be described as optimising anything. They argue that their creative development cannot be designed, planned or controlled with any effectiveness. As alluded to throughout this thesis, this departs from the dominant discourse in which designing and planning for maximal or optimal outcomes are seen as the very essence of the management role.

398 Stacey, R. D. (2001) ibid
399 Stacey, R. D. (2001) ibid, p. 85
400 Stacey, R. D. (2001) ibid
401 Shaw, P. (2002) ibid
403 Kauffman, S. A. (1993) ibid
404 Stacey, R. D. (2001) ibid
405 Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid
This now concludes the literature review. The dominant view on strategy has been reviewed in-depth as well as and domains of Narrative and Complexity Theories. This study moves to the linkage of strategy and complexity through Narrative Theory as an extension of theory to benefit management practice.
CHAPTER 3 – EXTENSION OF THEORY

Linking Complexity and Strategy through Narrative

The major conceptual advance provided by this dissertation lies in its deepening and broadening of how we are able to think about organisational strategy and its intentional, radical emergence. By combining key insights and concepts from Complex Adaptive Systems Theory and Narrative Theory, it purports to explain how a hospitality company, could position its future actions to service its target markets with greater responsiveness and purpose.

From this perspective, the reader of any given strategy should be able to clearly identify the strategic narratives inherent in a business plan and how the narrative of the proposed business strategy will strengthen joint action from all individuals to achieve appropriate results.

^406 It is important to note that complexity theory is more of a broad terminology of loosely related concepts rather a clearly defined theory. This thesis argues the views of B. Goodwin (1994, 2000), S. A. Kauffman (1995) and R. Stacey (1996, 2000 & 2003) who have written extensively on Complex Adaptive Systems Theory (CAS). This strand of thinking promotes centrality of self organisation as well as the importance of interface between a network and its context to create new emergent forms that are radically unpredictable. Whilst it is generally accepted that most complexity theorists address the significance of self-organisation, the nature of emergence and the importance of unpredictability. It is the orthodox view of locating agency with individuals with cognitive assumptions which inhibits truly novel processes to emerge. For the purpose of thesis, we shall Complexity Theory and CAS interchangeably.

^407 For the purposes of clarity, the interpretation of Narrative Theory is based on the writings of Ricoeur.
The Conceptual Framework

Through an integration of the domains of *complexity, narrative* and *strategy*, we arrive at the conceptual framework, an extension of current organisation theory. This advancement offers a framework proposition of a meta-position on any one of the nominated theories. A concept where permeable boundaries exist, fluctuate, evolve depending on the interaction with other organisations as well as within the organisation itself. Located at the centre of this concept are the metaphors of narrative, complexity, emergence and strategy which interact and are interchangeable parts of a fluid state of emergence and self-organisation. For practicing managers it offers an intuitively responsive strategy model.

Figure 2  Emergent Strategy: The Conceptual Framework
Figure 1 shows the conceptual framework. The combined theory therefore encompasses the complexities and difficulties of the relationship (or linkage) between organisation, narrative, and strategy, because the combined theory recognises and articulates the manner in which we aim to focus our strategic aspirations through narrative, our combined organisational understandings and misunderstandings and the promotion of everyday practices and customs by which we strive to engage customers and competitors. Hence, relationships we weave are irresolvably complex and problematic, so the resultant strategies are irresolvably problematic and unknown, and it is the combined theory that enables us to see and at least partly understand the complexities of mutual contouring.

Through the insights of Complexity Theory, as an organisational theory, with its focus on the present variables rather than long range determinants, it offers an intuitively responsive strategy model of engagement. The model aims to demonstrate the emerging variables from which this conceptual framework derives its main source of validity; that of a comprehensive market understanding. This is done through the subjective market innovation of Austrian Economics as enacted in the organisation by narratives.

As this framework incorporates strategy as an emergent and refractive lens, with its centrality in emergence, it is important to expand the understanding of this proposition. Building on the work of Mintzberg, Ahstrand and Lampel, the domain of emergent strategy gained greater traction through the loosely defined learning school of strategy, a collective of related theories where essentially strategy is defined as having emergent and responsive properties, not too dissimilar to complexity theory. It does offer us some interesting insights to complement our conceptual framework.

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From the literature review, this school of thought follows a process of responsive learning versus just adaptation to the environment or competitor set. Mintzberg\textsuperscript{410} went on to argue that services-based organisations operating in rapid and dynamic environments stand to benefit most from the insights of the Learning School as opposed to heavy or manufacturing industries where standardisation remains crucial.

The main thrust of this thinking is based on the concept that services-based industries such as professional firms (accounting, recruitment, legal etc) as well as hospitality and tourism, which collectively offer a suite of highly intangible services, could benefit from strategy grounded in a learning approach. In these companies, a greater reliance on a multitude of more responsive actions to unknown factors is warranted to respond to changing market demands.

As opposed to functionalist-style industries, where the high cost of entry, government intervention as well as large capital outlays prohibit many players, consumers are given only a limited range of products and any change is often only initiated by government regulators or ‘societal sentiment’ rather in response to acute consumer demands. In particular, the automobile manufacturing industry has this functionist, monopolistic characteristic.

Learning from this proposition, hospitality with its high reliance on trends, consumer emotions as well as end-user perceptions, stands to benefit from the complexity perspective. With this in mind, this author argues that hospitality organisations should be concerned with how to minimise unnecessary and expensive learning as well. When is enough truly enough; is often the question

\textsuperscript{410} Mintzberg, H. (1999) ibid
for managers. With significant management and staff turnover as the norm today, communications and retention rates are crucial to ensure effective levels of collective engagement.

Whilst Mintzberg’s Learning School\(^{411}\) shares some of the characteristics of Complexity Theory across the domains of emergence and nonlinearity, one of the central criticisms of the learning school remains its primacy in the paradigm of strategic choice. It advocates a form of strategic learning where a pre-conceived notion of an alternate future is envisaged, and thus aligning the strategic imperative to that desired future regardless whether it is beneficial.

Overcoming this deficiency of passive adaptation, complexity theory extends organisational theory by incorporating the responsiveness of present learning. This is primarily achieved through a tighter integration of emergence and nonlinearity as well as the paradoxical terms “edge of chaos” and “self-organisation” (\textit{collapse of chaos}).\(^{412}\) It creates a fabric of interacting themes and shared understandings of the present environment, be it at the market, industry or organisation level. Early adopters of this stance hark back to the German philosophers Kant and Hegel,\(^{413}\) and more recently through the works of Prigogine, Goodwin, and Griffin as discussed throughout this study.

\(^{411}\) Mintzberg, H. (1999) ibid


\(^{413}\) First proposed by the German philosopher Immanuel Kant in 1790, Georg Hegel developed the complexity thinking through several seminars at the University of Berlin between 1815 and 1830 to highlight the paradoxical nature of complexity in society. Complexity as a field of research only re-emerged in the late 1970’s though the work of leading complexity theorists Prigogine, Kaufmann, Goodwin as well as Stacey et al who wrote extensively on complexity approach to organisations.
Reflecting on a body of literature so rich in history and philosophical investigation, Complexity Theory allows the contemporary management practitioner to comprehend the dynamics of the modern organisation with meaningful insight. Stacey\textsuperscript{414} argues that it does provide an alternate understanding of emergent creative development and the fallacy of long-term predictability. It promotes the centrality of self-organising interaction between people as paramount in order to create and enact novel, previously unknown processes.

Stacey, Griffin and Shaw\textsuperscript{415} go on to argue that it describes the fallibility of individual choice, as opposed to joint-action, as misguided because of the unpredictability and complexities of inter-organisational power relations and conflict which constitutes the permeable boundaries or edge of chaos under which the organisation can function normally and foster change. Paradoxically, by embracing conflict and politics as positive variables (described by Stacey as fluctuations), this guarantees that a stability of emergent, responsive strategies will continue throughout the life of the organisation.

From a complexity perspective, the promotion of diversity and difference are critical elements in an organisation setting. Differing from the traditional organisation, where group consensus to gain collective understanding is sought, the ‘complexity’ organisation advocates the notion of understanding any misunderstandings between people. This in turn, creates emergent change and strengthens the possibility of the failure of design and planning. It lends focus to organisations as essentially complex processes, which will constantly change spontaneously in the most unpredictable ways. This study argues that organisational processes cannot be designed or controlled and the role of the


\textsuperscript{415} Stacey, R. D., Griffin, D. and Shaw, P. (2000) ibid
manager becomes that of a facilitator as opposed to the optimising force in the organisation.

Considering the promise and depth of complexity literature as a responsive organisational theory, the prospect of applying key concepts towards an integrated theoretical framework warrants further investigation towards advancement in strategy process theory. In light of this, the central tenets of the conceptual framework would entail;

1) **Complex Adaptive Theory**: It is proposed that Complexity Theory is essentially an organisational theory of action. The innate complexities of organisational dynamics are argued through principles of self-organisation, emergence, edge of chaos, nonlinearity and complexity, which are core to Complexity Theory.

2) Through the insights of **Narrative Theory**, which is equally a theory of action, this framework articulates and moulds a responsive strategy incorporating the narratives of individuals by which the organisation is guided.

3) Resulting in the **Strategic Plan** inclusive of strategy narratives, management decision tools such as Stacey’s Matrix as well as standard business and financial templates to best explain the tactics to be guide all organisational members.

As Complexity Theory is being argued to be inherently an organisational theory, it does not address strategy formulation and planning. If the organisation is best understood within the domain of complexity as a process rather than a designed phase, then the resultant emergent strategy is best articulated through the
responsive narrative subset to complement pre-determined business and financial templates. In other words, strategy becomes essentially the narrative of a group of individuals, who are vested with the responsibility of formulating a given direction through plot and action. Thus, strategy is the *story of the time* in which the organisation competes and how the organisation processes will be employed to counteract competitor initiatives.

Extrapolating this thinking further, Narrative Theory becomes the linkage between organisation (*complexity*) and strategy (*emergent action*) connecting the narratives of individuals (*organisation*) with the tactics of the strategic plan, which we now call the *strategic narrative*.

Cementing this view, Drummond\(^{416}\) argues that narrative provides the pathway to describe Complexity Theory for the reason that it can handle the innate complex issues of strategy with greater ease as opposed to a structured planned process of deduction. Traditional strategic planning relies on compliance within a given set of rational variables dictated proceedings. Supporting this premise, Drummond argues that as structure of language has multiple meanings of words (polysemic),\(^{417}\) narrative can provide a richer feeling for the choice of words used in the business plan allowing us to construct meaningful and infinitely more complex stories on any topic. In the case of this thesis, the rich narrative veins and infinite strategic possibilities posed by organisations operating within rapidly changing and complex environment lends itself as the ideal platform for strategy to be aptly articulated through the domain of narrative.

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\(^{416}\) Drummond argues that strategy is best understood as part of a narrative sub-set. In other words, strategy is essentially the narrative of a group of senior management who articulate a given direction of the organisation through narrative. Strategy is the *story of the time* and how management aims to counteract any action from competitors.

\(^{417}\) Polysemic is defined as having many meanings, the phenomenon of having or being open to severa of may meanings” (Webster Dictionary, p.1048).
As is the case in most hospitality companies, the business plan is often only viewed as a static template of financial and marketing data incorporated from the previous period with little narrative representation of the stakeholders. What is often missing is a meaningful understanding of the responsive adaptation to meet stated objectives and goals. Most importantly, the intrinsic perception of how management and key individuals aim to compete in their respective marketplace is not articulated effectively.

With this in mind and (aptly demonstrated in the strategy literature), it is proposed to include strategic narratives where socially constructed resources create shared understandings to competitive positioning or practices of customer engagement and give an enhanced meaning to strategy by placing planning in the present. Contrasting this view, it is inherent in the strategy literature; a pronounced locus on the pre-emptive planning approach to counteract known variations in the future forecast period prevails. Whilst this functionalist approach offers a linear, pre-determined plan within a given set of variables, it is not possible to incorporate the more immediate strategic imperatives which arise within the marketplace. With this perceptive and understanding of strategy, it is questionable whether it addresses spontaneity, emergence and unknown variables that may influence the strategic narratives of the organisation.

This chapter has brought together three theories and associated concepts that have predominated in our development of a theoretically informed horizon of understanding. Rather than a single, easily stated conclusion, we have arrived at a point of view which can only be explained in ways which acknowledge its complexity. Having reached this stage, we are now ready to further our understating of complexity theory and narrative - and to deepen our understanding of strategy and change as mutually contouring – by applying theory to the example
by way of the management narrative. Firstly, however, we need to consider the methodological implications of our theory building.

The thrust of this thesis advocates a centrality anchored within a framework of strategy as an emergent, responsive process as opposed to that of the planned, functionalist approach. This is achieved through the linkage of strategy (tactics plan), Complexity Theory (an organisational theory of action) and Narrative (A theory of action) giving us a process of interaction and adaptation to articulate given realities. As illustrated during the course of this thesis, Complexity Theory argues the contention that limitations on predictability are inherent across all organisational processes.\textsuperscript{418} It is argued that although short-term developments are predictable, long-term evolution emerges unpredictably. Complexity Theory advocates the notion that the emergent can be articulated and understood only as they emerge and cannot be predicted in advance. Creativity and uncertainty are therefore inherently linked, and if organisations (individual’s narratives) are to change in novel ways then managers have no alternative but to act continually in the unknown. Such a perspective departs from the dominant paradigm of strategy planning and foresight in which Stacey argues that “the role of a manager is thought to be reduction of uncertainty rather than the capacity to live creatively in it”.\textsuperscript{419}

This study will now move the research methodology where Narrative and Complexity are demonstrated as mutually contouring to form the basis for the methodology.


