

Strategic Management in an Era of Paradigmatic Chaos: Lessons for Managers

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This article discusses strategic management from the perspectives of chaos theory, systems theory, organizational culture, internal/external turbulence, strategic leadership, and the authors' model for Strategic Management in Turbulent, Chaotic Environments (Figure 1). Managing chaos is a strategic and tactical leadership imperative which can positively or negatively impact an organization's competitive capability and potential for long-term success and survival. Strategic thinkers should use a strategic management process which is capable of being consistent and improving organizational processes as well. Particular emphasis is given to strategic management in eras of paradigmatic chaos, i.e., in eras that are defined by chaotic, disruptive change.

Introduction

The expected enables stability and helps us live comfortably.

The unexpected changes our lives and the lives of organizations.

As strategic leaders, we can build a positive future out of chaos.

Whether it is abrupt and disruptive or a continuing, long-term process, change brings ambiguity and uncertainty and a question relating to management of the uncertainty. Various authors answer this question in different ways. Dolan, Garcia and Auerbach (2003) say that management of uncertainty is important because "uncertainty causes a discomfort, insecurity, and feeling of powerlessness" (p. 26). Kim and Mauborgne (2005) state that "The presence or absence of fair process can make or break a company's best execution efforts" (p. 172). When disruptive and chaotic change becomes an integral part of the fabric of society, it can be referred to as paradigmatic chaos. "A key feature of paradigmatic chaos is what Warren Bennis (1967) calls "temporary society," Peter Drucker (1969) calls the "age of discontinuity," and Charles Handy (1997, 1998) calls the "the age of unreason and beyond certainty" (as cited in Farazmand, 2003: 340). Theories relating to chaos provide a theoretical framework for understanding dynamic environments.

According to Levy (1994), "Chaos theory is the study of nonlinear dynamic systems in a conceptual framework that reconciles the essential and unpredictability of industries with

the emergence of distinctive patterns” (p. 167). “The field (Chaos theory) was pioneered by Lorenz (1963 as cited in Levy, 1994: 168) when he studied the dynamics of turbulent flow in fluids.” Levy (1994) also noted that the study of chaos theory is important because it leads to unpredictable outcomes. Burns (2002) suggested that “Chaos has always been the organizing building block of the universe” (44). Therefore, it is a challenge for management scholars to relate the chaos theory with the management theory.

It is important to appreciate the parameters for using chaos theory for evolutionary development in organizations. The question is whether it is possible that chaos strengthens the strategic management of organizations. To answer this question, we must understand systems theory and its relevance in organizations (Sullivan, 2004).

Systems Theory

“Chaos theory searches for structural stability when the precise state of a system becomes utterly unpredictable” (Priesmeyerand & Davis, 1991: 22). “Chaos theory is perhaps better seen as an extension of systems theory” (Katz and Kahn, 1966; Thompson, 1967 as cited in Levy, 1994: 169). Fitzgerald (1999) cautions that “It is this incompleteness of systems theory rather than any glaring errors in principle or practice that consequently thwarts our efforts to facilitate the magnitude of change mandated by the increasingly turbulent marketplace” (p. 231). An organization can change if engaged in a strategic process. The first task is to determine what and where the organization is and where the organization can go from there. Organizational leaders must identify the needs that the organization is attempting to satisfy, whose needs they are, and the value of satisfying those needs. All too often organizational leaders develop a service or a product and then fail to periodically examine whether or not that product actually satisfies a demand or whether satisfaction of that demand actually matters.

Questions that organizational leaders must contemplate and resolve include: (1) Who are the people who comprise the organization? (2) What are their values, and what needs does the organization satisfy for them? (3) What are the objectives of the organization and how well do they align with the needs and demands of clients, stakeholders and constituents? (4) What strategies does the organization employ to achieve the objectives it has set for itself? and (5) Is the organization being required to make fundamental changes in what it does or in the kinds of clients it benefits, and if so, what are those changes?

