

SERVICES MANAGEMENT IN HIGHLY COMPETITIVE CONTEXTS OF TUMULTUOUS CHANGE

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ABSTRACT

Services constitute the major sector of the global economy and are characterised by contexts of unprecedented competition and tumultuous change. The objective in this paper is to explore alternative perspectives, as reflected within the literature, for managing services-based institutions within such turbulent contexts. A multi-disciplinary review of the literature is adopted, in determining how management theory and practice has evolved in response to increasing complexity and unpredictability within the services economy. It is suggested that traditional scientific management based strategic and operational management practice may no longer be effective, within turbulent contexts, and that a complex adaptive systems perspective may be more appropriate for managing institutions in the services economy. The value of the research study is vested in that the findings and insights gained from the literature could serve to inform contemporary management practice.

Key phrases: services economy, complexity theory, scientific management, services dominant logic, servitization, change management.

INTRODUCTION:

“The trouble with the standard maps and traditional navigation principles is that they can only be used to identify the routes that others have travelled before: they can only make sense when managing the knowable ... But the old map is of little use at all when it becomes necessary to go where none have gone before. The old map helps little when it comes to that significant part of the real management problem: managing the truly unknowable”
Ralph Stacey, 1992:14

Peters (2003:19) in a similar vein to Stacey (1992:14) notes that in ancient times, cartographers would label such uncharted waters on maps with “*Here be dragons*”. Peters (2003:19) goes on to suggest that while “it appeared that the dragons had all been slain. Little did we know ...” It is a reality reflected in even a brief review of the contemporary literature with the emergence of a management landscape characterised by uncertainty and the materialisation of what Nassim Taleb (2007:xvii) term to be “Black Swan” events, namely unforeseen and unexpected events that fundamental change the present trajectory into the future. Bennet and Bennet (2004:5) describe this landscape of dragons as one where “Time accelerates. Distance shrinks. Networks expand. Information over-whelms. Interdependencies grow geometrically. Uncertainty dominates. Complexity boggles the mind”. Kiechel (2010:2) in a metaphorical sense refers to these as the “horsemen of the corporate apocalypse”, the metaphor originating from a biblical account in the Bible’s book of Revelation, where four horsemen unleash unprecedented havoc and catastrophe on

the world. The use of metaphor in reflecting the prevailing services economy as being uncertain and turbulent, serves to accentuate the prevailing reality of the contextual complexity confronting executives and managers of contemporary private and public sector institutions.

Sargut and McGrath (2011:70) suggest that the main difference in managing modern-day institutions, from that of the past, “is the level of complexity people have to cope with”. They contend that it’s harder to predict and make sense of things, “because the degree of complexity may lie beyond our cognitive limits” (Sargut & McGrath, 2011:70). Taking a slightly different approach, Sluyter (2011:2-3) contends that the biggest barrier remains the widespread use of out-dated and unsophisticated scientific management theory in dealing with such turbulent and uncertain conditions. Bennet and Bennet (2004:25) propose the adoption of a complex adaptive systems (CAS) approach in dealing with an unpredictable, dynamic and complex society, as would seem to presently exist. In so doing they advocate a “living system” metaphor for building an appropriate capability for dealing with the complexity and uncertainty presently encountered. Bennet and Bennet (2004:29) suggest that:

“To survive and successfully compete in the future world, these organizations will need to possess a number of emergent characteristics that taken together result in resilience, agility, adaptivity, and learning, all well-known traits of survival”.

The emergence of unforeseen and unexpected events that have a significant impact on institutional operations often audit institutions resilience (Weick & Sutcliffe, 2007:1). Some of these audits are mild, others more brutal, they test an institutions ability to stretch without breaking and the ease with which they are able to recover (Weick & Sutcliffe, 2007:1). The harsh truth, however, is that some in fact do break and some do not recover. A case in point is the demise of Lehman Brothers that made it the largest victim of the U.S. subprime mortgage-induced financial crisis that swept through global financial markets in 2008 and threatened the collapse of the whole financial system (Investopedia Staff, undated: Internet; Nonaka & Zhu, 2012:4). At the heart of traditional management theory is the notion of predictability. Syrett and Devine (2012:2), however, question what happens when the environment is so uncertain that no amount of analysis will allow institutions to predict the future with any degree of certainty. Finding an answer to this question forms the fundamental objective of this paper, namely determining how service dominant institutions are best able to navigate the uncharted waters of uncertainty that characterise the global services economy. A multidisciplinary literature review forms the basis for the research study.