CHAPTER 4 – METHODOLOGY AND RESEARCH DESIGN

The Author’s Purpose

The purpose of this research study is to demonstrate illuminative insights into emergence and strategy as mutually contouring. This is achieved as an understanding of complexity, strategy and action through Narrative as an integrated whole and combined in Part I of this dissertation. This is a horizon from which the storied, socially inscribed, and constructed nature of Narrative comes clearly to view with the purpose to aid the hospitality manager.

Gibson\(^{420}\) outlines the purpose of the research methodology that is necessary to work through a three-step process:

*Firstly*, by combining elements of Narrative and Complexity Theory in a way that demonstrates their relevance to understand the mutual contouring of emergence and strategy in the organisation. As argued throughout this thesis, strategy is presented as a grand narrative developed by the organisation to counteract changes in the market. Through the lens of Narrative, meaning is created and the resultant action is facilitated through the insights of Complexity Theory to act upon those market changes.

*Secondly*, obtain first-person accounts of strategic stories, which reveal how the research contributors have understood their narratives and strategies as mutually contouring. For this research study, senior industry professionals with strategy setting responsibilities with their respective hotel companies were invited to participate. Individually, participants have substantial management experience.

Thirdly, apply the theoretical framework developed in chapter three, to the stories obtained in step two, to arrive at insights which go beyond those provided by the research contributors. This demonstrates the relevance of the theoretical framework by illuminating individual cases of narrative and strategy as mutually contouring.

Gibson argues that the purpose would still depart from the notion of discovery in the natural sciences. As Gadamer argues, the kind of insight and trust that can be found in the human sciences ‘does not involve the discovery of general laws, but entails understanding a phenomenon in unique and historical concreteness.’ Gadamer goes onto to argue that ‘consequently, the author’s purpose requires a methodology, which is aimed at ‘understanding human behaviour and social realities, not quantifying them’ rather than aimed at ‘theoretical generalisation drawn from systematic experimentation.’

Gibson further argues that ‘another important feature of this purpose is that the second step of the process involves a method in the sense of techniques for collecting data’. Even here, the notion data is inappropriate to the purpose, given its connotations of uninterrupted and measurable fact. Research, which is fitting for the author’s purpose, requires method not as data collection, but as an approach to another person which is likely to elicit a participative and meaningful narrative.

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421 Gibson, P. (2001) ibid
Hence, the choice of Ethnography as outlined by Heron and Reason\textsuperscript{426} as the research methodology, and the choice of research techniques which borrow from the insights of Semi-Structured Interviews\textsuperscript{427} and Narrative Analysis\textsuperscript{428} constitutes the research methodology framework for this study. Allow us now to explore the rationale for this direction and approach.

**Epistemology: Truth**

This dissertation has a Narrative concern with *understanding* and its companion experience, *complexity*. This concern sets the inquiry apart from those that have an empiricist concern with *knowledge* and its companion result, *certainty*.\textsuperscript{429} Whereas empirical studies need to address epistemological issues of validity and reliability, this study needs to address ontological issues of interpretation and illumination.

Organisational strategy is ambiguous and contextual for each person. Regardless of financial and organsational objectives, the prime and central function is to anticipate and how to respond to changing market conditions. Depending on the perspective and needs of the reader, this strategy will have a different meaning and create an interpretation to understand how best to engage the complex, changing market dynamics.

\textsuperscript{426} Heron, J. and Reason, P. (1997) A participatory inquiry paradigm, *Qualitative Inquiry*, 3 (3), pp 274-294


Drummond argues that this mode of organisational understanding is the *Prime Strategic Narrative*. He goes on to argue that this is a ‘narrative understanding presupposes the historicity of our being-in-the-world and, as such, the concept of understanding is not a methodological, but an ontological problem’. There is no intention to establish an unnecessary duality here, since in ‘spite of the contrasts that are being made the concern with knowledge and the concern with understanding are both concerns with truth’. contrasts arise because in each case a different face of truth is revealed.

Gadamer argues to break truth free from the single face shown by measurement and objectivity, simply by asking: ‘Is it right to reserve the concept of truth for conceptual knowledge? Must we not also admit that the work of art possesses truth?’

Gibson argues the position that ‘epistemology is to explain truth with a methodology which responds to the concepts that make up the notion of cooperation’; a methodology which is appropriate to persons as authors of the stories that they live by, ‘persons who create and act upon meaning rather than subjects who are caused to reach to stimuli. The main thrust of this approach is understanding; rather explaining phenomena’.

Ethnography as Research Method

In order to explore the inter-relationships of individuals and teams, Ethnography has been adopted as the research methodology. Heron and Reason argue knowledge emerges from experience and displays a ‘deterministic model based on the linear/functional framework of causation and control’. As the underpinnings of the Complexity Theory view, process (formulation) rather than systems (structure) are paramount to the understanding of emergent characteristics of organisational life. A participatory inquiry that emphasises, the emergent, elucidates perception and language with its facility to grasp complex interrelations is warranted. This view moves away from the ‘mechanical abstraction of the Newtonian worldview of cause and effect’.

The research method, Ethnography is supported by Heron and Reason who argue that the basis of this methodology is that ‘human beings as co-creating their reality through participation, experience and action’. Oates argues ethnographic research, which emphasises participation both from the researcher and all involved in the research project. Furthermore, Reason argues that ethnography is essentially an emergent process and its success depends on the goodwill and determination of those involved. It aims to offer no distinction

438 Drummond, G. (2005) ibid, p. 138
441 Heron, J. and Reason, P. (1997) ibid, p. 274
442 Heron, J. and Reason, P. (1997) ibid.
between all participants in order to extrapolate the central themes of the group and organisation. According to Reason\textsuperscript{448} the defining features of study where Ethnography would offer a greater understanding are as follows:

- All subjects are as fully involved as possible as co-researchers in decisions about both content and method.
- There is interplay between reflection and action.
- There is explicit attention to the validity of the inquired and its findings for professional practice.
- There is a radial epistemology for a wide-ranging inquiry method.
- There is a range of special skills suite to such all-purpose experiential inquiry, which necessities the complexity perspective.

It involves two complementary kinds of participation: 	extit{political participation} (concerning the relation between people in the inquiry and the decisions that affect them) and 	extit{epistemic participation} (concerning the relation between the knower and the known). Oates\textsuperscript{449} relies on Marshall and McLean\textsuperscript{450} who argues that the purpose of Ethnography can aid the development of the professional practice, institutional change and/or organisational development. As a theory of interaction and participation, Complexity Theory shares the same ontological basis as Ethnography.

Ethnography can be criticised where the research is designed and interpreted unilaterally by the researcher. However, interpretive researchers do include some participation if they seek to validate their account with their research.

\textsuperscript{449} Oates, B. J. (2002), ibid
respondents. Interpretive researchers can also be *partially participant*, if they do fieldwork involving participant observation. In view of the fact that this researcher has over 25 years as a hospitality manager, becoming partially involved in the research will offer the opportunity to facilitate a more intimate understanding of the respondent responses.

Often, however, decisions about what data to gather and the interpretive models used are not decided jointly with the subjects. Hence, qualitative research about people is seen as a halfway house between exclusive, controlling research on people and fully participatory research with people. Ethnography offers the opportunity the engage the respondents more easily and co-create a shared and mutual understanding of the dominant narrative themes.

Heron argues that an inquiry can be informative or participative. An informative inquiry seeks to describe and explain some domain of experience. Primary outcomes are propositions about the domain and secondary outcomes are practical skills involved in generating the descriptive data.

By way of contrast, Oats argues ‘a participative inquiry seeks to explore practice within some domain and change it. Primary outcomes are practical skills and changes in the situation, which they have brought about’.  

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452 Heron, J. (1996) ibid, pp. 48-49.
453 Oates, B. J. (2002) p. 21
At the outset of this study this researcher intended to use an ethnographic approach as informed by Geertz, \(^{455}\) Spradley, \(^{456}\) and Van Maanen and Barley \(^{457}\). It is an approach which has been little used for studying organisations. \(^{458}\) The main effect on the research design was to reduce the number of participants from about twenty employees from different levels of the organisation, to nine executives. The immense benefits of this reduction in the scope of the research interviewing are patently obvious in the narrative in Part 2. The containment of the study to the executive group produced a highly focused study. This occurred after the study had begun.

This change occasioned a re-examination of the theoretical perspective I was to adopt for the study. As a result it was transformed from ethnography, to Narrative Theory. Narrative was chosen as the most appropriate means to present the powerful issues and complicated interpersonal dynamics in which the executives became enmeshed.

This researcher has been initially guided by the work of Clifford Geertz, in making thick description. He asserted that ethnography was “not an experimental science in search of a law, but an interpretive one in search of meaning.” \(^{459}\) The production of thick description, which is both detailed, and at the same time of the essence, is that type of description which goes to the core, and creates in the reader a sense of the experience of the participants in the study, through the eyes of the researcher. To quote Geertz, “what we call our data are really our own

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\(^{456}\) James Spradley (1979) *The Ethnographic Interview*, Holt, Rinehart and Winston, New York, USA.


constructions of other people's constructions of what they and their compatriots are up to.”

He complements this concept with the assertion that anthropology is really more of an interpretive act than an observational one. “...anthropological writings are themselves interpretations, and second and third order ones to boot. By definition, only a ‘native’ makes first order ones: it's his culture. Interpretations are thus fictions; fictions, in the sense that they are ‘something fashioned’-...not that they are false, unfactual, or merely ‘as if’ thought experiments.” In fact, he goes further, to note that anthropology is rather more the work of a literary critic than a cipher clerk.

These compelling notions from Geertz’s view of anthropology, constructions of people's constructions, of it being an interpretive act, and being rather more like the work of a literary critic, had central relevance to this study with regard to the presentation of data and its analysis.

Geertz makes the point that in his work he is neither “seeking to become a native or to mimic them...(but seeks to) converse with them, ...a matter a great deal more difficult...than is commonly recognised.” It is suggested that the interviews forming the base of the narrative presented in Part 2, were conversations, or to quote Mishler, “discourse between speakers.” Narrative research, “uses the ideal of a scholarly consensus as a test of verisimilitude rather than the test of logical or mathematical validity.”

460 Ibid. p. 9.
461 Ibid. p.15
462 Catherine Marshall and Gretchen B. Rossman (1989) Designing Qualitative Research, Sage, California. They comment that raw data have no inherent meaning; the interpretive act brings meaning to those data and displays that meaning to the reader through the written report. p.114.
The work of Geertz, pointing to the presentation of thick description, is consistent with narrative. Indeed, Edward Bruner's article, “Ethnography as Narrative”⁴⁶⁶ points the way. He notes that “ethnographies are guided by an implicit narrative structure, by a story we tell about the peoples we study,”⁴⁶⁷ and further, that as interpretive devices, stories give meaning to the present, and that they do so through the agency of new vocabulary, new metaphors, and syntax. One could illustrate the point with reference to the famous speech of Martin Luther King Jr., one in which his dream, or story, inspired the African American people and a proportion of the American people. “We can never be satisfied as long as the Negro is the victim of the unspeakable horrors of police brutality.... of people stripped of... their dignity by signs stating ‘For Whites Only’. No we are not satisfied and we will not be satisfied until justice rolls down like waters and righteousness like a mighty stream.”⁴⁶⁸ There is no doubt that there were antecedent conditions such that King’s speech could be so enthusiastically embraced.

Taking the example of King’s speech, it is possible to see the power of story to transform (or at least begin the process of transforming) a peoples’ identity by rekindling self esteem, and to set in motion actions which are designed to bring about a desired future. Consequently, the adoption of narrative theory as a basis for this thesis may appear to be a change in style, rather than a change in method, a small, but significant change. But it is suggested that it is vastly more than a style change.

⁴⁶⁷ Ibid. p. 139.
Narrative creates a multi-faceted level of engagement with the realities of the actors, of their struggles, their emotions, their rationalities and their irrationalities. Narrative, Ricoeur argues, is not reproduction but production, invention. It may borrow from life but it transforms it. The very act of preparing a narrative is an interpretive act. In viewing ethnographies as narratives emphasis is given to the storied nature of human lives.

Interviews and Data Collection

In order to understand the key research question of how strategy develops in hospitality, this study will use the semi-structured interview technique.  

Sackmann argues that though a fairly open framework this allows for a more focused, conversational, two-way communication. They can be used both to give and receive information. Drummond argues ‘unlike the questionnaire framework, where detailed questions are formulated ahead of time, semi structured interviews start with more general questions or topics to reach a more meaningful interaction between research and respondent.

Relevant topics are initially identified and the possible relationship between these topics and the underlining issues become the basis for more specific questions, which do not need to be prepared in advance. Aligning this research tool with the interpretive/non-linear approach of this study, such a method is less intrusive to

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470 Sackmann, S. ibid

471 Drummond, G. (1996)

472 Drummond, G. (1996) ibid, p. 121
those being interviewed as the semi-structured interview encourages two-way communication. Those being interviewed can ask questions of the interviewer.\textsuperscript{473}

Often the information obtained from semi-structured interviews provides not just answers, but the reasons for the answers. When individuals are interviewed they may more easily discuss sensitive issues. Employing both individual and group interviews can optimize the strengths of both.

