

Complexity Theory and Strategic Management

Professor Ralph Stacey

In the dominant management discourse, strategic management is understood as that kind of management which is concerned with the 'big picture' over the 'long term' for the 'whole organisation'. It is distinguished from other management activities which are concerned with the 'day-to-day', 'short term', 'tactical' conduct of specific organisational 'functions' and activities. What people usually mean when they talk about the long term, big picture for a whole organisation is a clear view of the purpose of that organisation and the direction in which 'it' is intended to 'move', 'going forward into the future', so that its 'resources', 'capabilities' and 'competences' are 'optimally aligned' to the sources of competitive advantage in its environment as 'the way' to achieve 'successful' performance. These activities of strategic management are normally taken to be the primary function of an organisation's 'leader', supported by his or her 'top leadership team', and it is widely thought that strategic purpose, direction and alignment should be expressed by the leader in an inspiring, easily understood statement of 'vision and mission'. Top executives choose purpose and direction and what the organisation becomes depends upon the wisdom of those choices. When those lower down in an organisational hierarchy experience confusion and uncertainty, they frequently blame this on a failure of leadership, a lack of strategic direction on the part of the top management team, or at the very least a failure of communication down the hierarchy. The remedy is to 'apply' a set of tried and tested 'tools and techniques' which have been shown to yield strategic 'successes' in other organisations. I have placed in inverted commas those notions that most people talking about strategic management simply take for granted as if their meanings were all perfectly obvious, needing little further exploration.

However, it is hard to understand how anyone who has paid any attention to the events of the global credit crunch and recession that we have all experienced since 2007 can continue to believe that there is a clear, reliable body of knowledge on strategic management containing prescriptive tools and techniques for its successful application. Surely the great majority of major international banks and other commercial organisations have not been successfully conducting strategic management over the past few years. Surely no one chose the collapse of their organisations.

As soon as one accepts that the events of the last few years cast doubt on the received wisdom on strategic management, the door opens to realising that 'change' and 'innovation' which most of us regard as positive, such as the development of the internet and the many uses to which is being put, also cannot be explained by the taken-for-granted view on strategic management because most of these 'creative' 'innovations' seem to have emerged without any global strategic intention or any organisation-wide learning process.

The disjuncture between the dominant discourse and recent events calls for a different way of thinking about the nature of management. If leaders and managers are not choosing the long-term futures of their organisation then we need to re-think how organisations evolve and what roles leaders and managers play in this.

I suggest that the modern natural sciences of complexity, essentially sciences of uncertainty, provide us with important insights into the evolution of complex phenomena which could well provide the basis for an alternative way of thinking about organisations and their management.

The models of classical science assume that the laws of nature can be represented by linear equations in which entities as causes are related in a proportional fashion to entities that are effects, yielding models of certainty. The complexity sciences move away from this

assumption of linear relationships and build models of nonlinear relationships and the computer simulations of these allow the scientist to observe and explore patterns of movement in space and through time – the dynamics. What they discover is that in the presence of diversity the dynamics are those of the creation of unpredictable novelty as order arising in instability. One scientist, Prigogine (1997), sees evolution at all levels in terms of instabilities, with humans and their creativity as a part of it. If we were to think of human organisations and societies in these terms it would mean that diverse interdependent individual agents are forming patterns of organisation/society in the interplay of their intentional acts while, at the same time those individuals are being formed by the patterns they are creating, where what is being formed is personal identity.

For me the resonance with the experience of organisational reality is very powerful. The consequence of taking this view is profound because instead of being determined by a prior plan, organisational change will be emerging in the local interactions of many, many people. The change can only happen in many, many local interactions between diverse agents.

These insights from the natural complexity sciences have led me and my colleagues to develop an alternative way of understanding organisations as complex responsive processes of local interaction between people from which there emerges the patterns of activity we may label as strategic management (Stacey, 2010). The term ‘complex responsive processes of relating’ encompasses communicative interaction, power relating and ideologically based choices and it is in such responsive processes of relating, including deliberate intention and design, that human beings create meaning and accomplish sophisticated joint action of any kind. The key feature of all human groups, organisations, institutions and societies is this joint action. Joint action is possible only because complex responsive processes of relating produce emergent, coherent, meaningful patterns of interaction both locally and population-wide at the same time and because human beings are capable of articulating these patterns which they take up in their local interactions. This leads us to the definition of strategy as the evolving narrative pattern of organisational identity. An organisation is what it is because of a history of relating and it will become what it becomes in the local communicative interaction and power relating between people in the living present. If we want to understand strategy, then we need to understand the evolving complex responsive processes of relating between people who constitute an organisation in their local interaction.

References

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Biography - Ralph Stacey

Ralph Stacey is Professor of Management and Director of the Complexity and Management Centre at the Business School of the University of Hertfordshire. He has devoted many years to addressing the theoretical foundations of how the complexity sciences are used to understand sources of stability and change in organisations. His work on complex responsive processes elucidates a view that shifts our understanding of complexity from adaptive systems to responsive processes of relating.