It is desirable to clearly identify the current status, objectives and strategies of an existing business or the system thinking in respect of a new venture. Correctly defined, these can be used as the basis for a critical examination to probe existing or perceived strengths, weaknesses, opportunities and threats. This leads to strategy development. As Fitzgerald (1999) said, “. . . there’s nothing wrong with the systems thinking that a little chaos won’t fix” (p. 229).

Strategic Issues

Maguire (1999) emphasized that organizations should “adapt on their own to make order out of chaos, or as is more typical in a modern organization, to make sense out of nonsense”

(p. 41). One way to do this is to develop and execute an organizational strategic plan. The general purpose of a strategic plan is to create a road map to accomplish the mission, vision, and goals of an organization. Strategy is a necessity for organizations to compete and survive in their respective industries. By continually reshaping their strategic plans, organizational leaders can help ensure optimized organizational performance.

To understand the relevance of chaos theory to strategy, we need to conceptualize industries as dynamic systems which interact with the internal and external environments and which require strategic management of the internal environment (including of cultural differences) as well as determining the potential impact of the external environment. Also we need to explore the role of strategic leaders in the management of chaos or unpredictability in the organization and to investigate the strategic leadership behaviors that will likely succeed in the management of chaos or uncertainties at the organizational level.

When uncertainty and change are continuous, organizational leaders must be open to changing goals and activities in light of shifting circumstances within the internal or external environments. Therefore, a process is needed to monitor, review, and continuously provide feedback to organizational leaders. Strategic management and strategic planning are not one-shot approaches. Instead, they are ongoing and fluid.

It is important to understand how organizations survive in the dynamic environment which poses the many challenges and opportunities in the global marketplace (Hundsnes and Meyer, 2006). Today organizational leaders must do much more than set long-term strategies and hope for the best. There are many accelerating changes that exert pressure on organizational leaders to increasingly make both major and minor changes in a firm's strategic direction. The strategic management of the organization is both a process and a way of thinking about specific elements of an organization such as stakeholders, short-term/long-term perspectives, organizational goals/objectives, and the delineation between effectiveness and efficiency (Fairholm and Card, 2009). Organizational leaders need to think about who their stakeholders are, what to do in the short term versus the long term, and how to achieve goals and objectives. Other important issues relate to effectiveness (doing the right things) and efficiency (doing things right).

Strategic management involves the inclusion of multiple stakeholders as well as the short-term and long-term perspectives. Strategic leaders must maintain both a vision for the future of the organization as well as a focus on its present operating needs. Nonetheless, all managers throughout the organization must maintain a strategic management perspective and assess how their actions impact overall attainment of organizational objectives. In other words, effort must be directed at what is best for the total organization, not just a single functional area. When addressing the areas of an organization, it is important to keep in mind that there are many driving forces that increase the need for a strategic perspective and greater involvement throughout the organization. Among the most important of these are globalization, technology, intellectual capital, and increasing change. These forces are interrelated and, collectively, they accelerate the rate of change

and uncertainty with which strategic leaders at all levels must deal.

Kim and McIntosh (1999) emphasized that different strategy types lead to different levels of performance in competitive situations. According to Kim and McIntosh (1999), “deregulation, particularly in its early stages, is a chaotic period of rapid change in which market opportunities emerge and disappear unpredictably” (p. 348). Humphreys (2004) noted organizational leaders must “determine where the organization is, agree on where they want to take it, and establish a plan to get there” (p.96). Organizational leaders need to consider external environmental changes as they develop strategic plans to get to where they want to be. Determining where the organization stands requires an analysis of the existing culture of the organization. If the current culture of the organization does not fully support changes in an efficient manner, a reinvention of the organization’s culture may be required (Dillon, Lee, and Matheson, 2005).

Organizational Culture and Other Influences

Every organization has its own culture and values as well as processes to deal with the environment both internally and externally. This is what makes most incremental change relatively easy for an organization to accomplish. Those involved in strategic management need to appreciate the power contained in each organization’s shared culture which holds the organization together. Bohman and Maj-Britt (1998) state that myths and values are the central structures of importance to consider when dealing with the issue of change. If the change is incremental, the myths can act as a support to the strategic vision. If the change is great, then equally great care must be taken to ensure that any incongruence that may be perceived is addressed. The results of the new ways of doing work may challenge the norms of those in the organizations and the results can either threaten those groups in positions of power or can act to increase camaraderie among the group members.