In employing unstructured interviews, the researcher and research respondent are able to verify meaning and understanding as the interview progresses.

Sackmann\textsuperscript{474} carried out a study of cultural knowledge in organisations and used innovation as a projective device to draw out responses from those whom she interviewed. At least with regard to the study of culture there were parallels between her interest and methods and the focus for this thesis.

Sackmann\textsuperscript{475} combined an issue-focused interview method with a phenomenological orientation, ‘which focuses on the insiders perspectives, their everyday theories of organisational life and what they consider relevant in the given setting’.\textsuperscript{476} Such an approach is entirely consistent with the narrative approach being adopted in this thesis. Drummond\textsuperscript{477} argues that for purposes of issue focused interviewing, ‘each interview provided a particular focus and from that focus was it possible to make an analysis of the organisation’.\textsuperscript{478} Sackmann

\textsuperscript{473} Drummond, G. (2005) ibid, p. 131
\textsuperscript{474} Sackmann, S. (1991) ibid
\textsuperscript{475} Sackmann, S. (1991) ibid
\textsuperscript{476} Sackmann, S. (1991) ibid, p. 102.
\textsuperscript{477} Drummond, G. (1996) ibid, p. 121
\textsuperscript{478} Drummond. G. (1996) p. 122
notes that ‘phenomenology involves a non-judgemental orientation by suspending disbelief to allow the interviewee to unravel his or her story’. 479

This research study meets the ethics guidelines and has obtained clearance approval from Swinburne University to conduct a series of confidential interviews with selected research respondents in the Hotel Industry. All information given from the research respondents was voluntary, no one was obliged to provided information which they regarded sensitive either personally or about their company. The risk to participants is expected to be so small as to be negligible. This is because the respondents are considered subject matter experts in their field, who have the right not to participate, and also have the right to withdraw at any time. Confidentiality has been maintained throughout this study and as there are many hotels in the region, it will be straightforward to alter all names and place names to ensure that this research study remains so.

For the researcher, participation in focussed interviews has the potential to provide opportunities to reframe the participant’s perspectives or horizon on strategy formulation and implementation. Furthermore, the researcher aimed to conduct all interviews in an atmosphere of friendly conversation, the experience of being interviewed has the potential to be an enjoyable conversational experience.

Discussion of strategy formation and implementation is not expected to be stressful for the executives who are experts in their field. Personal information has been discouraged and certainly not been sought or solicited. In the event that sensitive personal information even appeared to come to light or any hint of distress begin to show itself, the focus of the interview had been changed to a

neutral topic, such as the weather, and then the interview was brought to a close. All participants were assured that any data collected in this study would not form any part of a theoretical framework or consulting model. Nor would the hotel, even in confidential from, be need to be referred to for the purpose of developing such a model.

Throughout the study, on average 3 to 4 interviews were conducted with each research participant. All research respondents have been invited to a neutral location such as a venue nominated by the participant or the researcher’s office. The first interviews began with general questions, eg. “Would you tell me about the areas you are responsible for?’ and then focus moved on, “How it like to work around here?’ Strategy and direction of the company often dominated all the initial interviews, and in doing so the participants were able to ease into interviews with greater ease and confidence. So strong were the opinions on the question of strategy implementation that quickly the relations between the various levels of management came to the fore. Throughout all interviews, despite some heated discussions on the benefits of current strategies, all respondents were advised that they names were kept confidential and not to be released for public information. Other general questions concerned:

- How important is strategy to the modern hotel?
- What made the strategy important to you?
- What should or could have been done?

Given the interviews were gathered at a time when an significant episode was being played out amongst the owners as well as the management of the hotel company, the sense of immediacy and urgency gave the researcher unique insights to the meaning of the interviewee’s responses.
Finally, pseudonyms have been used for the two hotel companies portrayed in the management narrative. Hotel Management Company I represents the first hotel company in the management narrative and Silver Fern represented the new alliance partner who joined as part of the strategic alliance.

In accordance with the ethics approval guidelines, all information regarding these companies remains confidential and has not been disclosed within this research study.

Data Analysis: A Thematic Approach

Boje\textsuperscript{480} argues the inductive approach is a systematic procedure for analysing qualitative data where the analysis is guided by specific objectives. The primary purpose of the inductive approach is to allow research findings to emerge from the frequent, dominate or significant themes inherent in raw data, without the restraints imposed by structured methodologies. Boje argues that ‘key themes are often obscured, reframed or left invisible because of the preconceptions on the data collection and data analysis procedures imposed by deductive data analysis such as those used in experimental and hypothesis design research’.\textsuperscript{481}

Strauss and Corbin\textsuperscript{482} argue the inductive approach is evident in several types of qualitative data analysis, especially Grounded Theory\textsuperscript{483} and Narrative Theory.\textsuperscript{484}

\textsuperscript{480} Boje, D. M. (2001) ibid, p. 124
\textsuperscript{481} Boje, D. M. (2001) ibid, p. 126
\textsuperscript{483} Strauss, A. L. and Corbin, J. (1990) ibid
It is very similar to the general pattern of qualitative data analysis described by Miles and Huberman.\textsuperscript{485} Inductive approaches are intended to aid an understanding of meaning in complex data through the development of summary themes or categories from the raw data (data reduction). These approaches are evident in many qualitative data analyses.\textsuperscript{486} Miles and Huberman\textsuperscript{487} argue the trustworthiness of findings can be assessed by a range of techniques such as ‘(a) independent replication of the research, (b) comparison with the findings from previous research, (c) triangulation within a project, (d) feedback from participants in the research, and (e) feedback from users of the research findings’.\textsuperscript{488}

This research has adopted the thematic analysis approach as outlined by Boje\textsuperscript{489} who defines theme analysis as a method of qualitative analysis, which handles narrative and Complexity Theory intuitively well. There is a mix of deductive and inductive methods in theme analysis, where he argues theme analysis is a search for patterns and that a ‘componential analysis can be used to search text for ‘systematic units of cultural meaning’.\textsuperscript{490}

Clarifying further, a monophonic narrative has a single voice, its plot is evident, and there is a high level of coherence to the narrative. Boje\textsuperscript{491} argues that chaos is


\textsuperscript{486} Thomas, D. (2003) \textit{A General Inductive Approach for Qualitative Data Analysis}, University of Auckland; Auckland, p.3

\textsuperscript{487} According to Miles and Huberman, the strength of qualitative data is that it is rich and holistic with strong potential for revealing complexity nested in a real context. However, the main feature that distinguishes qualitative from quantitative research lies in the nature of the data derived and the analytic process associated with it. Qualitative research takes a “systemic” approach to understand the interaction of variables in a complex environment. Quantitative research, on the other hand, takes an “analytic” approach to understand a few controlled variables. The former usually conveys a sense of being descriptive, whereas the latter is more analytical. See: Miles, M. B. and Huberman, A. M. (1994) ibid

\textsuperscript{488} Miles, M. B. and Huberman, A. M. (1994) ibid, p. 52

\textsuperscript{489} Boje, D. M. (2001) ibid, p. 11.

\textsuperscript{490} Boje, D. M. (2001), ibid, p. 123.

\textsuperscript{491} Boje, D. M. (2001) ibid.
considered more of a multivariate narrative. By multivariate he means differing along several dimensions, such as monophonic/polyphonic, centred/de-centred, linear/non-linear, coherent/fragmented, etc. The linkage to Complexity Theory will be augmented through the polyphonic properties of narrative theme analysis. Polkinghorne\textsuperscript{493} and Drummond\textsuperscript{494} further expand extensively on the notion of how narrative handles complexity quite well.

**Secondary Data: Sources and Data Analysis**

There was ample material by way of advertising material, website pages, industry articles and various in-house magazines. Several executives expanded on the company history which was made available to the researcher. This provided corporate background material from the growth of the company over the immediate five-year period before the start of the study. Budget projections as well as actual revenue reports were provided covering a 2003-2006 to better understand significant events in the company’s history. Alongside of these documents, the author had access to modified business plans, annual reports and financial reports.

\textsuperscript{492} Boje, D. M. (2001) ibid, p. 129

\textsuperscript{493} Polkinghorne, D. (1988) ibid

\textsuperscript{494} Drummond, G. (2005) ibid
Construction of the Management Narrative

In order to construct the narrative, the interviews were examined for emerging themes (categories), which could serve for the sequencing the presentation. Quotations were transferred to computer files and arranged under the various categories/episodes. An attempt was made to include a quotation, which highlighted the thoughts, opinions, emotions and actions of the executives. Notations were made of both constructive and negative action. The intention was not to paint the executives as either component or incompetent, but to provide material on which the reader could come to a holistic sense of the executives, and the company, through the exigencies of the strategy process, in order to answer the research questions.

The process of inductive coding began with close readings of the interview notes and participant responses. Thomas argues that careful consideration of the multiple meanings that are inherent in the management and organisation text aids the researcher in recontextualising presented narratives.495 It is argued that identified text segments that contain meaning units, and created a label for each category into which the text segment was assigned. Additional text segments are added to the category where they are relevant. This author developed an initial description of meaning of category and by the writing of a memo about the category. Again, Thomas argues that the category may also be linked to other categories in various relationships such as: a network, a hierarchy of categories or a causal sequence.496

Searching through the raw data, five categories emerge as distinct and unique to offer the necessary insight in the strategy process and satisfy the research

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495 Thomas, D. (2003) ibid, p.4
496 Thomas, D. (2003), ibid, p.5
objectives. Thomas\textsuperscript{497} argued that inductive coding research with more than 8 categories has not identified the key themes and may be viewed as incomplete.

The aim was to show the executives’ commitment to the company and to ponder on executive action. The effect is to see the executives as competent and incompetent, as well as united and fractured. So too with the art of management and Drummond argues ‘where a qualitative study aims to extract how to study organisation without disorganisation; order without chaos; rationality without irrationality’ the cognitive without emotion; quality without inferior/defective product or service, would again be a one-sided affair’.\textsuperscript{498}

\textsuperscript{497} Thomas, D. (2003) ibid

\textsuperscript{498} Drummond, G. (1996) ibid, p.124
PART II – PRESENTATION OF THE NARRATIVE

Part II presents a short background of Hotel Management Company I, the pre-opening of the Silver Fern, various management/planning issues which are vital to the this study, as an integrated management narrative as well as interviews with hoteliers who espouse emergent strategy.

The thrust of the researcher’s argument will to demonstrate that change (functionist view), complexity (unpredictability), emergence (beyond predictability) moves into a process view. Through this the researcher is adopting a process philosophy⁴⁹⁹ and shifting the view to that of responsiveness versus adaptation.

CHAPTER 5 – PRESENTATION OF THE DATA

An Introduction to Hotel Management Company I

By 2006 Hotel Management Company I consisted of several properties in Sydney, Melbourne, Adelaide, Perth, Canberra, Brisbane and International locations. First established in the early 1990’s in NSW, it has grown primarily as a specialist hotel management group managing strata-titled properties, whilst outsourcing key operating sections such as housekeeping and restaurant services to third parties. Using this organisation as a lens, we aim to illustrate how the emergence and communication of strategy is achieved in the hotel industry.

Given the significance of strategy formulation in hotel pre-openings, this research study gives us a greater insight to understand the narratives of hospitality managers who are still rooted firmly within a functionalist view of strategy. Furthermore, several research respondents have been interviewed from other organisations both in Australia and International, which have been successful in implementing an emergent style strategy. Their input will give weight to the advantages of strategising in the present and some of the management issues to foster this approach.

Hotel Management Company I operates the four-star Silver Fern under licence from the Hotel Management Company II in Europe. Already delayed by two years, this Melbourne-based hotel anticipated to open in August 2006. The hotel offered over 250 rooms and suites, two restaurants and conferencing up to 350 guests. It adds inventory in already saturated local market, where the average occupancy rate is 71% and moderate average daily rate of $151, which is still

500 See interview notes; respondents 1, 2, 4, 5, and 8
5.5% occupancy percentage points above city wide average. The management team at the Silver Fern is respondent 1 - General Manager, respondent 2 - Financial Controller and respondent 3 - Director of Sales Marketing.

Acting in a support role, the regional management team at Hotel Management Company I was critical in assisting the property with operational resources, marketing expertise and management support. The management team comprises of respondent 4 - General Manager, respondent 5 - Regional Financial Controller, respondent 6 – Regional Director of Sales and Marketing and respondent 7 Regional General Manager.

Hotel Management Company I operate in the serviced apartment sector, a subset of the hotel industry. Serviced apartments are defined as mostly comprised of self-contained units at the same location and which are available on a unit/apartment basis to the general public for a minimum of one night. The units all have full cooking facilities (i.e. hot plates and oven/microwave), refrigerator and a bath/shower and other facilities, all bed linen and towels are supplied and daily servicing (cleaning and bed making) is available through the on-site management, but these services may not necessarily be used.