THE GLOBAL SERVICES ECONOMY: ITS DEFINING CHARACTERISTICS

“We have witnessed a major evolution in our society from being predominantly manufacturing-based to being predominantly service-based” Fitzsimmons, Fitzsimmons & Bordoloi, 2014:3

A European Commission (2014:5) report, in relation to the growth of “business services”, reflects a view that in the future business services firms “will play a crucial role in supporting industrial firms seeking to capitalise on the so termed “Internet of Things” (IoT). It is a view that would seem to lend support to the introductory statement of Fitzsimmons *et al.* (2014:3), as to the evolutionary transition to a predominantly global services economy. An important element of this transition would appear to be the role played by technology (European Commission, 2014:16). Suggested in

the report is the contention that “not only is technology changing the nature of some Business Services, but it also opens up opportunities for innovation – including new business models” (European Commission, 2014:16). Chambers (2014:vii), in the foreword to the World Economic Forum’s Global Technology report for 2014, alludes to some of these technology changes as including “the emergence of cloud and mobile computing, the growth of big data and analytics, and the explosive development of the Internet of Things”. Of particular concern is the reality that this transition is emerging within the context of the “worst financial and economic crises in decades, and policymakers, business leaders, and civil society are looking into new opportunities that can consolidate growth, generate new employment, and create business opportunities” (Bilbao-Osorio, Dutta & Lavin, 2014:xi). A defining characteristic of the transition to a global service economy would consequently appear to be the emergence of a context of tumultuous change and uncertainty, with a strong technology driven basis.

The Organisation for Economic Co-operation and Development (OECD) (2000:3) attests to an escalating trend of a bundling of services with products. Services in this sense are seen by the OECD (2003:7) as constituting a “diverse group of economic activities that include high-technology, knowledge-intensive sub-sectors, as well as labour-intensive low skill areas”. Three emerging characteristics defining the global services economy appear to emerge from the discourse, namely an economy defined by an increasing servitization trend, embodying a significant technology, knowledge and skills basis. The inferred reference to the services economy as being knowledge intensive assumes particular pertinence in analysing the characteristics of the economy. Brinkley (2009:5) notes that the “knowledge economy” is a phrase often used but seldom defined. Brinkley (2009:5) goes on to describe it as:

“ a process whereby the economic competitiveness and performance of organisations and firms is increasingly determined by their investment in ‘knowledge based’ or intangible assets such as R&D, design, software, human and organisational capital, and brand equity and less by investment in physical assets such as machines, buildings, and vehicles.”

It is a definition that resonates with the often encountered attributes attributed to services, namely client participative, simultaneity of production and consumption, heterogeneity in performance, intangibility, perishability in that they cannot be stored, non-transferability of ownership, and difficulty in being patented (Desmet, Van Looy, Gemmel & Van Dierdonck, 2013:12-14; Fitzsimmons et al. 2014:14-18; Wilson, Zeithaml, Bitner & Gremler, 2008:16-17). Collectively these attributes engender the services economy with a sense of complexity that far exceeds the more tangible and predictable nature characterising the manufacturing era. This notwithstanding it is suggested by the OECD (2003:9) that a close and symbiotic relationship exists between services and manufacturing, a servitization characteristic that plays a role in defining the contemporary services economy. Implied is the need for management to be able to distinguish between ordered and complex contextual conditions and manage both simultaneously, noting the each context has its own unique associated management practice (Snowden & Boone, 2007:70). Bennet & Bennet (2004:20) highlight the difficulty in this by stressing that “*in a complex situation, things can sometimes happen that appear contradictory and totally beyond comprehension. Because we are historically trained in rational thought and causal analysis, we tend to try to understand phenomena in the same way. In complex systems this simply cannot be done*”. The coexisting of ordered, complex and in some instances

chaotic ontologies, that each requires a specific epistemology, it could be argued is a defining characteristic of the global services economy.

Grönroos (1990:3) identifies the extensive competition that exists within the services economy as one of its defining characteristics. Gaining a competitive edge within this sector of the economy, according to the researcher “requires a deep understanding of the nature of service production and consumption”. It is suggested by Ballantyne and Varey (2008:1) that customers determine what value is added in the services rendered by institutions and organisations can thus only offer “*value propositions*” in an attempt to gain a competitive advantage. In essence the extremely competitive nature of the services economy and the difficulty in gaining a competitive advantage within this economy entails a mindset change that could well be described as constituting a game-changer in terms of its intangible nature.