Bruch, Gerber and Maier (2005) noted that “paths of change can only be successful if they fit into the organization’s present culture” (p. 102). O’Conner and Fiol (2006) said, “Culture is reflected in the assumptions, values, norms and beliefs that serve as the foundation for the way we do things around here. Often they are so strong and ingrained that people are unaware that alternatives exist or are unable to see the wisdom in pursuing these possibilities. Therefore, any attempts to encourage new behaviors that are inconsistent with current cultural realities are likely to meet with stiff opposition” (p.77). By establishing and fostering a culture that is conducive for changing environments, an organization can deal with the unpredictability or uncertain situation for optimizing the opportunity for organizational stakeholders, change agents and strategic leaders to be aware, believe, and commit to change initiatives.

There are many ways in which leaders or others in an organization seek to gain control or influence events. Individuals may seek to set up a coalition of like minded individuals. They may be able to control agenda at important junctures of a business. They may even seize power for themselves. During a time of strategic change, leaders need to be aware of tactics that may be appropriate as positive forces of change. However, they

must also ensure that other individuals are not using similar methods to undermine their own strategic and tactical decisions and actions.

Denis, Langley, and Cazale (1996) list three tactical action categories: “symbolic, substantive, and political” (p. 683). Substantive control refers to directly gaining authority over areas of an organization. Someone who is responsible for the prioritization and ordering of equipment would wield considerable control in an organization. The individual could cause some resources to be delivered faster and could impede the shipment of other items. In effect, this could help or destroy a new service line. Therefore, in a time of strategic change, it is very important to have individuals who are supportive of changes controlling key resources. If those individuals were not supportive, care would need to be taken to get the support of those in a tactical position over them. Political power is also very important in an organization. Political power involves allocation of influence and authority. It can also involve the ability to discredit a current leader or empower another. Individuals with political power must be seen as key to managing change in an organization. Symbolic influences are very powerful as well. These influences relate to the core culture of the organization and involve using the shared stories and values to reinforce the changes organizational leaders to accomplish (Denis, et al, 1996).

McAllaster (2004) offers five leverage points that are effective for leading an organizational strategic change process: “Pain, Process, Politics, Payoff, and Persistence” (p.319). McAllaster (2004) emphasizes that whether pain is good or bad, chosen or imposed, it is an essential stimulus because pain motivates people to change and encourages individuals in an organization to work together for change. To be effective as a stimulus for change, pain needs to be rapidly acted upon because when it goes away the motivation to change will go with it (McAllaster, 2004). Examples of items from which pain may result are dissatisfied customers, the loss of major contracts, supplier problems, and/or the loss of key employees. According to McAllaster (2004), the second “P” in leveraging organizations for change is “Process” (2004, p. 321-323). McAllaster (2004) mentions mistakes made by organizational leaders, e.g., (1) they seem to manage based upon current management books which are best sellers; and (2) they tend to believe that problems are solved by what he calls a one-size-fits-all solution that does not require assessments at their specific organizations. The third “P” which is present in all organizations is “Politics” which indicates that change comes from whoever has the power base to leverage the change in the organization. The fourth “P” is “Payoff” which raises the age old question “what is it for me?” Employees pose this question if they have to change their work styles, systems, processes, technologies, etc. They question what they will get if they embrace the change. Perhaps the better answer would be intrinsic rewards i.e., for personal development than extrinsic rewards i.e., money. The fifth “P” is Pride. McAllaster (2004) noted that “People will go to extraordinary lengths when the pride and respect of their organization is important, and such considerations are a major part of the culture. For pride to be effective as a payoff, management has to build off the company history, traditions, culture, brand or market recognition, and public perceptions to enhance employees’ motivation and help drive the organizational

change” (p. 321-323). Change is often a new experience for members of an organization, but it will continue to be necessary as the external environment demands changes from players in every industry. Organizational leaders can foster an environment that embraces or invites change to ensure that it is competitive and innovative in a particular industry.