**Strategic Planning: The Complexity of Implementation**

Since 2002 Hotel Management Company I had grown well. It reported a 9% increase on occupancy across the whole group in a period of depressed occupancy levels in the industry during the same period. The reasons for growth are varied, however primarily it is a result of the business model, which offsets owner’s risk through a shared-risk position based on performance criteria for the
hotel operator. In turn, this has given Silver Fern unbounded optimism amongst its management team. Its long-term future appeared assured in an industry with significant room rate seasonality and turbulence due to increased competition.

**Gathered from page 1 of InterviewNotes_Respondent 7.doc**

Respondent 7: With the growth we are experiencing now, I would not be surprised if we have as many as 35 hotels by the end of 2006. Let’s just hope we can keep all the sites pumping along.

**Gathered from page 3 of InterviewNotes_Respondent 4.doc**

Respondent 4: We are going absolutely gangbusters since 2003. When I joined this group we were struggling to get new management contracts, now we have to beat them off with a stick, quite literally.

**Gathered from page 2 of InterviewNotes_Respondent 2.doc**

Respondent 2: After the chaotic circumstances at the Savoy, I am so glad to be with a company on the rise. At last I am with a group with some certainty and direction and I looking forward to a bright future. John, don’t offer me any more job opportunities, thank you!

It certainly does paint a positive outlook for the group. This researcher has witnessed on a number of occasions the vigour and ‘can do’ attitude from the management team. However, the Silver Fern project was it first fully purpose-built hotel and the complexities placed on the organisation began to mount. Experienced in taking over existing properties, rather than pre-opening new hotels, this project was placing additional, unplanned challenges on the team. The business plan was being revised several times over, and each time the pressure on the team was taking its toll on relationships.

I began several conversations with key management personnel of Silver Fern in September 2004 which spanned over a period of 18 months. In all, 22 interviews were conducted at the pre-opening office of the Silver Fern, in my office, at Hotel Management Company I All Suites and the office of respondent 7 in Melbourne. On several occasions, interviews were conducted at the author’s office with respondent 1, the General Manager of the Silver Fern
as he sought my counsel on planning and communication issues. Respondent 1 had only just joined in June 2005 and he became frustrated with the progress and direction of the project. He was keen to cement his authority on pre-opening activities, especially in marketing.

In contrast to the euphoricism of respondent 7, respondent 2 and respondent 4; respondent 1 was at times quite frustrated with the on-going delay of the pre-opening of the Silver Fern. Constant planning revisions, disagreements from builders and council queries were delaying the opening significantly. It was even rumoured that the construction group was operating under financial stress. It appears the rumours were well-founded as the group were liquidated 18 months later.

By October 2004 pre-opening activities gained momentum and creating uncertainty at all levels. The Sydney-based board had requested multiple budget revisions, increased marketing expenses and setting tight deadlines on management without much dialogue with the pre-opening team. Respondent 1 was unable to comprehend the rationale for the repeated, unexplained variations which had no immediate impact as the hotel was still in the pre-opening stage. Frustrated and becoming increasing resistant to argued changes, respondent 1 had reluctantly learned to ‘adjust’ and modify the business plan to placate key head office stakeholders.

501 The builder consortium for the hotel declared bankruptcy in 2007. The hotel was completed with reduced inventory and taken over by another hotel management company. It still operates to this day.
Gathered from page 1 of InterviewNotes_Respondent 1.doc

Respondent 1: With all the planning and meetings we have, we are consistently held back by the smallest of things such as construction issues etc. I have been here already 4 months and unable to move any further with getting this hotel open.

John: I guess this is always the way with builders, right?

Respondent 1: Right! I just attended the business planning process up in head office, and the view is we will open up on time. How in god’s name are supposed to achieve when we are unable to determine what else can go wrong in this place! (Referring to the new hotel).

These comments are highly significant. Complexity Theory espouses the centrality of thinking in the present as well as responding to present conditions where a more meaningful understanding of the competitor’s initiatives. Hence, a responsive strategy can be devised and tested for validity over the shorter period. Respondent 1 argued that a time frame of say three to six months would strengthen the strategic awareness in his team, thus allocate the necessary marketing understanding and align the resources accordingly to incorporate alternative strategies.

To go deeper into respondent 1’s interpretation of strategy, I needed to go further into his story, which is also to acknowledge the emergent nature of strategy. As argued in the conceptual framework, strategy is emergent but not unmanageable or undesirable. Complexity does not come altogether and in discreet units; it emerges over time as early indictors are understood provisionally and then reconsidered in the light of latter strategies and further information.

With over 25 years in the industry, respondent 1 claims to have experienced the difficulties of aligning desired strategic objectives with the realities and notorious seasonality of the hotel industry. It was becoming apparent that respondent 1 was seeing the same pattern emerge at this project, where the relevance of the business plan was being questioned by himself as well as his management team and he noted with frustration, how little the industry had changed over the last 25 years, in-spite the advances in knowledge and technology.
Suddenly in March 2005, it was announced by the Board of Hotel Management Company I that a strategic marketing alliance with the Silver Fern (a Netherlands-based hotel franchising group) had been formalised. As part of the agreement, all new Hotel Management Company I hotels either under construction or in the planning stage in Asia-Pacific will now be branded under Silver Fern or managed by Hotel Management Company I. Equally, all new hotels in Europe were to be branded as Hotel Management Company I and managed by the Silver Fern. This significant strategic event promised to align Hotel Management Company I’s ambitions to branch into overseas markets without the marketing and extensive capital investments often required of hotel management companies.\(^{502}\)

However, according to the research respondents, the timing and announcement of the alliance caught many by surprise. They argue that little or no input was sought from senior operational managers and left them with a sense of trepidation and unease. This was especially relevant when one considers that the marketing alliance was internally promoted as a merger. Given the limited experience of the Silver Fern in the region, the reasoning and intentions of the *merger* were not well understood by Hotel Management Company I’s own senior managers.

One evening, after an especially heated exchange with head office, I met respondent 1 in the office hallway and he was at a loss to explain why he had been excluded from any discussions with the Silver Fern:

\(^{502}\) Through this strategic alliance, a hotel group of over 165 hotels and resorts had been created. The group now had properties in Europe, Americas, Asia and Australia.
Respondent 1: I just can’t get this mushroom culture we are growing here. I am supposed to be opening a hotel in the next 6 months and I still don’t know where I stand in the scheme of things. I am supposed to be the General Manager of the pre-opening and I don’t even understand what we doing here. How can I explain our strategic direction to my own executive committee with conviction?

The power relations had now changed. The corporate identity was losing meaning to the pre-opening team. The hotel management team appeared uncertain of the ramifications of the merger and where their respective boundaries and responsibilities lay for the new Silver Fern. Were they being set up for failure? Did the owners understand the complexities of starting a new hotel in a saturated market place? Allow us to gain an insight into the discussions with the management.

On several occasions I had observed a certain paradoxical, tension-filled dialogue between the newly established team and the directives given by Head Office, particularly regarding budget projections and marketing initiatives. Previously, decisions taken at the regional level were now handled by Head Office in Sydney and Silver Fern in Holland, without any observable interaction of the hotel management team. Independently, the General Manager, Financial Controller as well as the Marketing Manager shared this perception. A distinctive air of power play appeared in the process and its outcome was still evolving. Over the next 6 months, several managers were unable to gain clarity from Head Office, whether their respective positions would be secure after the completion of the merger. An air of suspicion was creeping into the daily conservations and hampering the success of the project:

Respondent 2: John, I am the financial controller and I am not certain where the money will be coming next week. I guess I will be seeking a new job shortly because I can’t see respondent I really getting a handle with head office.
Within the company, it seemed that many issues remained unsolved. The complexities of the merger had not progressed as planned. A weakening of the strategic intent as well as a loss of key management personnel raised the prospect that the pre-opening was becoming misaligned and falling behind targets. The financial controller and the marketing manager argued that whilst once the company prized itself as being ‘entrepreneurial’; it now had become passive and reactive. According to respondent 1 as well as respondent 4, the management team was longer in control of the project. Respondent 5, the Area Financial Controller, sums it up this one:

I was curious about the notion of an entrepreneurial hotel company since the project stood to gain much from the merger with an international player such as the Silver Fern. The Group General Manager of Hotel Management Company I, respondent 7 offers an explanation:
Just how the company aimed to achieve this success remained ambiguous. As Shane\textsuperscript{503} argued entrepreneurship was the commercialisation of innovation, where previously unknown knowledge can be harnessed to form a new service or product. He went to argue that an unstructured approach will give rise to this unknown innovation; however the Silver Fern project was becoming weighted down with procedures which would hamper new ideas coming forward from within the company. I breached this issue with respondent 7; however he stated that all innovation was a financial issue which would arise as a result of driving profitability. He argued that entrepreneurship is simply a factor of service delivery excellence for the new project.

Respondent 7 and I talked about our shared experiences in creating innovation in the hotel industry and how it may apply to assist him with the new project. At this point I conducted unstructured questioning, which allowed respondent 7 to share his views on entrepreneurship and innovation more openly on the pre-opening activities. He quickly moves to argue the view that the corporate systems and brand identity would benefit everybody and ultimately drive profitability and growth as well as innovation. He viewed improved communication channels as key to this success and increasing innovation. After several follow up meetings he revealed that poor group communications was a prime issue between Head Office and the hotel project management and corrective action was necessary. He argued that a more structured approach was called for and compliance with internal operating procedures was important. He conceded that innovation will have to take a secondary objective in this new stage of the pre-opening.

Respondent 7: Innovation in hotels is always a hard thing to explain, because usually it relates to service standards, food concepts and similar. Hoteliers are not necessary good at entrepreneurship that than means creating some completely new. We tend to want to improve existing issues and not start from scratch. After our many meetings, it is clear that I am not that good at defining innovation, but I know it when I see it.

Linked with this sense of narrow channels of communication, several questions arise. How do they seem to arise? Why did they seem so difficult to shift? Is communications akin to shared experiences? However, given that the management team was by this stage disjointed and disengaged, it seemed unlikely how that would best achieve the strategic objectives. It seemed that whilst all are talking about improving communications, Head Office and project management were unable or unwilling to resolve the increasing divide.

Respondent 1 remained just as committed to the pre-opening as when he started 6 months ago, however the constant reworking, setting of new objectives and lack of shared communications with Head Office caused him considerable concern that the project was not on track for completion by the end of the year. Some of his thoughts at that time are demonstrated below:

I could empathise with respondent 1’s predicament and could sense his dissenting voice. He was now facing a hostile executive committee who were at a loss to understand why the project was becoming bogged down in unnecessary procedures.
Only 6 months into the project and he had already lost his Financial Controller as well as the Director of Sales and Marketing. Furthermore, Head Office had advised him that there was now a hiring freeze on front-line managers. He was beginning to question the viability of the project:

**Gathered from page 8 of InterviewNotes_Respondent 1.doc**

Respondent 1: It is certainly very frustrating for me personally, as I need to direct the Financial Controller and the Director of Sales and Marketing in the right direction. I guess both are now just fed up and have left today. On the other side, when dealing with the board, they have adopted the view that the hotel management has now approved it and with that the expectations are there that we must take ownership of it, which I don’t necessarily believe in at all, let alone my own management team. Bloody waste of time, if I can say that in an interview! In other words, I need now to justify the budget projections even though the figures have evolved without much check with reality and no input from myself.

In discussions with several research respondents outside of the Silver Fern project, the argued that hoteliers thrive on stability and don’t cope well with inconsistency. From several interviews, the respondents argue that hotels have been are built on the notion of control and consistency; a system of service standardisation as well as a perceived ‘oasis of calm’ setting in the busy city scenario. Conforming to the agreed strategy process, however misaligned it may be to cope with new market dynamics, guide hotel management decisions.

Given the researcher’s own experience as an international hotelier, many hotel companies have achieved commercial success on the direction taken by a small, select of individuals who had driven and control the organisation in their own image. Truly innovative hotel groups such as Savoy Group, Regent Hotels and Trusthouse Forte to name a few, fell quickly from grace when a market changes appeared and management was unable or unwilling to shift their strategic focus to adapt to the changed conditions. Based on this dogmatic approach, legendary

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504 Research Respondents 1,4,8,12 and 16
hotel companies rise and ebb on the decisions taken by a select few individuals.\textsuperscript{505}

\textbf{Alternative Views: Is Emergent Strategy a Reality?}

Moving away from the pre-opening challenges of the Silver Fern, let us review discussions held with other hoteliers who have been highly successful in adapting to changing conditions and market trends. Whilst none of them actually called it emergent strategy, it was clear that many of them were creating strategy on the go as a response to new market trends and directions. Several respondents stated that a preferred approach was to keep the ‘bean counters’ at bay by complying with all the budget documents and financial plans, however they paid little attention to these plans when devising a strategy in response to shifting trends in the market. Power relations were clearly at work here, which can create its own unique issues at some point if not addressed properly.

A different perspective of an inclusive strategy that achieves strategic objectives is offered by a well known Australian hotelier. Research respondent 10 is CEO for a five and four star hotel group operating in South Australia, Victoria and New South Wales. Relaxing in his office on the 26\textsuperscript{th} floor of the Santos Building in Adelaide, the CEO has an impeccable view of his portfolio of properties throughout the city. He had just recorded his 3\textsuperscript{rd} straight year-on-year improvement on EBITDA and the company share price was at an all-time peak. He was keen to explain his view on strategy in hospitality and share his

\textsuperscript{505} The hotel industry has had a long history of successful groups built through the tenacity and vision of single entrepreneurs, which would struggle after the departure of the visionary manager. It is clear that a shared approach may not have been achieved at these groups, hence the demise of these properties to retain their competitive position. Prime examples are Charles Fort’s Trust House Forte, Paolo Zago at London’s Connaught, Robert Burns’s Regent of Hong Kong as well as the exceptional Hotel Four Seasons in Hamburg managed by the legendary Gerd Prantner.
understanding to achieve optimal results both for the group as well as staff members.

