

Dealing with the Highly Complex and Disorderly Changing Business Environment in the Age of Rapid Decision Making

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In today's highly complex and disorderly changing business environment, organizations face serious challenges in developing and maintaining their competitive advantage. Moreover, the timeframes for all strategic actions are being reduced; consequently, making informed strategic decisions quickly is crucial. The purpose of this paper is to present the AKCI (alertness, knowledge, creativity and innovation) conceptual framework. The proposed framework adopts a strategic view and aims to guide thinking about the challenges and opportunities that organizations may face when dealing with the emerging business environment.

In today's highly complex and disorderly changing business environment, often addressed with the acronym VUCA (volatility, uncertainty, complexity and ambiguity) (e.g. Bennett and Lemoine, 2014), organizations are usually faced with ill-structured, knowledge-rich, non-quantitative and ambiguous problems (Szendrey, 2016). In this exceedingly complicated landscape, a pre-defined reaction to the changes, an incremental improvement is no longer sufficient. (Kotter et al., 2021)

Due to the peculiarities of the business environment, the goal of strategic decision support is twofold: to make strategic thinking faster and more transparent, while reducing the time between strategic choice and implementation. All this suggests that it is worthwhile building a formal approach to analyze particular strategic decision situations. I therefore propose a conceptual framework that summarizes the major characteristics of the business environment and the elements of an adequate response, as shown in Figure 1.1, and further elaborated in the following sections. The AKCI Framework can provide

a useful organizing outline for discussing the challenges and opportunities that organizations may face when dealing with the emerging business environment.