In quite assertive terms Jacobides (2010:77) describes what is termed to be “the characteristic of today’s business environment” as being turbulent, unprecedented, unstoppable and unlikely to go away. Deloitte (2014:1) is another researcher who describes the current operating environment, confronting today’s leaders’, as being “characterized by uncertainty and rapid change, with the growing influence of technology impacting business decision and organisational behaviour”. In so doing Deloitte (2014:1) summarise what could be deemed to be a trend within the literature, namely a service economy, seen as being characterised by discontinuous change and unprecedented competition and uncertainty. In dealing with such a context it is suggested by Deloitte (2014:1) that executives can make use of scenario planning to understand possible futures, as the basis for informed decision-making in an uncertain environment.

SENSE AND DECISION MAKING IN HIGHLY COMPETITIVE CONTEXT OF TUMULTUOUS CHANGE

“Complexity and volatility are creating unprecedented challenges for today’s leaders. Scenario planning, properly executed, provides the tools for making strategic decisions and taking speedy corrective action” Laudicina, Peterson & Gott 2012:1

The introductory statement, by Laudicina *et al.* (2012:1), would seem to support Deloitte’s (2014:1) contention that scenario planning features as a means for dealing with contextual uncertainty and discontinuous, tumultuous change. Citing Calvin and Igvar it is advocated by Schwarz (1991:31) that “people have an innate ability to build scenarios and to foresee the future”. People, it is contended by Schwarz (1991:53), respond not to the world, but their mental image of the world, an observation that would seem to imply a building up of mental images emanating from experiential learning, which essentially is historically based. As stressed by Schwarz (1991:53) this mind-set includes attitudes about all aspects of peoples’ lives and they serve as a window for contemplating the future. Following a similar train of thought Zimmerman and Kanter (2012:5) suggest that people are able to “sense changes in our environment: what is going on around us” and are able to make sense of these changes in terms of “what they mean for us”. They further argue that people have the capacity to act purposefully in response to events and deliberately link their actions to intent (Zimmerman & Kanter, 2012:5). It is also claimed by Zimmerman and Kanter (2012:5) that people “are able to imagine what others perceive and experience and in effect simulate their reaction(s) to changes in the environment”. Running like a golden thread through this discussion is the notion of an apparent ability by people to detect emerging trends and changes in contextual conditions, make

sense thereof and intentional respond thereto. Zimmerman and Kanter (2012:6) allude to this ability that people have as being “a unique human skill that enables complex decision-making.”

Zimmerman and Kanter (2012:5) draw a distinction between traditional and more contemporary complex decision-making practice. The former assumes a rational, logical linear, process, while the latter takes cognizance of bounded rationality (Zimmerman & Kanter, 2012:6,8). Natural cognitive limitations often exacerbated by time constraints, emotional states framing interpretations, context influences, and institutional politics are cited by the researchers as typical boundary constraints that are encountered in practice (Zimmerman & Kanter, 2012:8). Lewis, Goodman, Fandt & Michlitsch (2007:155) accentuate the fact that in rational decision making the emphasis is on prescriptive process considerations and not on how they are actually made in practice, thus drawing a distinction between theory and contemporary practice. Lewis *et al.* (2007:156) appear to support the preceding view emanating from the literature that bounded rationality and human limitations constrain rational processes of sense and decision making. So for instance Lewis *et al.* (2007:156) claim that the people concerned rarely have access to complete information to inform decision making and even where some information is available the mere volume of such information generally overwhelms their ability to analyze and comprehend all aspects of the information concerned. Notably, the use of “Big Data” data analytics is a move towards trying to deal with this latter aspect. Quite pertinently, however, it is argued by Snowden and Boone (2007:76) that “a deep understanding of context, the ability to embrace complexity and paradox, and a willingness to flexibly change leadership style will be required for leaders who want to make things happen in a time of increasing uncertainty”.