This research respondent argues that the hotel industry has had a reactive, functionalist style to strategy. It is the way hoteliers are trained at university to focus on financial outcomes to exclusion of all other metrics, he claims. He goes onto to argue that in his professional experience, hotel groups have exercised a desire to control strategic outcomes in often minute detail and thus disregard changing market conditions and unforeseen circumstances that may impact future commercial success. He goes onto to argue that the ideal strategy is emergent and this approach is best suited to the hospitality industry given its frequent and dramatic market changes in recent years. It was a common theme with several respondents that an adaptive strategy is the preferred approach. He became quite animated when asked to expand on his views and I asked him to comment on emergent strategy and how he may inadvertently be already using it:

**Gathered from page 8 of InterviewNotes_Respondent 10.doc**

John: There is a school of thought that argues that there is an emergent type of strategy in place which is only applicable to service industries, where change is consistent and frequent. This type of strategy will develop from within the organisation where constant interaction with people and situations will determine the best course of action. There is no need for long forecasting periods, nor extensive business planning processes to validate management rationale for owners. What’s your view?

Respondent: Hotel industry is without a doubt one of those industries! To someone to identify as an evolving strategy, mostly the leader of the organisation, see a change and as he has the finger on the pulse and has the authority to make the necessary change, will activate that change fairly quickly. This is often the case in hospitality. The hotel manager is at the front desk, assisting housekeeping with setup, talking with guests in the restaurant and they actually see the cultural change as it happens, in other words what the guest is experienced is also experienced by the manager at the same time.

The respondent was resolute that to achieve the best outcome for the company as well as supporting its staff to achieve organisational goals, the strategy had to be relevant. He argued that often front-line managers were the first to experience if a strategy wasn’t working, and then a strategy that can be adapted and modified to fit the new market conditions is critical.
This is important insight and is a vivid example of the feedback loop, a vital aspect of Complexity Theory. Stacey argued that interaction and feedback validate the effectiveness of the adopted strategy. This effectiveness can only be measured at the working-end of the organisation, the interface with the client and front-line staff. He was adamant that some of the best strategic insights were gained by relating with people through basic means. Organisational gossip, rumours, debates and dialogues with guests and staff alike proven big winners in identifying any multiple meanings as well as the acceptance of the proposed strategy. He argued that if you are willing to listen, and some of his guests are passionate about staying at his hotels, you can piece together the building blocks of your strategy. Adding to this, he stood on the principle that any action, individual or organisation, always occurs in the relationships that people have with each other and the best results comes from that interaction. Drawing on this, he argued that when people understood the meaning of what is being said, then intentions will emerge and an appropriate respond starts to form. With a big loud laugh, he reminded me that some of the best strategies were formed in staff canteen and makes a point of always having lunch at 3 times a week!

It is apparent for this respondent; feedback was an important component to commercial success. He called it “strategic looping”. It’s a way of ensuring that if a strategy becomes irrelevant and ineffective in response to changing conditions, then the next level of the organisation will action or reflect on it and institute appropriate strategy amendments. This consistent feedback process became standard practice throughout the organisation and if short-term market changes occur, the organisation is able to respond quicker.

Stacey, R. D. (2000) ibid
The CEO has adopted the premise that change is consistent and strategy must be emergent to facilitate an appropriate response. By doing so, the organisation adjusts to the environment and managers re-align tactics in line with customer expectations.

On the other hand, this respondent stressed that constant learning and sharing of any newly acquired knowledge remains a major challenge for hotel companies to foster a successful emergent strategy. The quick dispersion of such acquired knowledge is critical to emergent strategy. He noted that all aspects of the organisation need to talk and communicate frequently to make all aspects of the strategic response function properly. Given the high industry staff turnover, induction and training is expensive and time-intensive warranting a different approach. This can be overcome by simple adjustments such as regular meetings, face to face inductions and flexible training plans as well intuitive thinking coached into the front-line and senior management ranks. The CEO argues that this combination can overcome the learning challenge and instill an emergent perspective throughout the organisation.

Moving onto another research respondent who supports the emergent approach, Respondent 8 has over 50 years in the international hotel industry and is known for his dedication to the hospitality industry and his long-term tenure at one of the best hotels in Hong Kong. Meeting him in his office in downtown Hong Kong, he exemplifies the consummate Swiss hotelier. Suave, detail-oriented and above all uniquely unobtrusive. He had managed a leading hotel in Hong Kong since 1963 and achieved a legendary status in building up one of the world’s best hotels. He retired in 2001 and now consults in an advisory capacity to the board on strategy and marketing alliances.
For respondent 8, his world has changed substantially since the events of 2001. He argues that strategy is about responding to a demand and if that demand changes, so too must the strategy and business planning process must adapt to anticipate that change. The bombing of the World Trade Center highlights how fragile the hotel industry is. Over the pursuing months since that event, bookings at this leading luxury hotel group plummeted as travel was simply placed on hold. Only towards the end of 2003, did international travel reach its pre-2001 year-to-date average.

At this hotel group, business planning is no longer an annual event. It has moved from being a static planning conference for senior management to a process of anticipating and revising strategy objectives throughout the year. He argues that without this emergent capacity in strategy setting, the hotels would not be able to respond to dramatic changes in international travel. He argues that the key ingredient to a successful strategy is being more responsive to client needs:

Gathered from page 4 of InterviewNotes_Respondent 8.doc
Respondent: In over 50 years in the industry, the basics have not changed. It about communicating a message of intent how you want to service your guests and base the strategy on that.
The General Manager has to get it, he has to be part of it and more importantly drive it forward. In a global context, the General Manager needs to come from operations and is able to seat around the table so to speak, so that nothing can escape from him and see how every form of strategy can be done properly.
That’s why I think that employers in hospitality who argue to be long term players must ensure that their management team undergoes extra activities such as a MBA or similar so they remain competitive.

From the above statement, the respondent aims to operationalise strategy through communication; a storied approach. He argued that only experience gained in operations will the management team understand the ramifications of strategy and how can deliver to achieve optimum results for key stakeholders.

At the same time, he argues the point that the General Manager should drive strategy throughout the organisation; facilitate buy-in from the key stakeholders. In
a world dominated by unpredictability and change, the management team is confronted with situations which are more complex and demanding. The inclusion of technology, the movement of market segments, the rapid growth of competitors add to level of complexity for hotels. He did not believe that long-term predictability is possible if the team is not communicating. Business planning is a continuous process of evaluation. The business plan is reviewed every 4 weeks to incorporate any recent changes in the marketplace.

Several respondents expressed an interest in Complexity Theory and how it could explain the unpredictability in hotels. It was argued that hotels are inherently chaotic, moving from one crisis to another crisis all in just one day. So in order to achieve a state of control they believe that using the principles of Complexity Theory may in fact given them the opportunity to modify this chaos to achieve a manageable stability.

Getting back to respondent 8, he expanded on his experience opening a luxury hotel in Manila in 1977. The hotel had only just opened and a Coup d’état had resulted in all guests being placed under arrest at the hotel. A tense 3 day standoff transpired, ending in with no hotel guest or staff casualties, however he argues that it taught an important lesson. Even with the best planning, well drilled service standards and capable management; the unforeseen can and will happen. All the rigid planning would have just hampered the right responsive as the situation was emerging and changing every day.

**Gathered from page 2 of InterviewNotes_Respondent 8.doc**

*Respondent: The Coup in Manila taught me an important lesson; anything can happen and usually does! Since that time I tend to view strategy from the aspect of waiting to see what the circumstances are and act accordingly. Extensive planning for multiple scenarios just is worth it. As things emerge, it’s how you response dictates how successful your chosen strategy going to be. Mind you, I wouldn’t want to be in that situation again.*
Another hotelier, respondent 9 of a leading hotel group was an advocate of the action-based strategy. Strategy is best formed and implemented when, as he argues, the true face of the situation/issue is known and understood and not someone’s guess made over 1 year ago in Head Office. Whilst technology has allowed us to access enormous amount of data, the key issue is that hotels focus on the relevant data to form the right strategy at the right time. He argues that hoteliers must reinforce this approach by acknowledging that successful hotels have always embraced emergent trends, acted on them and moved forward and stayed competitive after the alternative future is determined.

Gathered from page 3 of InterviewNotes_Respondent 9.doc

John: So, tell me respondent 9, what does strategy mean to you, from a hotel’s perspective?

Respondent 9: Well, strategy in the context of hotels is about setting it goals and strategy in line with emergent trends such as occupancy and rev par. Ah…. but not only that, on a broader sense for a hotels it is a case of the overall company setting it goals, as far as being an national player, being represented within every market within the Australian domestic market, or does it want to retain its status as a boutique operator. So, it is basically setting goals to emergent trends and going with the flow.

A leading hotel group had grown from a few hotels in Sydney at the beginning of the 1990s to now being one of the largest hotel groups in Australia. It has over hotels and resorts in all Australian states and business is brisk. Respondent 9 is delighted with the expansion; however it does have it challenges. Occupancy levels are fickle, maintaining staffing levels always a major challenge. On the strategy front, the group has maintained a solid focus on localising strategy for each hotel contingent group-wide key financial performance indicators are being maintained. For example, a resort in Western Australia can respond and market its product to stay competitive with the local industry. This creates opportunities to respond quicker to changes in the market place, however does need more participation from all hotels to ensure standards are guaranteed.

Gathered from page 5 of InterviewNotes_Respondent 9.doc
John: How are keeping the group together and working as a single unit; from a strategy perspective?

Respondent 9: No easy at all. It seems I am always listening to someone how their strategy will work better because of certain factors etc. I have in recent times, to focus more on the quality discussions where I can understand the underlining issues and challenges facing the property. It may sound strange that you’ll be surprised what information I get from just having a beer with one of the general managers; we really get strategies nailed down in such a short time. Absolutely gold!

In complexity terms, respondent 9 has highlighted an important point which forms the basis why his hotel group’s expansion has been so successful. As a theory of organisation, Complexity Theory focuses attention on the importance of free-flowing conversation in which people free safe enough to search for new meaning. Respondent 9 is able to ensure that his managers are at ease to discuss important issues without repercussions or unnecessary anxiety.

Again going back to Stacey, he argues sufficient anxiety (as opposed to duress) is the driver of innovation and organisation change. Good managers pay attention to the nature of this anxiety. Stacey argues that ‘They ask what makes it possible to hold the anxiety in a good enough way so that it is also experience the excitement required to take novel ways of engaging innovation in their operations’ ⁵⁰⁷ In other words, respondent 9 is facilitating the free-flow of information where people can discover, otherwise unknown processes, answers to strategic issues. It’s all about the quality, diversity and participative qualities of the discussion that make the strategy successful.

Another important point being raised by respondent 9 is the importance of diversity for strategy. Mainstream organisational theory aims to focus attention on the importance of consensus, where members share the same commitment to its policies and it chose strategic direction. Complexity Theory recognises the importance of deviance (diversity) between its members to make sense of their

own engagement in the organisation and create condition for creativity. As respondent 9 pointed out in our several discussions, ‘If all thought the same way, then we have the same result, right!’ Stacey argues that deviance develops a ‘greater sensitivity to the socially unconscious way in which together people create new themes of seeing differently’.\(^{508}\) The basis for organisational creativity has been established.

A number of weeks later, we met at a leading boutique hotel in Melbourne enjoying a wonderful aged Chablis *Grand Cru*. As he was interested to learn about creativity, we delved into the definition of creativity from complexity perspective with respondent 9. I asked him whether he would see a *non-consensual* approach to creativity taking hold at the respondent’s organisation. After a long pause, he responded in his distinctive measured style….That’s how I have been managing for years and I found that people want to belong, but won’t subscribe to an overarching doctrine of subservient behaviour. He went on to suggest that he always *got the best* out of people when the pressure was on and times called for creative thinkers to overcome commercial obstacles.

\[\text{Gathered from page 8 of InterviewNotes_Respondent 9.doc}\]

Respondent 9: Creativity is all about pressure and non-conformance. Take people out of their comfort zone and you will the best come out...or worst! Some of our best ideas have come from people who were always the edge of the organisation structure. They had nothing to lose and came up with great ideals.

Respondent 9 continued to elaborate that people need boundaries and have all should shared understandings of our respective roles and tasks across the organisation, but organisations need to embrace sustained creativity and allow it to take hold at all levels, including the front-line. Of recent time, respondent 9’s main commercial challenge was the imminent large scale acquisition of an Australian hotel group, whose management style was highly structured and centralised. He

knew that they would conflict with the innovation and decentralisation at his organisation. Based on our numerous discussions, he was keen to understand more on Complexity Theory and saw merit how it may bring him to understand how people respond the way they did in certain situations.

We talked for hours and indulged in our collective fantasy to manage a remote, luxury resort in the Indian Ocean for the super rich away from all the corporate politics, staff retention problems etc; however we can to the realisation that that the remote island concept would have it own issues…. Best we stay in lovely Melbourne! I could see multiple discussions were bearing fruit.