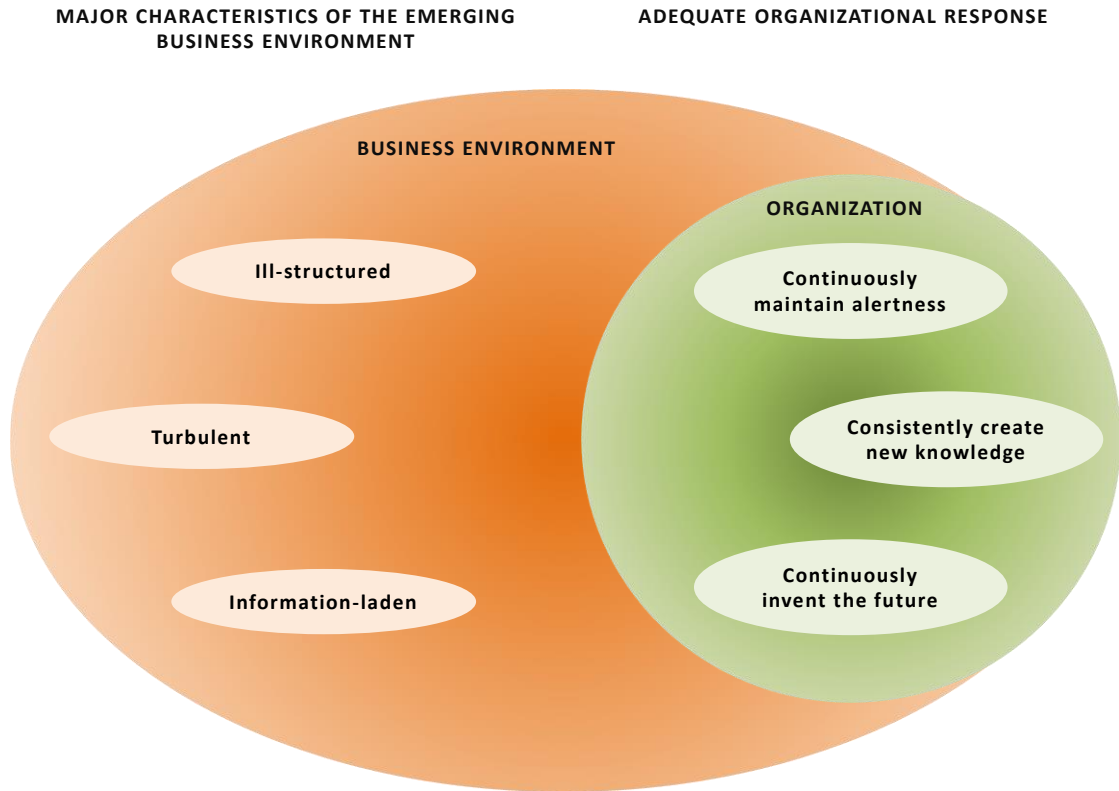


Figure 0.1 AKCI Framework

In the first section, I review the major characteristics of the emerging business environment as the main dimension of complexity. The implications of this highly complex and disorderly changing business environment are discussed in the subsequent sections. In the second section, I discuss the adequate response to the emerging business environment. Learning about how organizations respond to the emerging business environment can reveal a great deal about the culture of an organization. Thus, in the third section, the question of adequate organizational environment for dealing with today’s business environment is explored. Thus, in the third section, I explore the issue of the adequate organizational environment for dealing with today’s business environment.

Major Characteristics of the Emerging Business Environment

Involving complex social and market structures, the business environment is **ill-structured**. Because the boundaries between industries are so malleable (Hamel and Prahalad, 1994), it is difficult, sometimes even impossible, to identify and examine competitors, or to delineate between particular stakeholders, such as owners, competitors, collaboration partners, suppliers, distributors, customers, regulators, legislators. Stakeholders often have multiple roles in the tangled web of interactions between them; for instance, sometimes a supplier can also be a customer; or even a customer can also be a competitor. Moreover, Hitt et al. (1998) talk about the elimination of boundaries between industries, and the difficulty of distinguishing between industrial and service businesses.

One of the frequently used attributes to describe the business environment is **turbulent**. Weick (1995) described turbulence as a combination of instability (frequency of change) and randomness (frequency and direction of change). This means that the processes that shape the future are uncertain, discontinuous and rapidly changing, and changes may emerge from unexpected directions. Drucker (1999) emphasizes that today's profound changes are primarily not economic or technological, but social. Thus, in addition to the crisscrossing technologies, which are in themselves rather complex phenomena, and the inextricable economic interrelations, the changes in the business environment derive from the changes in demography, politics, society, philosophy and how we see the world.

Unsuspected and insignificant alterations that are not part of a pattern, can cause what Drucker (1969) and Handy (2002) call 'discontinuous changes'. It is impossible to forecast discontinuities (Mintzberg et al., 2020), such as a (disruptive) technological breakthrough or price increase, in contrast to certain repetitive patterns, such as seasons, which may be predictable. Prahalad (1998) identified eight significant discontinuities: (1) increasing global competition and global customers, (2) unstoppable trend toward deregulation and privatization, (3) new level of volatility, (4) convergence of multiple technologies, (5) indeterminate industry boundaries, (6) evolution of new standards, (7) shrinking

distance between the producer and end-user, and (8) increased eco-sensitivity. These discontinuities appear simultaneously and mutually affect each other, so they need to be addressed not only simultaneously but also systematically. Even alterations on the margin or outside of an industry can cause unexpected and fundamental disruptions in that industry; in other words, the business environment is unpredictable. Thus, it has to be acknowledged that the only certainty in this business environment is uncertainty.

As a result of, among other things, the advances in Information System and Information and Communications Technology (IS/ICT), the business environment is **information-laden**. More information does not necessarily provide a better basis for making decisions, as can be seen in the Millennium Challenge 2002 presented by Gladwell (2005). A business environment overloaded with information has an inevitable consequence: the emphasis should shift from gathering and then analyzing any information to selecting the relevant information from the maze of 'ill-structured information' (Simon and Newell, 1958; Simon, 1977), and then condensing the information valuable to us (Ackoff, 1989). The ability to decide which information is relevant, and how the selected information can be organized and communicated is becoming increasingly important. (Gardner, 2006) Moreover, according to Gurteen (1998), the bottleneck in business shifted from a lack of information to a lack of creative thought.