An underpinning sense of pragmatism appears to underpin sense and decision making in an emerging world characterized by its complexity and uncertainty. Nonaka and Zhu (2012:25-26) describe such pragmatism as constituting a “Confucianism bias for action” and willingness to make-do without knowing how things may unfold. Required, according to Nonaka and Zhu (2012:25), is a mindscape that embraces plural perspectives, an attitude that appreciates novelty and surprises, a conviction that collectively people can make a positive difference and a belief that practical consensus is often achieved at social-cultural-aesthetic levels instead of being grounded on “Truth or Reason”. Knowledge in this context Nonaka and Zhu (2012:28) stress is experiencing “changing life conditions” and determining appropriate action. Confucius, Zhuangzi and Kenkō are cited by Nonaka and Zhu (2012:34) as being of the view that “the world does not change, it changes in unrepeated, unpredictable ways”. Uncertainty in the Confucian sense thus translates into a desirable quality in contrast to a more western negative connotation. In a pragmatic world of emergence the future is not determined but made and “depends on how we actually beat the path ahead” (Nonaka & Zhu (2012:35). It is an approach that demands a paradigm shift from predicting and controlling, towards a practice of sensitizing and improvising or as articulated by Nonaka and Zhu (2012:36) “always looking at unfolding contingencies; be ready to change the rules and reinvent ourselves”.

Snowden and Boone (2007:76) are of the view that the time has come to broaden the traditional approach to leadership and decision making and form a new perspective based on “complexity science”. An important tenet of sense making in complex contexts is that cause and effect can only be determined retrospectively, a phenomenon Kurtz and Snowden (2003:469) term to be “retrospective coherence” and more often than not it does not repeat itself. As noted by Kurtz and Snowden (2003:469) structured methods that seize upon such retrospectively coherent patterns and

codify them into procedures will confront only new and different patterns for which they are ill prepared. Trail-and-error learning it would seem forms an inherent management characteristic in such complex contexts (Axelrod & Cohen, 1999:xii; Snowden and Boone, 2007:74). Snowden and Boone (2007:74), however, suggest that institutional leaders who don't recognize that a complex domain requires a more experimental mode of management may become impatient when, they don't seem to be achieving the results they were aiming for, and more pertinently may also find it difficult to tolerate failure, which is an essential aspect of experimental understanding and learning.

The picture that emerges from the discussion is that faced with highly uncertain and emergent conditions executives and managers need to take some time to allow new patterns to form, as they are essentially unpredictable in their evolution. Once a pattern has materialised it will retrospectively appear to have been logical, but it could have been one of quite a few that could have come into being. Management of institutions then need to conduct experiments to stabilise and stimulate favourable patterns, while attempting to disrupt unfavourable patterns that have emerged (Kurtz & Snowden, 2003:469). The process is a highly participative decision making process that entails diversity of thinking and perspectives, so as to gain from the collective knowledge, experience and insights of team members (Lewis *et al.* 2007:162). As noted by Zimmerman and Kanter (2012:6) complex decision making is a uniquely human intense capability, in contrast to the more traditional process based approach.

The approach described would seem to stand in contrast to traditional decision making practice as advocated in the literature, namely problem and objective identification, the generation of alternative solutions, evaluation of alternatives, selecting the best alternative, implementation thereof and evaluation of the implementation (Lewis *et al.*, 2007:149; Smit & De J Cronjé, 1992:146; Zimmerman & Kanter, 2012:6). The approach advocated has relevance in predictive contexts, where cause effect relationships can be determined, and Kanter (2007:7) acknowledge that in practice many public and private sector institutions have adopted systemic processes and technology support systems incorporating variations of these elements. Dealing with future uncertainty and unpredictability, as seen from the preceding discourse, implies that the process is fraught with difficulty and to quote Snowden and Boone (2007:74) "Leaders who try to impose order in a complex context will fail, but those who set the stage, step back a bit, allow patterns to emerge, and determine which ones are desirable will succeed". The premise of assuming that prevailing and past conditions can be extrapolated into the future is referred to by Pillkahn (2008:33) as 'the stability-time hypothesis', a condition rarely met within a highly competitive contemporary services dominant economy. Based on one year forecasts, versus actual growth in GDP, in G7 countries from 1986 to 1994, considerable inaccuracy is reflected in predicted trends, despite presumed scientific methods having been adopted (Pillkahn, 2008:35). It is claimed by Pillkahn (2008:34) that it is extremely unsettling to think that these forecasts have been the basis for many political and economic decisions.