Internal and External Turbulence

Gryskiewicz (2005: 8) said, “Creating a positive turbulence can be the primary means of promoting renewal so that organizations not only survive change but also prosper because of it.” External environmental factors like technology, competition, economy, socio-cultural and politico-legal (Porter, 2008; Hitt, Ireland and Hoskison, 2009) or any combination of them could create turbulence for the organization in the form of challenges. However, if organizational leaders have established for their organizations a system and condition of organizational renewal, the organization could experience positive turbulence (Gryskiewicz, 2005).

Increasingly, international, national, organizational and environmental disasters have enhanced the need for organizational and national leaders to establish strategic and tactical crisis management plans in order to be geared up for prompt decisions and actions when crisis occur and in order to support organizational and national sustainability for the long term (Taneja, Pryor & Zang, 2010). “In regulated environments the link between the strategy and performance is moderated by the regulatory agency. The agency acts to buffer and protect the firm from market and competitive forces. As a result, firms do not suffer penalties for failing to pursue focused strategies” (Mahon & Murray, 1980: 365 as cited in Kim & McIntosh, 1999: 348).

Elements of the internal organization need to be examined in terms of (1) the nature of the organizational climate in terms of aligned or conflicting elements; (2) the degree of adaptability of employees (i.e., the extent to which they would readily take on new tasks); (3) the nature and flexibility of the organizational structure (e.g., the extent to which it is rigid, the reactions to significant changes that have been made in the past); (4) whether there is an informal structure and how effective it is relative to the formal structure; (5) the nature of the incentive structure (i.e., whether it is designed to encourage innovative behavior and maintain a sufficiently high level of personnel); and (6) which elements facilitate and which impede performance of organizational tasks and which facilitate or impede organizational change.

While there is frequently a tendency on the part of managers to focus on the internal dimensions of the organization, policy change and the often volatile nature of politics in countries undergoing major policy changes requires conscious exploration of the environment outside the organization. Political, economic, social, and technological changes can significantly influence the direction and shape of an organization’s goals and strategies. Organizational leaders must determine whether there are major trends that can be detected in each of these areas that will have some bearing on the present and future of the organization.

The defining feature of the global economy is not the flow of goods. International

trade has existed for centuries. The defining feature of the global economy is the worldwide flow of capital, people, and information. Friedman (2007) emphasizes that “the force that gives (the global economy) its unique character – is the newfound power for individuals to collaborate and compete globally” (p. 10). With globalization, time and space are no longer barriers to making deals anywhere in the world. Along with the increasing speed of transactions and global sourcing of all forms of resources and information, organizational leaders are struggling to balance the demand to think globally and act locally. This requires organizational leaders to rapidly move resources and information around the world in order to satisfy urgent local needs. When formulating strategies, organizational leaders must consider new and important ingredients such as volatile political situations, difficult trade issues, ever-fluctuating exchange rates, and unfamiliar cultures. Today strategic leaders must understand how to manage foreign customers, commerce, and competition. Increasing amounts and types of competition exert pressure on organizations to move into international markets in order to maintain their competitiveness in areas where they already operate. To summarize, globalization requires that organizational leaders increase their ability to learn and collaborate as well as to manage diversity, complexity, and ambiguity.

Strategic Leadership: A Transformational Process

“The study of strategic leadership seems particularly intriguing in situations of ‘ambiguity’ or ‘organized anarchy’ where the traditional power of the hierarchy is limited, and where goals and technologies are unclear” (Cohen and March, 1986 as cited in Denis, et.al., 1996: 673). Strategic leaders are responsible for the future of organizations. “Focus should be on the transformational leaders, who respond positively to change and who can actively create change” (Bass & Avolio, 1990: 21). Transformational leadership is a process of engagement that occurs between leaders and their followers aiming at “transforming” individuals to a higher level of morality and motivation (Burns, 1979: 382). According to Burns (1979), transformational leadership:

“occurs when one or more persons engaged with others in such a way that leaders and followers raise one another to higher levels of motivations and morality... Various names are used for such leadership, some of them advisory: elevating, mobilizing, inspiring, exalting, uplifting, preaching, exhorting, and evangelizing” (p. 382).