The organization has to respond to the challenges of the ill-structured, turbulent and information-laden business environment where the value of experience is fleeting, where the landscape is never familiar and there are no perpetual road signs, and for which neither recipes nor blueprints exist. Of all this, however, the organization can only perceive that competition is intensifying, products and competitors suffer from a lack of differentiation, customers are more demanding (Magretta and Porter, 2012), and that technological changes are sudden, markets have become deregulated, capital-intensive industries are struggling with overcapacity, and the demographics of the workforce are constantly changing (Kotter et al., 2021). Precedent, tradition and recipes have never caused such a danger before, as Hamel and Prahalad (1994) warn us.

Squeezing another penny out of costs, downsizing, standardizing and reengineering business processes per se, providing a bit cheaper, a bit better, a bit quicker, a bit more flexible products/services to the customers than the competitor - these are not the adequate responses for this business environment. The statement of Drucker (1999: 38) that every organization “has to be designed for change as the norm and to create change rather than react to it” is more relevant than ever.

Adequate Response to the Emerging Business Environment

The ill-structured, turbulent and information-laden business environment calls for real flexibility; the organization must be able to adapt to the unexpected. To develop a basis for an adequate response, organizations need to **continuously maintain alertness**. Information is out there and it is essential to find it and understand it before the competitors do it (Kleindorfer, 2001). To do this, it is important to rapidly perceive and interpret the relevant signs as they emerge from the haystack of familiar and unfamiliar signs. In this disorderly changing business environment, most of the signs will not match the old patterns of previous experience. However, the inclination to seek confirmation and to avoid disconfirmation is a basic human propensity. (Weick and Sutcliffe, 2015). In order to prevent the relevant signs from being overlooked, organizations should try to remain open and not determine which signs to observe, but try to notice the relevant signs as they appear (Baracskaï et al., 2012).

The next step is the organizational interpretation of the relevant signs, which includes the process of translation, and the development of shared understanding and conceptual patterns. (Daft and Weick, 1984) Achieving meaning through interpretation is further related to Weick’s (1995) conception of sensemaking in organizations. “Sensemaking is about the interplay of action and interpretation rather than the influence of evaluation on choice. When action is the central focus, interpretation, not choice, is the core phenomenon.” (Weick et al., 2005: 409) Moreover, sensemaking is not about finding the eternal truth. Instead, it is about continually revising the emerging interpretation.

In the business environment that is characterized as ill-structured, turbulent and information-laden, only knowledge can provide basis for lasting competitive advantage (Senge et al., 2014; Hitt et al., 2017). Consequently, it is important to **consistently create new knowledge**. It is difficult to give the definition of knowledge; however, its characteristics can be described: “Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers.” (Davenport and Prusak, 2000: 5)

Senge (2010) emphasizes that the only sustainable competitive advantage of an organization is its ability to learn faster than its competitors. Thus, he promotes the creation of a ‘learning organization’. Where, learning is a continuous process and should unite thinking and acting over time. (Roth and Senge, 1996) Furthermore, ‘single-loop learning’ should be replaced by ‘double-loop learning’ (Argyris and Schön, 1978; Argyris, 2004, 2017). In this case, the response does not only involve detection and correction (this would be reaction), but also questioning the governing variables. Learning at all levels of the organization (de Geus, 1988) and knowledge sharing (Pyrko et al., 2016) are also becoming increasingly important. It is not enough to create a learning organization; it is equally important to create what Hamel and Prahalad (1994) call an ‘unlearning organization’ too. This implies an organization that is able to forget something from its previous experience to make room for new ideas. However, this does not mean that the ‘stories of the organization’ (Gibbons and Prusak, 2020) should be obliterated from its memory.

Creating new knowledge, new ideas is a divergent thinking processes and it can go forever. In order to achieve competitive advantage, it is important to implement the new knowledge: to recognize the value of the new knowledge and utilize it throughout the organization. (Phelps et al., 2007; Bessant, 2017) And this is exactly how Gurteen (1998) makes distinction between creativity and innovation: “creativity is about the generation of ideas, and innovation is about putting them into action.” Furthermore, these creative ideas should be both unique (i.e. original, unexpected) and appropriate (i.e. useful, meaningful) as opposed to

trivial, weird or bizarre. (Amabile, 1996; Csikszentmihalyi, 1996; Dörfler et al., 2010; Csikszentmihalyi, 2015).