It is claimed by Nonaka and Zhu (2008:43) that to Confucius, virtuous action is geared towards a future inventively imagined and actualised, "We create therefore we are". Inherently implied is the notion that not just the future, but also the present is creatively engendered (Nonaka & Zhu, 2012:43). A key element in services management is the need to gain a competitive advantage in a highly competitive business environment and from more traditional management perspective Porter's five forces model is often advocated as playing a fundamental analytical role in formulating

the institution's competitive strategy (Fitzsimmons, Fitzsimmons & Bordoloi, 2014:35; Lewis *et al.*, 2007:100). An important tenet herein is the need to gain an understanding of the competitive structure of the specific industry within which the institution operates (Lewis *et al.*, 2007:102). The problem, however, in conducting the analysis is its retrospective and current orientation, as it tends to be an emergent and constantly changing competitive environment. Pillkahn (2008:64-65) accentuates the reality that in practice an institution's capacity to understand a changing client focused services marketplace is limited, a case in point being the assumption that clients act rationally, a reality that he suggests has often been discredited.

The difficulty of future related unpredictability and contextual turmoil brings into question the need for some form of strategic and operational planning to enable an institution to deal with the strengthening of its competitive position and the gaining of a sustainable competitive edge over rivals (Hough, Thompson, Strickland, Gamble Human, Makin & Braxton, 2008:5). While acknowledging the need for intended, deliberate strategy, Mintzberg (1994:24) also accentuates the need for emergent strategy to deal with converging actions taken to deal with unforeseen contextual conditions as they materialise. Strategic intent in this sense is deemed to be broad outlines of deliberate umbrella strategies defining intent and direction, with details being allowed to emerge within them. In this sense the umbrella strategy engenders a sense of purpose and meaning for the workplace community (Ashmos & Duchon, 200:135-136) and direction for the enterprise as an entity. Implied though is the notion of simultaneously creating an awareness of emerging conditions that will impact on the strategy and its execution, as well as engendering a sense of resiliency and adaptation. Szpakowsky (2011:3) views the process as constituting a thin line between too much structure stifling an ability of adaptation and too little structure leaving the institution vulnerable in terms of a lack of vision and direction. As part of the answer to the problem Szpakowsky (2011:3) proposes that in highly complex, emergent systems, such as that characterising the services economy, there is a need to "replace linear strategic planning" with strategic thinking and contextual awareness, thereby harnessing employees' innate intelligence, creativity and capacity for self-organizing.

INSTITUTIONAL RESILIENCE: A KEY DIMENSION IN NAVIGATING A HIGHLY COMPETITIVE CONTEXT OF TUMULTUOUS CHANGE

"The world is becoming turbulent faster than organizations are becoming resilient. The evidence is all around us. Big companies are failing more frequently ... Even perennially successful companies are finding it more difficult to deliver consistently superior returns."
Hamel and Välikangas, 2003:52

The disruptive capacity of the services economy and the need for a sense of institutional resiliency in order to navigate the turbulent tidal waves of change inherent within the services sector of the economy is clearly implied in the introductory quotation. It would appear that Van Opstal (2007:6) would hardly disagree with the statement made by Hamel and Välikangas (2003:52) in claiming that operational risks are growing rapidly and are outpacing many an institution's ability to manage them. With this in mind it is pertinent to note that Hamel and Välikangas (2003:52) contend that "*resilience is not about responding to a onetime crisis. It's not about rebounding from a setback. It's about continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power of a core business*". Holling (1973:14) was one of the first researchers to refer to

the concept “resilience” as a means of gaining an insight into the non-linear dynamics observed in ecosystems. Holling (1973:14) defined the concept as “*a measure of the persistence of systems and of their ability to absorb change and disturbance and still maintain the same relationships between populations or state variables*”. Walker and Salt (2006:xiii) adopt a very similar view in defining resilience as “*the capacity of the system to absorb disturbance and still retain its basic function and structure*”. Gunderson (2000:426) in a slightly different sense claims that many researchers define the concept in terms of “*the time required for a system to return to an equilibrium or steady-state following a perturbation*”. Clearly implied, is the view of resilience constituting a process of returning the system to some form of operational stability or the ability to absorb disturbance and still retain a functional capability.

A slightly contrasting perspective of resilience encountered in the literature is that of recovery or so termed “bouncing back” from adversity. Margolis and Stoltz (2010:88) for instance are of the view that “*resilient managers move quickly from analysis to a plan of action (and reaction). After the onset of adversity, they shift from cause-oriented thinking to response oriented thinking*”. The researches maintain that studies in psychology and their own observations suggest that the ability to bounce back from adversity hinges on uncovering and untangling one’s implicit beliefs about it and in shifting how one responds to adversity (Margolis & Stoltz, 2010:88). Hiebert (2006:1) adopts a similar approach in defining resiliency as the ability to bounce back and recover a sense of “well-being” after encountering an unexpected and unpleasant event. Wood, Dannatt & Marshall (2006:1) in effect confirm that the terms “organisational resilience” and “institutional resilience” are often associated with the ability of organisations to “bounce back” from the unexpected. It is therefore hardly surprising to find that the Latin origin of the word resilience is “resiliens” and “resilire”, the meaning of which translates into “rebound” or to “leap back” (Oldfield, 2008:1; Woods, 2006:1).