Closing off our discussion with respondent 9, some insights from Stacey continues to add light to the issue of creativity. He argued that ‘organisations only display the internal capacity to change spontaneously when they are characterized by diversity’.

This focuses attention on the importance of deviance and eccentricity. I look forward to watching his company in their future endeavours.

**The End Game?**

Reverting back to the pre-opening at the Silver Fern, the outlook was decidedly bleak. A key industry presentation to top travel partners in Melbourne and Sydney had been cancelled at the last minute. The company announced it was in part due to poor attendance confirmation of travel partners. By all accounts, the project management team was enraged as they supported the notion that any industry presentation was a showcase marketing opportunity to boost awareness for this prime CBD hotel. Head Office did not agree.
Respondent 1 was livid. His team had worked for six weeks straight to set up the right contacts, convince wholesalers to attend; now to no avail. On top of this, two days later respondent 4, the Hotel Manager at Hotel Management Company I in Melbourne, and a strong supporter of the Silver Fern Melbourne had announced his resignation. Respondent 1 argued that was a ‘real body blow’ for his executive committee as he was one of the most supportive PI managers and gave meaningful market intelligence and travel agent contacts for the Silver Fern project.

I spoke with respondent 4 soon after his announcement to resign. We met at his office where he had been busy opening congratulatory emails and he was in a buoyant mood. He was definitely looking forward to his new endeavours. He stated that he had received a great offer to manage a pre-opening hotel in China and he was ecstatic at the opportunity to be part of an expanding group at this stage of his career. He argued the belief that after his involvement and challenges with the Silver Fern project, he would be experienced enough to make the right management decisions as well as ensure the inclusion of all stakeholders. His view was that Silver Fern was not going well and he would not be surprised if it didn’t open at all. He was equally concerned for respondent 1, who had sought his counsel how best to deal with Head Office, whether he would be able to be part of the hotel opening.

Gathered from page 8 of InterviewNotes_Respondent 4.doc
Respondent 4: I guess I am sad to say goodbye to Melbourne, such a great city to live in. However, it’s a career move and makes sense at this stage. The timing couldn’t be better as I am just fed up with the games at the Silver Fern. I can’t see this project ever getting off the ground. Complete waste of management talent with nobody actually talking how to meet the challenges and believe you me there are many of them. As the Chinese say, may you live in interesting times?

The resignation of respondent 4 had left a significant void for the project team. He has been a pivotal support manager who has given much to the new project
and offered personnel as well as his own management expertise and understanding of the Melbourne market. Respondent 4 argued that the consensus at the Regional Office was that the project was now on unsound footing and needed a new direction to remain viable.

Worse was to come.

Three weeks later, respondent 1 decided also to resign after only 6 months.

He met with me on the morning in my office before advising Hotel Management Company I of his intentions and he certainly did present a forlorn figure. He had expended all his energy in this project and had been working day and night to manage the seemingly endless issues. He had resigned with no job opportunity or backup plan, but insisted that was the only move he could do, given the situation. In his own words, he had reached the conclusion that he could no longer deal with what he called ‘all the office politics as well as an unconscious feeling that not all was right with the owning company’. It was taking its toll on his ability to manage the project properly, lead his team and maintain sound commercial relationships with travel partners.

He voiced the additional concern that his professional reputation was now at stake. If he had continued with the project, by judging by his body language and gestures, it appeared this was for him the defining reason to tender his resignation with immediate effect.

Earlier in the week, he had heard rumours that the merger between the Silver Fern and the Hotel Management Company I was not going well at all. Financial liquidity, bankruptcy proceedings, it was hard to tell what would come next? The channels of communications were non-existent between the project team and Head Office. He questioned how could they be held responsible for changes over
which his team had no control? It seemed that all requests were simply ignored. He complained about the unreasonableness of being required to meet conflicting targets and then being berated for a lack of initiative. He argued that he was left to go through the exercise of defining targets without any input from Head Office. Respondent 1 was desperate to hold any meaningful discussion with anybody at Head Office.

Respondent 1 called this time ‘a period of deafeningly silence’. He needed re-assurance and gain an understanding how he was perceived by Head Office. He uttered something ‘about lack of corporate synergies and commitment for the new project’ and how it was leaving him with severe anxiety that the project may be sold to another hotel management group. Adding to his woes, the building group was running out of financial resources and with the unexplained, substantial delays now creeping into the project, he questioned whether it will be able to open at all.

_Gathered from page 4 of InterviewNotes_Respondent 1.doc_

*John:* So, you have decided to call it quits?
*Respondent 1:* Unfortunately yes. I thought that this would be a great project and given the superb location and quality of the rooms, I expected a great product to sell. Sadly, it was not to be. I had assumed that given my experience in pre-opening this would be a good project for me. I think the turning point was the non-support of the Head Office and the many objectives which I did not fully believe could give us a real meaning. At this stage, I’ll talk break and see what happens.
*Actually, I am going to miss our discussions and hope to meet in you again in better circumstances.*
*John:* Wishing you continued career success.

With the departure of respondent 1, respondent 7 took effective management control. Supporting respondent 7 were respondent 5, Regional Financial Controller, as well as the Area Director of Sales and Marketing. Respondent 7 had effectively taken over all management control of the project and appointed one of his managers in Melbourne to manage the daily functions of the project. It too was to be short-lived.
Gathered from page 12 of InterviewNotes_Respondent 7.doc

John: With respondent 1 gone, what’s the next step?
Respondent 7: Sad to see him go, but you know he couldn’t handle the pressure. We have a
great product and yes it will need a lot of work to get it off the ground but, hey, that why we
engage managers, right?
I for one will be ensuring that the next 6 months will be best part of the opening of this hotel. I
plan to work very closely with Head Office and demonstrate that we as a hotel group can open
a hotel on time and on budget. I’ll make a point of inviting you to the grand opening.
John: Thanks, respondent 7, very much looking forward you seeing there!

As a result of the merger, a new CEO was appointed in charge of Hotel
Management Company I and he asserted his control quickly over all hotels in the
group. He ensured that a centralised management structure was put in place and
all General Managers would report directly to him. Respondent 7 described the
new CEO as a ‘numbers man’ where the financial return and financial reports
guided his view whether a property was deemed ‘commercially viable’. All
capital expenditure and request for new staff now needed the CEO’s direct
approval as well any marketing expenses across the group.

By this stage, the Silver Fern project was behind by over 18 months and need a
cash injection of over $1.5 million to remain viable. Complicating the financial
strain, the builders had just announced bankruptcy and further construction was
placed on hold. At this stage, the hotel was only 80% completed and Hotel
Management Company I was desperate to secure another construction company,
but with the bankruptcy proceedings prolonging any new appointment, the future
of Australia’s 1st Silver Fern looked precarious indeed.

With the declared bankruptcy, the CEO ordered a strategic audit of all properties
with the view of indentify the performing hotel properties across the group.
Respondent 7 had been also been re-assigned to another property and no longer
exercised management responsibility for the Silver Fern.
Three months later, under consideration financial strain, Hotel Management Company I sold the incomplete hotel site to another hotel group for an undisclosed financial settlement.

This hotel company rebranded the hotel and opened 12 months later to a grand fanfare. They incorporated all major operating and service procedures developed by respondent 1’s team as well as the marketing plan which was modified only slightly. I suspect that respondent 1’s team would have been proud to see the hotel lobby full of guests and bursting with life at a time when business was very good in Melbourne and remains so to this day.

Timing was indeed perfect for this hotel company and the hotel has enjoyed significant commercial and financial success since its opening. The property has been consistently in the top 2 hotels of its competitor set in Melbourne. There are plans to open a 2nd hotel property within 500 metres of the former Silver Fern. At the time of writing this research study, I understand that they are assembling a pre-opening team.....
A Retrospective View

Referring to the research respondents as well as the management narrative, it is argued that the hotel industry is fundamentally functionalist towards strategy. In general, the hospitality industry promotes a greater adherence to a structured business plan even though changes in the market would necessitate corrective action at some point to meet strategic objectives.

The case of the Silver Fern illustrates this well. Even though, it’s own management team was responding to changing market conditions, Head Office was unable to support the team accordingly with resources or strategic commitment. Head Office was dogmatic on staying with a business plan, which had already had significant flaws and was out of date by the time it was printed.

Equally, the channels of communications were dysfunctional and seemingly power relations contributed to undermine any meaningful dialogue between the two groups. The resulting strategic value was of little commercial value to Hotel Management Company I. Complexity Theory emphasis on diversity and focusing attention on the quality of conversational life at all levels would have highlighted the reluctance of management to commit a redundant and outdated strategy.

Moving on the other research respondents it has been argued that the hotel industry would benefit from a more responsive strategic perspective. It is here when new business trends or market fluctuations demand an adaptive action from all levels of the organisation. In particular, this researcher points the experiences of the respondents from top hotel groups who demonstrated the relevancy of strategy which is agile enough to adapt to changing conditions. The organisation will ultimate flourish in turbulent conditions.
As a result, this researcher argues that high quality participation is the key to strategic success for the organisation. This in turn will facilitate a system wide generation of meaningful learning and knowledge creation to act as a conduit for the organisation to anticipate and conform to changes to form the new strategy.

The research respondents concur that the tenets of Complexity Theory where *complexity* (unpredictability) and *emergence* (beyond predictability) moves into a process view. Furthermore, respondents argue that focussing attention on the diversity in the organisation would motivate other members of the organisation to contribute towards creativity and innovation. This will help people make sense of their own engagement, pay attention to how what they are doing and collusively sustain innovation throughout.

Response to market changes will be resolute and the intentions better understood across the organisation. Accordingly to three respondents the effective manager is always seeking free-flowing conversation and participates in such as way as to assist in shifting those themes towards forming an understanding of the changes in the organisation.

Referring to Stacey again, he argues that the effective manager should ensure that attention is ‘focused on the conversational life of an organisation as the self-organising processes form which intention and change emerge. He goes on to argue that the manager will be particularly concerned with trying to ‘understand the covert politics and unconscious group processes they are caught up in and how those might be trapping conversation in repetitive themes’.

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Is it here that a focus through this the researcher is adopting a process philosophy and shifting the view to that of responsiveness versus adaptation. This sluggish approach hampers management greatly to cater to the great seasonality of the industry.

During the author’s 25 years career in the hotel industry, it was commonplace to start the business planning process with the end result already visualised and pre-set. The strategic intent was already announced and could not be changed; even thought events during the year may have warranted corrections in the strategic direction.

Surprising with so much at stake, in commercial terms, the only two budget metrics used to determine a hotel’s strategy were occupancy and average room rate percentages which when combined constituted the yield static. The industry stand to learn so much by incorporating an adaptive strategy and Complexity Theory gives us that lens.

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512 The Yield static is calculated as total rooms divided by total accommodation achieved for a 24 hour period, called the Yield Rate. As opposed to industry benchmark of average daily rate, which is calculated on number of rooms occupied.
PART III – INTEGRATION OF THE CONCEPTUAL FRAMEWORK WITH THE DATA
CHAPTER 6 – SYNTHESIS AND CONCLUSIONS

Upon reflection, the one immediate observation that can be made from reading the themes in Part II, from the perspective of narrative and complexity, is that each of the research collaborators has been successful in their organisations, not as a result of benefiting from a structured strategic vision, but instead from breaking down strategy in smaller parts with an emphasis on ‘strategising on the go’.  

Having the belief and confidence that their respective market insight, has given the research collaborators a substantive understanding of competitive positioning and how best to respond accordingly. Defining strategy has been problematic for all research collaborators. The prospect of a strategy, based on a set of historic determinants that remain relevant over the long-term, simply does not fit with the reality of organisation life for majority of the research respondents who have participated in this study.

Hospitality is an action-oriented service industry, where emerging and rapid changes dictate the actions of managers in order to remain competitive as well as meet the expectations of an increasingly demanding clientele. Whilst functionist strategy continues to dominate the hospitality industry, insights from complexity offers an intuitive compass for the industry which demands action in the present. The conceptual framework aims to strengthen the understanding of strategy, or the understanding what strategic value means, as a process of emergence suited to the hospitality industry.

513 Respondent 1, 2 and 4 argued this specifically.
Key Findings: Understanding Strategy, Action & Narrative

Based on the study, the research collaborators experienced and understood strategy foremost in the functionist paradigm. Strategy is a designed, formal process of analysis. Research Collaborator 2 called strategy in hotels ‘a cumbersome, time consuming and non-yielding instrument of little strategic value to hospitality managers’. All respondents argued that strategy is defined through a series of business and marketing templates, rather a meaningful discourse, which would have given it greater understanding with management and front-line staff. Furthermore, a contentious issue for the research respondents was the fact that any deviation from a prescriptive format was often not allowed and with a long planning period (in some cases, over three years), the relevancy of the strategy was called into question by then. Several research collaborators argued that this static style of strategic planning was unable to gain currency with most stakeholders in the organisation.

Based on the research data and findings, it is apparent that the central issue of design and compliance remains a major concern for the hospitality manager. In particular, business strategy/planning within Hotel Management Company I had become an often formal and regimented process, dictated from head office, right down to the last prescriptive detail. It places the financial outcomes as the only measure of the organisation’s commercial success, rather adopting a holistic view of involvement at various levels of the organisation. According to research respondents, this approach contradicts how hotel managers generally manage their operations. Respondents argue that hospitality managers have an inherently stronger focus on increasing service standards, market awareness and organisational responsiveness with the desired effect to facilitate return patronage.