Following this line of thought, in the ill-structured, turbulent and information-laden business environment it is not enough to be defensive, to attempt to predict the future; it is essential to **continuously invent the future**. Thus, episodic major breakthroughs are not sufficient, it is important to establish the need for continuous deliberate change (Pralhad and Krishnan, 2017; Collins, 2019). The sole source of competitive advantage is innovation¹, which should not be confused with novelty; innovation creates value, while Drucker (1999) argues that novelty only creates amusement. Innovation should be a means for getting different and not just getting better. (Hamel, 2002; Ackoff, 2010) According to Feigenbaum (1992: 3), each innovation has a context in someone's personal development: "Certain aspects of my background, my education, and my early professional development set the stage for the innovations I made that lead to expert systems. I would like to recount these because too often such innovations are treated as if they were like Athena who, in the Greek myth, was born fully clothed from the head of Zeus."

Adequate Organizational Environment

Faced with the ill-structured, turbulent and information-laden business environment, organizations need to develop new strategies and new ways of organizing. Drucker (1994) points out that organizations have already made great efforts to improve 'how they do' things, yet now 'what they do' has become the central challenge. Consequently, Kotter (1999) draws a clear distinction between two roles of the organization: the leaders, those who cope with change ('what to do') and the managers, those who cope with complexity ('how to do'). Nevertheless, to emphasize their equal importance, Mintzberg (2013) sees management and leadership as embedded in what he calls 'communityship'. Innovation is always a change itself and, as such, belongs to leadership, while

¹ For more detail on the sources of innovation see Drucker (1999).

management translates these innovative ideas into daily tasks. To be able to respond to the challenges of the emerging business environment, it is important to tackle the ‘what’ question, but for mere existence, it is important to answer the ‘how’ question as well. As Drucker (1999) says, the more an organization is organized to invent the future, the more it will need to find a balance between rapid change and continuity².

The drive to be able to respond to the challenges of the disorderly changing business environment while keeping a balance between rapid change and continuity has forced organizations to re-draw their boundaries. According to de Geus (1992); (2011) there is no absolute right organizational structure for today’s business environment. Likewise, according to contingency theory, there is no best way to structure organizations: “The first explicit assumption [of contingency theory] is that there is no one best way to organize; the second is that any way of organizing is not equally effective under all conditions” (Galbraith, 1973: 2). In order to be most effective, the organizational structure is contingent upon internal and external circumstances. Drucker (1999) describes an organization as a tool that fits to certain tasks under certain conditions and at certain times. While Mintzberg (1979: 2) defines the structure of an organization as “the sum total of the ways in which it divides its labor into distinct tasks and then achieves coordination among them”. An organization will design a suitable configuration according to its internal processes and in consonance with its environment (Mintzberg, 1980). Taking into consideration that “the stress is on verbs rather than on nouns, on actions rather than on static systems, on processes rather than on structure”. (Pidd, 2003: 22)

All this means that organizations need to design their own structure by assembling established concepts in new ways or by inventing new concepts. Moreover, it is important to create an environment of openness to change and innovative ideas. (Kotter and Cohen, 2002; Kotter and Rathgeber, 2016; Handy, 2020) The most significant opponents of change and innovation are

² To find inspiration on how to blend continuity with change see Collins and Porras (2000).

bureaucracies, which are instinctively risk-averse and offer little incentive to those who dare to challenge the status quo. To unleash creativity, innovation, and adaptability, Hamel and Zanini (2020) propose designing a more human-centric organization.

According to the above discussion, an adequate response to the ill-structured, turbulent and information-laden business environment is all about alertness, knowledge, creativity and innovation. To be able to achieve this, it is essential to provide an organizational environment that supports continuous learning and change.

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