The definitions attributed to the concept assume relevance as absorption, adaption and seamless service delivery, in the face of emergent disruptive conditions, stands in contrast to that of bouncing back. The former view of resilience concentrates on the prevention of a loss of control, while the latter focus relates to a recovery from a loss of control (Hale & Heijer 2008:36). When it comes to the latter view Bryan and Farrel (2008:1) argue that “*companies can’t predict the future, but they can build organizations that will survive and flourish under just about any possible future*”. It is further claimed by Byran and Farrell (2008:1) that “*companies that nurture flexibility, awareness, and resiliency are more likely to survive the crisis and even to prosper*”.

The need for generating a “sense of awareness” of emergent environmental conditions surfaces quite pertinently in the engendering of resiliency and Pariès (2008:44) very pertinently asserts that organisational resilience is an emergent property, the traditional view being more analytically reductionist in nature. McManus *et al.* (2007:2), in discussing resilience also refer to situational awareness, namely a measure of an institution’s understanding and perception of its entire operating environment, which includes an ability to look forward to identify a potential crises, its consequences, as well as the trigger factors associated therewith. Nonaka and Zhu (2012:43) maintain that the extent that knowledge defines the capacity to act, implies that peoples’ perceptions of a situation already incorporates concepts of certain actions that could be taken. Situational awareness and what Weick and Sutcliffe (2007:17,148) refer to as “*mindful management*” would seem to have a strong correlation, namely “*early detection of the unexpected*”. At its core situational awareness emanates from enterprise wide discussions, understanding and

detection of systemic deviation from existing boundary conditions. Institutional resilience is therefore assumed to emerge from the collective understanding generated, as to situational awareness, institutional vulnerability, and adaptive capacity in a complex, dynamic and interconnected environment. It may thus be concluded that resiliency therefore emanates from a collective understanding of the system as an entity and its vulnerability in terms of constantly unfolding contextual conditions.

With the preceding discussion in mind, a more complete portrayal of resilience by McManus, Seville, Brunsdon & Vargo (2007:ii) is of interest, namely of resilience being a function of an organisation's situational awareness, management of keystone vulnerabilities and adaptive capacity, in a complex, dynamic and interconnected environment. The description stems from a research study undertaken by the researchers at ten New Zealand organisations, from a range of industrial sectors, to discover common themes that foster and create barriers to increased resilience (McManus et al. 2007:ii). An important finding noted by the researchers relates to the fact that many of the organisations are so busy dealing with day-to-day operational difficulties and in the process give extensive consideration to potential issues that they have not experienced before. Yet others have difficulty moving past previous events and focus on planning for the occurrence of a similar future event occurring (McManus et al. 2007:iv). This could be attributed to the fact that complex systems may in retrospect, appear to be ordered and predictable but in effect, as noted by Snowden and Boone (2007:71), hindsight does not lead to foresight as external conditions and systems are constantly changing.

An important element encapsulated in the building of resiliency awareness is consequently the need for detecting and analysing the soft signals or emergent patterns of contextual change. Weick Sutcliffe & Obsterfeld (2005:415) describe it as a process of continuously redrafting of the emerging story so that *"it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism"*. As previously alluded to, Kurtz and Snowden (2003:469) view the decision model in this context of complexity as one of creating probes to make the patterns or potential patterns more visible and then taking action to stabilize desirable patterns that emerge while disrupting those deemed to be undesirable. Recovery or bounce back connotations attributed to resilience would seem to imply the emergence of chaotic conditions and as indicated by Kurtz and Snowden (2003:469) a more appropriate response would be to act quickly and decisively to reduce the turbulence and then sense the reaction to the interventions taken.

Three stances relating to determinability and response are identified by Westrum (2008:59), namely:

- a proactive stance of detecting emergent conditions that will have a significant impact on the institution and its ability to respond by absorbing the impact and in the process ensure client service delivery is maintained,
- an ability to respond to contain emergent unforeseen conditions or situations to prevent the consequences from escalating and getting worse, and
- recovering or bouncing back from an unforeseen and unexpected situation that has materialised.