514 Research collaborator page 2.
and increase discretionary revenue generation. They would expect a strategy that mirrors this focus for the organisation.

Furthermore, this observation was collaborated with respondents that the functionalist business plan provided little relevant guidance or reflected in anyway; how they would best otherwise achieve key business goals and service clientele expectations more effectively. Adding to this, a shared research respond argued that the functionalist business plan did not give the manager any meaningful insight into organisational responsiveness to counter unfavourable business cycles. As argued by respondents 2 and 4 ‘it became quickly apparent that hands-on operational experience was the benchmark by which managers were judged by peers, superiors and clientele alike’. 515 All respondents concur that if marketing objectives were to succeed; then this was only in concert with front-line managers, who in turn shall ensure that the set objectives gain currency within the organisation. Therefore, several respondents 516 repeatedly argued that primacy should be placed on the action in the present rather that planned what-if scenarios, so often favoured and presented in business plans across the hospitality industry both in Australia and globally.

Key Research Questions Revisited

In summary, this author argues the conclusion that based on the respondents, hotel managers will act when action is needed to engage, satisfy, retain clientele with the aim to maximise further visitations and promote sustained repeat business regardless of strategic imperatives. All respondents argue that this

515 Interview with research respondent 2 and 4, pages 2 and 5 respectively
516 Research respondents 3, 4, 5 and 8.
action orientation does not imply that strategic objectives are regulated to a secondary status, rather than goals should be remain the result of responsive managers who need to think on their feet to stay ahead in a competitive industry sector with such dynamic characteristics. The strategy must reflect this adaptive urgency.

In this context, the hotel manager has recognised the importance of interaction with the client as central to the success of the organisation. Morgan argued that strategic development must be approached and understood as a self-organising, emergent phenomenon. Stacey argues that the centrality of self-organising interaction, as a transformative cause of emergent directions, that enhances learning and knowledge development across the organisation. Strategies emerge; intentions emerge, in the narrative life of an organisation and in the narrative conversations between people in different organisations. Stacey goes on to argue that strategic management is the process of actively participating in the conversations around important emerging issues. As outlined by research respondent the challenge remains that learning and the dispersion of knowledge remains the key ingredient to a successful emergent strategy. Without it, emergent strategy is elusive and ineffective.

Strategic direction is not set in advance, rather understood in hindsight as it is emerging or after it has emerged. Hotel managers are acutely aware that even small changes can escalate to have substantial consequences in their market segments. The distinction between what is strategic and what is tactical becomes quite problematic. The distinction can only be identified after the event. The

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520 Explain further the difference between strategy and tactics, see Hubbard for guidance
theoretical framework therefore leads to a different conceptualisation of strategy and strategic management; that of a responsive organisational theory which is ideally suited to an organisation in an action-oriented industry such as the hospitality industry. The strategic value is then judged on the responsiveness to exceed client demands in the present, rather trying to anticipate alternative scenarios in the future. This author argues that the hospitality industry is one such industry based on it dynamic and frequent changes in the strategic landscape where an immediate, shared response is more appropriate.

With this in mind, let us to revisit the key research questions and how this thesis may have been able to add additional insights and benefits from the domain of Complexity Theory and Narrative to aid the contemporary hospitality manager who favours a dynamic, responsive approach to strategy.

**Understanding Business Strategy?**

In this study the concept of strategy has been introduced. The study has outlined the history and development of strategic concepts and thought. Our exploration began with a standard understanding of strategy as documented in the standard text, management journals and relevant web-based discussion sites. We have first focussed our review on the foundations of strategy management known as Theory of Strategic Choice, where the key individual determines strategic path

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521 Hubbard argues that the Harvard Business Review is the dominant journal, in the field of strategic management practice and a great percentage of the work published in the journal comes from staff working at or associated with Harvard Business School. Equally, the Sloan review @ http://sloanreview.mit.edu/smr/ as well as the Australian publication Mt Eliza Business Review, which covers contemporary business issues in Australasia is of substantive value.

522 A good web-based list of strategy can be sourced at http://www.jstor.org/journals/01432095.html, http://emergence.org, an excellent source on current trends in complexity/

of the organisation with set, linear objectives. From the wide range of organisational theories\(^{524}\) being applied to the field of strategy, we can conclude that while there is considerable overlap between the organisational perspectives, there are significant differences in emphasis.\(^{525}\) There is no clearly agreed meta-theory or integrating perspective for strategy, which is accepted, and which considers and can explain all the current approaches. This study espouses Complexity Theory and Narrative as source domains to gain meaningful insights in strategy.

Secondly, we reviewed Cognitive Theory, the Learning Organisation Theory as well Organisational Development Theory. In essence, these bodies of theory focus on the group and how it aligns the organisation to a structured, set pattern of strategic objectives. Mintzberg and Lampel\(^{526}\) insights prove beneficial and the work of Senge\(^{527}\) as well as the significant contributions of Weick,\(^{528}\) Forrester\(^{529}\) and Argyris.\(^{530}\)

The inclusion of the Market Process Theory (Austrian Economics) gives us an alternative understanding to Theory of the Firm. Whereas functionalist economics advocates a planned, mathematical and structured approach to

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\(^{524}\) Hubbard, G. (2000) ibid, offers a comprehensive overview of the major theoretical approaches to strategy including Transactions Cost Economics, Agency Theory, Game Theory, Resource-based Theory as well as Managerial Theory. He goes on to elaborate on to define strategy, in the functionalist sense, defines the levels of strategy and gives an appropriate model of business strategy. One of the key points he adds is the simple fact that most theories of strategy are grounded in economics which is focused outside the organisation, organisation theories such as Cognitive Theory or Behavioural Theory is focused within the organisation and frequently at the individual, not the organisation level. It is argued that faced with extremely complex situations in operating an organisation, managers, having bounded rationality, cannot make optimal decisions, but must sacrifice.


\(^{527}\) Senge, P. (1990) ibid

\(^{528}\) Weick, K. E. (1990) ibid

\(^{529}\) Forrester, J. (1958) ibid

investigate dynamic, changing market phenomena, Austrian Economics promotes
the proposition that the effective adaptation of unanticipated, unordered change
for the organisation to compete successfully.

Morgan\textsuperscript{531} argues that theories such as Market Process Theory primary concern is
to understand the subjective experience of individuals; in other words from the
stand point of the individual as opposed to the observer of action; it views social
reality as an emergent process of experience. It is argued that entrepreneurial
discovery (\textit{differential cognition}), coordination of knowledge and adaptive
learning, whose \textit{emergence} is often unknown and unpredictable, is essential. This
theoretical proposition complements Complexity Theory and Narrative to form
the foundation to understand how the organisation can interact with competitors
with sustained effectiveness.

From a macro-economic perspective, this author has interpreted the firm in a
distinctly Austrian Economics vein. With this process-based approach, rather the
deterministic mathematical modelling of Economics through a \textit{general}
\textit{equilibrium} seeking quest favoured by neo-classical mainstream economics, it
shares the same key complexity principles (individualism, emergence, self-
organisation and non-linearity) to explain and modify organisational behavioural
within the industry.

Rounding off the literature review, we presented alternative complexity grounded
theories such as Dynamic Strategy Theory represented by D’Aveni,\textsuperscript{532} whose

authors argue that the emergent process is an extension of human consciousness and subjective experience. They argue
‘that all theories constructed in the he context of the interpretive paradigm are anti-positivist. They reject the view that the
world of human affairs can be studies in the manner of the natural sciences’. Austrian Economics, in this context of the
interpretive paradigm are anti-positivist. It rejects the view that the world of human affairs can be studies in the manner of
the natural sciences. Austrian Economics is clearly subjective.

\textsuperscript{532} D’Aveni, R. A. (1994) \textit{ibid}. 
Dynamic Capabilities Theory attempted to explain that industries can only grow when all acquired knowledge is consistently eroded and destroyed by rapidly, changing industry competitors. Again with this theory building, elements (such as *non-linearity and unpredictability*) found in Complexity Theory prevail throughout and give the reader added insights of a responsive, adaptive organisation.

This alternative to the functionist view, where all players are supposed to act in uniformed synchronisation, is supported by the research collaborators who argued that a high level of activity and turbulence across most industries does in fact exist. In the hospitality industry, this phenomenon has been more pronounced in recent years due the sharp increase of technology and globalisation which has had significant impact on competitors to be innovative in new ways of attracting clientele.

This study relies on the significant contribution of Stacey, Griffin and Shaw\(^ {533}\) and their philosophical investigation on the growing field of a strain of organisational theory, commonly referred as Complexity Theory. As it is the case with other paradigms, there is no agreed overarching meta-theory and we focus on a strand of Complexity Theory presented as Complex Adaptive Systems.

Stacey, Griffin and Shaw\(^ {534}\) argue a more radical departure from traditional organisational theory that views the unit of analysis as the *themes* between individuals as opposed to *whole organisations* to measure organisational responsiveness and performance. This contribution to Complexity Theory and by extension, strategy, is called Complex Responsive Processes Theory, which advocates that organisations are complex responsive processes of *relating*

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\(^{533}\) Stacey, R. D., Griffin, D. and Shaw, P. (2000) *ibid*

between people. Stacey\(^{535}\) argues that this ‘relating immediately constrains; it establishes power relations between people’. This theory takes the form of propositional and narrative themes that organise the experience of relating and thus power relations. The themes organise the conversational life in firms.\(^{536}\)

With the inclusion of Narrative Theory, we are able to complement the need for a theory of action, which rounds off the literature review and lead into a new conceptual framework of strategy, based on interaction in the present rather the future.

**Understanding Strategy in the Hospitality Industry?**

As explored throughout this study, the functionist approach to strategy had gained greater currency in the hospitality industry since the 1960s. As in other industries with a strong reliance on financial valuation methods as well as ensure reasonable returns on a typically large asset base (hotels) is guaranteed for owners, there was historically little willingness to explore other alternatives to measure the intangibles assets of the organisation.

As hospitality’s locus is about enhancing a highly personalised service delivery, it is apparent from the literature and subsequent respondent discussions that the industry has a greater emphasis on the present situation rather referring to planned process. Managers are trained to act and respond immediately. This may help explain why the business planning in hospitality is often not seen as a value adding activity, as it is after the action of Managers. Hospitality managers view the planning process as a flawed and misunderstood process from front-


line managers as well as senior managers alike. Several respondents argued that the financial budget was in fact perceived as the strategic plan, by which they were judged. In other words, the narrative by which the organisation was guided did not factor as a major factor for the research respondents. This author argues this may in turn help assist in deconstructing meaning from the planning discussions and offer insights into the strategic intent for the organisation. Reliance on a financial budget, simply does not offer this insight.

Understanding Strategy in Hospitality in a rapidly Changing Environment?

By introducing the concept of urgency that is sustainable or competitive in a high flux environment, the contributions of Morgan’s discussion on flux and transformation and D’Aveni’s Dynamic Capabilities Theory offers a good grounding in this field. When several respondents were asked to comment on the concept of urgency and how it would benefit the Hospitality industry, the general consensus was favourable. As in the industry is rapidly changing, strategy being developed consistently would aid greatly to create meaning for the staff and managers alike.

These authors demonstrated offers a reasonable understanding of the dynamics of hospitality industry where small changes, significant events as well as travel patterns have had significant impact on industry players in all countries. The tragic Bali bombing of 2005 showed this well when over 18 months later, many hotels are still operating at below average occupancy levels with no end in sight increasing relevant market share.
**How do we understand Complexity and Strategy?**

In this thesis it has been demonstrated that linearity gives way to complexity. Exploration has been made of the current state of theory has been the main aim of the research topic. This researcher argues that Austrian Economics serves as a platform to better understand the linkage between industry dynamics and the organisation, Narrative Theory offers the linkage to how best to formulate and communicate market complexities and the resultant emergent strategies within the organisation. Complexity Theory retains a feedback process of interaction back to the industry, which completes the perpetual cycle of renewal.

**How do we understand Emergence and Strategy?**

Change is synonymous with strategy and emergence. Change is complexity. This thesis argues that change is not a function that can be influenced or managed through a planned engagement.

Based on the literature review, this author has argued that change is a perpetual, emerging process that outlines and defines the appropriate strategy to respond to a set of given circumstances in the market. Thus, strategy cannot be planned, rather is a process of adaption to emerging, altering conditions facing the organisation and how it aims to respond to these changes determines how effective the strategy is. Furthermore, emergence cannot be managed to suit key stakeholders view of the world.

This study lends light to the notion that linearity gives way to emergence of the responsive strategy. Hospitality can gain additional insights from emergence to develop a responsive strategy for an industry that is consistently redefining its competitiveness and boundaries.
How do we link strategy Complexity and Emergence?

It is the objective of the researcher that this study will give rise to new theorising on strategy for organisations. Based on the findings and research respondents, it appears that the development of a conceptual map based on Market Process Theory (Austrian Economics) by way of incorporating market changes which link the service orientation of hospitality managers with that of a planned business plan.

The study demonstrates that the key link in this process is Narrative. It is through multi-narratives which may help assist the Hospitality Manager to develop a meaningful strategic purpose as well as satisfy the inherent disposition of hospitality managers to measure commercial success through service delivery and achieve a balance market segment portfolio.

As shown below, the conceptual framework illustrates the relationship between the domains and the benefits they derive from the mutual interaction.

Figure 3 The Conceptual Framework
What new understanding emerges from the linking of the three theories to bear on business strategy?

Through the amalgamation of Austrian Economics, Complexity Theory and Narrative Theory, a holistic conceptual framework is presented that illuminates business strategy for the organisation.

The versatility of the interaction of the conceptual model gives the organisation the opportunity to develop and implement a strategy that is relevant and up to date. This relevance is a composite of insights drawn from the movement and actions of competitors (Austrian Economics), the communicative strength of Narrative Theory (the contextualisation of strategy) as well as the emphasise the demand to act now requirements from Complexity Theory. Combined this strengthens the proposition that a more robust, appropriate and responsive strategy is the result.

In Conclusion

This study has argued for a three-fold concept of strategy; a conception that reflects the narrative and complexity aspects of strategy in perpetual action. The inclusion of Market Process Theory (Austrian Economics) links the strategy themes back into the industry.

The narratives of Part Two have demonstrated the inadequacies of a prescribed and designed strategy process. In Silver Fern’s case, we have seen the inadequacies of this approach to strategy to connect between management and owners.
Considering the above conceptual framework discussed throughout this study, research respondents statements and evaluation of the research data and findings, the researcher argues that this thesis summarises the key salient areas of query by addressing the key research questions and how the research aimed to conclude them.

As indicated at the beginning of this thesis, the main aim of the research was to address key questions, relevant to management practice regarding business strategy in hospitality. Through the lens of narrative and complexity the quest is posed how it promises to enlighten our way of thinking in the present, offers this body of theory significant potential to understand a set of defined relevant key research questions.
CHAPTER 7 - IMPLICATIONS FOR BUSINESS PRACTICE

By incorporating the principles of Complexity, Narrative and Market Process Theory (Austrian Economics), the hospitality industry stands to gain significant insights into the development of strategy. The conceptual framework delivers this linkage between strategy, action and marketplace.

Typically, the hospitality industry with its service processes orientated towards immediate action has always been good at identifying and learning what distinguishes a successful business planning process. The proposed conceptual framework aims to give the responsive hospitality organisation insights in the key relevant strategic imperatives, rather than rely on the notion of determining the future before it happens. The methods of maintaining this strategic relevancy is enhanced through the inclusion of Narrative Theory.

This research study argues that the conceptual framework aligns the action orientation of the hospitality manager with that of the emergent nature of strategy to respond to strategic events as they happen. The key issue is the concept of responding to what is now, rather what may happen! As a result, organisational resources can be allocated with more efficiency and the organisation is more nimble in its response to business trends or permanent deviations in the hospitality industry.
Emergence of Purpose: Linking Strategy and Action through Narrative

Considering the main message of Complexity Theory, that of planning for the present, paradoxically, it becomes apparent that management should not focus solely on immediate financial and operational outcomes, instead management must understand that a long-term investment in human interactive processes is vital to compete in a highly dynamic and cyclical environment such as the hotel industry. Narrative is the linkage that connects and communicates the intention of the strategy to the action of individuals to meet the changing trends of the industry.

Leading hotel groups, who practice a propensity to consistently engage market challenges in the present, show tendencies parallel to that advocated by the Complexity Theory literature. Take the central focus of hotel companies to market a holistic service agenda. This approach demonstrates a strong ability to expand on their exceptional service reputation by engaging in a relentless search of service processes, which promote the ability to response and heighten the guest experience, whilst feeding back into the system how best to respond when this incident is encountered in the future.

While examples can be found in all areas of the industry, the key aspect in defining complexity thinking for hospitality puts the guest/customer at the core of its service processes, thus promoting the notion of responding in the present, rather developing a planned response to satisfy all possible scenarios. This is resources intensive and counterproductive considering the limited resources which are available to a typical hospitality organisation.

In order to contextualise complexity to hospitality, it would be beneficial to review some common processes. Guest service delivery in leading hotels is
personalised and ever-present. The so-called *Moment of Truth*\textsuperscript{537} will determine whether the guest will return. This is a good example of complexity at work. The emphasis of the service delivery is evaluated in the present. Will the guest return will be measured how the guest perceives the service *being delivered*.

Another one could be the whole guest cycle process, delivered by all hotels everywhere, every day. A leading hotel group\textsuperscript{538} had established that a customer’s evaluation of a hotel and their decision to continue to patronise it, depend less on what services are provided (planned from afar), rather more on how the hotel goes about delivering on the many aspects of the service experience *in the present*.

It starts with the marketing promise, the hotel and management of staffing resources, a highly responsive information system (feedback loop) back to individual departments, its checkout process and finally the hotel configuration to process negative feedback post-stay back to management for corrective action. This is Complexity Theory in action and hotels have been fulfilling on the promise for decades. The same should apply to strategy.

This research argues the contention that a participative approach to strategy will foster a sustainable responsiveness for the whole organisation. Furthermore, this author argues that such industry leaders such as Four Seasons, Mandarin-

\textsuperscript{537}The phase was first coined by Jan Curson CEO of Scandinavian Airlines in the late 80’s, who developed a service program, which was based on the TQM philosophy of bottom-up empowerment. It was designed for cabin service staff to demonstrate their service awareness and responsiveness through the slogan of instant pacification called “The Moment of Truth”. It remains still a popular catch-phase in the hotel industry to measure the effectiveness of service.

\textsuperscript{538}A leading Hong Kong based hotel group in the late 90’s commissioned a leading US hospitality consultancy to analysis why the repeat guest ratio had remained low regardless of what rate discounts and other incentives were on offer. It summarized that whilst service standards were food and cleanliness standards were in general excellent, many guests commented on the inability of staff to “think on their feet”, in other words, respond to unexpected situations with a sense of urgency and understanding. I would add to this that is speaks of intuition, the long lost art of anticipating expectations, which is now rare to find even in the leading hotels of the world.
Oriental, Hilton Hotels and Ritz-Carlton Groups have long followed a strategy of involvement at all levels.

Through Narrative, Complexity is able to focuses attention on the quality of the participation of organisational members. Since even the most detailed set of standards/budgets/policies cannot ensure consistent service delivery, the hospitality organisation needs to ensure that emergent motivation to serve the guest is paramount. The narrative calls the individual to action whilst making sense of the dynamics of organisation to all members.

Complexity does replace the technical skills that are showed to employees and management, but without the right levers of participation and motivation to act, the guest still may leave unsatisfied. It is advocated that managers lead from a platform that encourages an environment based on emergent urgency, which allows employees to deliver superior service with the passion for the moment of truth, the one moment we in the hospitality industry constantly strive for.

It’s never ending cycle of engagement.

The End
Melbourne, 24th November 2008
POSTLOGUE

At the outset of this study I was anxious and uncertain. I had just started my own consulting company in 2001 and hoped to learn how to cope with delving into a field of Complexity Theory I had enjoyed during my MBA studies. Instead I was plunged into more uncertainty; the prospect to grow my own company, nurture and raise a family and above all start this research study to deepen my theoretical understanding of strategy and complexity. The journey has been rewarding, while intense.

I came to meet some dynamic and thoroughly professional hoteliers whose commitment to the industry is commendable. I was fortunate to find seasoned hoteliers who took the time listening to my own ramblings and rants; I am indebted to them for their considerable patience and fortitude to endure my endless questioning on unseemly meaningless strategy queries. Your support has been greatly appreciated.

This research argues the contention that a balanced approach may foster sustainable responsiveness growth for the organisation. This research clearly argues why industry leaders such as Four Seasons, Mandarin-Oriental and Hilton Group have long followed a participative strategy. The hospitality organisation needs to ensure that motivation to exceed guest expectations should be the most important goal.

At various points throughout the period of data gathering the experiences of the executives were intense. At times, I could identify how I would have responded in similar situations in my long career as a hotel manager. The anguish of the General Manager of the Silver Fern left me with a sense of hopelessness; I was
unable to support him in the way I wanted to. He worked as hard as he could with his best intentions for the company. However, the Silver Fern and Hotel Management Company I arrangement did not work and through no fault of his own; his job was effectively rendered ineffective from the start. The pre-opening was not functioning and the whole project was destined to be scuttled at some stage.

At the same time, I was putting considerable effort into developing my theoretical understanding of Stacey, Goodwin, Boje, Hubbard and Ricoeur and forging a way by which I could hear harmonies between them rather than separate stories. I wrestled with what each was saying and then wrestled with what they might be saying in concert. In my partial way, I found them talking about the whole, about there being no final answer, no privileged vocabulary.

Certainly there were examples of individuals creating problems through neglect of duty, as in the instance of the construction company as well as the marketing efforts of the hotel. These occasions had me reflect on my own self-defeating behaviours.

What I did not expect to find in the study process, but it was the most profound part of the process, was that I had found a voice. Maybe a quiet voice, and still faltering, but definitely a voice. I found it exhilarating.

I found that this further energised me and I was able to solidify my own thinking on Complexity Theory and the impact it can have to benefit the hospitality industry. I look forward to the next chapter of my life....relaxation with my young family.


Stacey, R. D. (1996) Complexity and Creativity in Organizations, Berrett-Koehler; San Francisco


Theoretical Framework: The Strategy-As-Story Perspective
Developed by John Ortner

Foresight and Innovation Formulation
The Strategy Narrator Model
Conceptual Framework
Creating Polyphonic Strategic Narratives
A Dialogical Processual Perspective
Leadership and Change Implementation

Narrative Theory
Ricoeur, 1963; Polkinghorne, 1988 and Boje, 2002

Market Process Theory
Process of continuous dis-equilibrium, entrepreneurial discovery & organisational learning

Complex Adaptive Systems Theory
Interaction of many agents
Firm Level and implementation of strategy

The Austrian Perspective
Entrepreneurial alertness, Knowledge and active rivalry
Hayek, Mises, Kirzner & Boettke

Emergent Strategy View
Strategy from within the firm, see Mintzberg for more info

Complex Responsive Processes Theory
Interaction, relating and self-organisation
Firm Level and implementation of strategy

The Macro View
It is important to offer the definition by which the above view is validated

Dynamic Capabilities Theory
Continuous destruction of competitive advantage
D'Aveni, Ilmitich and Lewin.

Social Constructionist View
The organisation of experience
Foulkes, Shotter and Katz.

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The Micro View
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Relationship Psychology
Theory of Interaction
Hegel, Mead, Elias and Bhaktin.

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NARRATIVE THEORY

INDIVIDUAL
(Dominate themes, stories and desired state)

MARKET PROCESS THEORY
INDUSTRY
(Competitors and industry dynamics)

FIRM
(Teams and all levels and departments of the organisation)

COMPLEXITY THEORY

EMERGENT STRATEGY

Austrian economics & dynamic capabilities theory

Macro-Environment

Macro-Environment

Macro-Environment
Conceptual Diagram – The Organisation as Communication

Developed by John Ortner
Complex Adaptive Systems Theory: Stacey’s Definition

This author has adopted Stacey’s 1996 definition of Complex Adaptive Theory. Stacey offers succinct definitions for practicing managers an excellent overview of the key tenets of complexity and how it relates to organisational theory. The keys themes of Chaos, Self-Organisation, Emergence, Nonlinearity and Complex Adaptive System are discussed below in more detail. This is directly taken in its original format from Stacey’s book on Complexity and Creativity written in 1996.

Chaos: Low-dimensional chaos has a precise mathematical meaning: behaviour that has global structure but is specifically unpredictable over the long term and has few rules. High-dimensional chaos is generated by a set of many rules and it displays very little structure: it is close to randomness and thus closed in meaning to the normal usage of the term chaos.

Self-Organisation: This is the process by which agents in a system interact with each other according to their own local rules of behaviour without any apparent blueprint telling them what they are to accomplish or how they are to do it. The concept includes but does not coincide with double-loop learning, because deterministic systems, which do not learn, also display spontaneous self-organisation.

Emergence: Emergence is the production of global patterns of behaviour by agents in a complex system interacting according to their own local rules of behaviour, without intending the global patterns of behaviour that come about. In

539 Stacey, R. D. Complexity and Creativity in Organizations, Berrett-Koehler; San Francisco, p. 171-174.
540 Stacey, R. D. ibid
541 Stacey, R. D. ibid, p. 171-174.
emergence, global patterns cannot be predicted from the local rules of behaviour that produce them. To put it in another way, global patterns cannot be reduced to individual behaviour.

**Nonlinearity:** A system is non-linear when actions can have more than one outcome and when actions generate non-proportional outcomes, in other words, when the system is more than the sum of its parts. This is opposed the dominate paradigm which advocates a planned, rational and intentional template of reducing uncertainty. Complexity theorists stress that paradox is a essential aspect of the complexity school versus the dominate view of eliminating it.

**Complex Adaptive System (CAS):** Consists of a number agents interacting with each other according to schemas, that is, rules of behaviour, that require them to inspect each other’s behaviour and adjust their own in the light of the behaviour of others. In other words, CAS’s learn and evolve, and they usually interact with other CAS’s. They survive because they learn or evolve in an adaptive way: they “compute” information in order to extract regularities, building them into schemas that are continually changed in the light of experience.