The three stances collectively embody both the two key perspectives and their respective definitions attributed to resiliency in the foregoing discourse. Suggested is that they incorporate an "and" and not an "or" connotation. Woodman (2007:2) describes this integrated view as:

“A holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creation activities.”

MANAGING SERVICE ORIENTATED INSTITUTIONS IN HIGHLY COMPETITIVE CONTEXTS OF TUMULTUOUS CHANGE: THE HUMAN FACTOR

“The world is in no position to face major, new shocks. The financial crisis has reduced global economic resilience, while increasing geopolitical tension and heightened social concerns suggest that both governments and societies are less able than ever to cope with global challenges.” World Economic Forum, 2011:6

“Every company seeks in some way to prepare for damaging incidents and respond to them as best it can. But in recent years, the need to demonstrate resilience has been given greater urgency as a result of a number of powerful trends.” Economist Intelligence Unit, 2007:3

The introductory quotations highlight two fundamental realities of the current business environment, business communities struggling to cope with the tensions of contextual turbulence and a need for engendering a sense of resiliency. Winding its way through the preceding literature review has been evidence of the management of service based institutions having to make sense of the turbulent, complex, unpredictable and unknown of a hyperconnected and complex services economy (Maldonado & Gómez-Cruz, 2012:14; Jacobides, 2010:77). The management of service orientated institutions face day-after-day the paradox of having to make sense and take control of complex, uncertain and turbulent contextual conditions, while apparently not having the appropriate means, skills and knowledge required. Far too frequently the accent is still on the use of scientific-based linear methodologies or recipes for dealing with complexity that as seen within the preceding discourse can be very counterproductive. Clampitt, Williams & DeKock (2014:215) for instance argue that such institutions can become a victim of their own processes. Citing Freiberg and Freiberg, Clampitt *et al.* (2014:215) claim that most strategic planning processes create a mental straightjacket that becomes disabling in an industry where things change radically from one day to the next. Advocated by Clampitt *et al.* (2014:215) is the mastering of three basic competencies for embracing uncertainty, namely the cultivating of an awareness of uncertainty, communicating the uncertainty and catalysing action in an uncertain environment.

Snowden and Boone (2007:71) draw a clear distinction between three predominant ontologies and the appropriate epistemology for each, these are ordered, complex and chaos. Not all service initiatives are seen as residing within the complex domain and traditional linear scientific management approaches are seen as still assuming relevance in the ordered domain of services management. It is only when dealing with turbulent, unpredictable and discontinuous change that a complex adaptive systems approach needs to be applied (Snowden and Boone, 2007:71). The problem, however, appears to be that many managers have been taught to think within an ordered linear framework and frequently lack the flexibility to adapt rapidly to changing contextual conditions (Clampitt *et al.*, 2014:217). In effect in managing services, executives may well need to function in all of the identified ontologies at a same point in time and apply the appropriate methodologies that are effective within each. Bryan and Farrell (2008:1) acknowledge that the range

of possible futures confronting business is great and conclude that of paramount importance is a need to nurture a sense flexibility, awareness and resiliency, if they are to survive. The task of management is therefore one of being able to identify in which services domain they are functioning and assume the appropriate mindset and corresponding systems management orientation. Effective leaders, Snowden and Boone (2007:73) argue, learn to shift their decision-making and management styles to match changing business environments. This is deemed vital as unintended consequence emanate from applying ordered state methodologies within complex states, as even small relatively minor interventions can result in a surprising unforeseen effect (Sargut & McGrath, 2001:71).

It may be concluded from the discussion that sense and decision making are crucial skills required in managing service-based institutions. Of equal relevance is being able to inculcate resiliency enhancing skills and practices within the services orientated workplace community. Thomas and Brown (2011:5) articulate the need for a new paradigm of a “culture of learning”, which is appropriate for a services era characterized by continual change, ubiquitous connectivity, and almost unlimited access to knowledge resources. This new culture it is submitted comprises two elements, a massive information network that provides almost unlimited access to information resources and a bounded, structured environment that allows experimentation within these boundaries (Thomas and Brown, 2011:19). If the twentieth century was about engendering stability the twenty-first century is about embracing change and a culture of learning (Thomas and Brown, 2011:43). The culture itself emerges through the day-to-day interaction and learning that takes place within workplace communities as new insights, values, beliefs, knowledge and understandings arise from the interaction that takes place. The interaction itself is directed at responding to the contextual complexity encountered on a daily basis by workplace communities in the execution of their tasks.

In giving expression to this emergent view, Govender (2009:365) describes a culture of learning as “an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights”. Stated more specifically Seel (2000:2) stresses that it is the “result of the continuing negotiations about values, meanings and properties between the members of that organisation with its environment”. Seel’s (2000:2) description of emergent culture infers that culture change stems from conversation exchanges, which are generally not the focus in traditional culture change management initiatives. Within the context of this paper a culture of learning, in navigating the institution through complex space, gives rise to the expression of a host of new narratives, values, beliefs and experiences that collectively provide meaning to employees and act as behavioural determinants. It is a view supported by Schneider, Gunnarson and Niles-Jolly (1994:19) in claiming that culture changes emerge as a result of employees sharing interpretations of events through storytelling.

Ashmos and Duchon (2000:134) express this in terms of the institutional spiritual dimension, that has less to do with the rules, order and process, but as having more to do with meaning and purpose derived within a sense of community in dealing with service delivery in turbulent contexts. It is a dimension concerned with finding and expressing meaning and purpose in navigating the uncertainty encountered in practice. In a similar vein Garvin *et al.* (2008:111) reason that the learning environment required is one characterised by a sense of psychological safety, an appreciation of different worldviews; openness to new ideas and a time for reflection. As previously noted by Sargut and McGrath (2011:71) even small decisions can have surprising effects, thus the

need for reflection. The researchers also noted that it is very difficult, if not, impossible for an individual decision maker to see an entire complex system (Sargut & McGrath 2011:72), thereby also insinuating the need for openness and alternative perspectives in order to learn and deal with the trends that emerge. Thomas and Brown (2011:37,48) capture the essence of what they term to be the new culture of learning in stating that *“if the twentieth century was about creating a sense of stability to buttress against change and then trying to adapt to it, then the twenty-first century is about embracing change, not fighting it ... traditional approaches to learning are no longer capable of coping with a constantly changing world”*.

Embracing change has the inherent implication that in some instances failure is inevitable in uncertain environments and learning from this failure, through fail safe experimentation could serve as a means for exploring intentional interventions directed at stimulating and disrupting emergent patterns in complex space. It is an approach supported by Snowden and Boone (2007:71) in advocating the use of what they also term to be “fail safe” experimentation. McGrath (2011:78) would appear to concur with this sentiment in declaring that if organisations were to adopt what is termed to be intelligent failure they would become more agile, and better at risk taking more adept at organisational learning. Mauboussin (2011:92) shares the view that small experiments with controls serve as an ideal means for embracing complexity. Edmondson (2008:63) in fact cautions that if employees feel that they can’t speak about small failures the organisation is at risk of even larger failure. Learning from experimentation and possible failure would appear to constitute a means for dealing with emergent complexity.

CONCLUDING SUMMARY

The failure experienced in dealing with highly competitively and tumultuous changes in the services economy identify an apparent lack of expertise and understanding in how to effectively deal with the complexity of the systems encountered in practice. The very methodologies that are required are often not well understood and more often than not traditional management practice from a scientific era of management are employed that are hardly conducive for dealing with the complexity encountered. The result has been the demise of many an institution, that of Lehman Brothers being a case in point. Collectively the characteristics define the services economy with a sense of complexity that far exceeds the more tangible and predictable nature characterising a preceding manufacturing era and a new management approach is required. It is an approach that is based on complex adaptive systems theory that is better able to deal with the unpredictability and unknown future states that emerge on an on-going basis. It necessitated a new mindset, skills and the engendering of a culture of resiliency to be able to deal with the complexity encountered. Central thereto is the cultivating of a sense situational awareness that Weick and Sutcliffe (2007:17,148) refer to as *“mindful management”*. It is a mindscape that embraces plural perspectives, an attitude that appreciates novelty and surprises, a conviction that collectively people can make a positive difference and a belief that practical consensus is often achieved at social-cultural-aesthetic levels instead of being grounded on “Truth or Reason” (Nonaka & Zhu, 2012:25).

A central tenet underpinning service management in an era best described as being extremely complete and characterized by tumultuous change is the need for a multifaceted approach that embodies bringing a diversity of perspectives; skills and knowledge into play in fail safe experimentation. The accent is on identifying emerging trends and finding new innovative means for

dealing with the complex patterns encountered. As we have seen Weick Sutcliffe & Obsterfeld (2005:415) describe it as a process of continuously redrafting of the emerging story as the service economy is hardly static.

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