Transformational leadership is evidenced when leaders and followers are “engaged in such a way as to enhance the enthusiasm and morality of one another such that the goals of each become fused in the best interest of the organization” (Humphreys, 2005: 1411). Transformational leadership focuses on the intrinsic needs of the followers and is effective in motivating followers to go above and beyond their self-interested agenda for the collective good of their organization. Leaders often paint a vision of desired future state as yet another motivator. “Transformational leaders integrate creative insight, persistence and energy, intuition and sensitivity to the needs of others to forge the strategy-culture alloy for their organization” (Bass & Avolio, 1993: 112). According to Davies and Davies (2004), “Strategic leaders have the organizational ability to (1) be strategically oriented;

(2) translate strategy into action; (3) align people and organizations; (4) determine effective strategic intervention points; and (5) develop strategic competencies” (p. 30). Davies and Davies (2004) go on to say that “strategic leaders display a dissatisfaction or restlessness with the present; absorptive capacity; adaptive capacity; and wisdom” (p. 30). Hambrick (1989: 5) used the term ‘strategic leadership’ to refer to “the activities of top managers in orienting their organizations” (as cited in Denis, et.al., 1996: 673). Based on how the different researchers (e.g. Davies & Davies, 2004; Elenkov, 2008; Hambrick, 1989) have defined strategic leadership, we can deduce that strategic leaders possess behaviors that can be considered visionary, charismatic, inspirational, motivating, intellectually stimulating, and based on individualized consideration. These are basically the characteristics of transformational leadership.

Avolio, Waldman, and Yammarino (1991) indicate that successful transformational leaders exhibit four-I’s which are the four basic factors of transformational leadership: (i) idealized influence (charisma), (ii) individualized consideration, (iii) intellectual stimulation, and (iv) inspirational motivation. “Bass saw transformational leadership as being built from the transactional base to complement leadership effectiveness” (Bass & Avolio, 1990, p. 22), and indicated that a leader can possess both types of leadership. The four elements of transformational leadership as described by Avolio, et.al. (1991) and Bass, Avolio, Jung and Berson (2003) are discussed as follows:

Idealized influence refers to the influence that is generated from leaders who have a strong vision and sense of mission and act as strong role models for followers. As a result, followers identify with their leaders and emulate them. “Leaders share risks with followers and are consistent in conduct with underlying ethics, principles and values” (Bass, et. al., 2003: 208). Idealized influence is able to elicit extra effort from followers to achieve optimal levels of development and performance.

Individualized consideration refers to the attitudes and actions of leaders who are individually considerate as they focus on evaluating the needs and capabilities of the followers. They provide coaching, feedback, and advice to assist in the personal development of followers as individuals (Bass et. al., 2003).

Intellectually stimulating leaders encourage their followers to “think outside the box”, be creative and innovative. They advocate “rethinking and re-examination of assumptions underlying the problems” (Bass et al., 2003, p. 22). The objective here is to help followers become better problem solvers and more creative in using their intuition as well as logic to deal with organizational problems.

Inspirational motivation occurs when leaders inspire their followers by stimulating an emotional readiness to achieve higher level of expectations. One of the ways they do this is by sharing the vision of the organization and encouraging their followers to commit to it (Bass et. al., 2003).

Many researchers believe that the most effective leaders are both transactional and transformational (Bass, 1985; Bass & Avolio, 1993; Waldman, Bass, & Einstein, 1987;

Bass & Steidlmeier, 1999). However, transformational strategic leadership is one that is less restrained by the existing organization, structure, and goals. Therefore, transformational leadership is more suitable for an organization where chaotic, disruptive circumstances exist which require non-conformity and innovation. The next section proposes a model which describes how strategically managing chaos can produce positive results, including innovation and creativity.

A Strategic Management Model

For Turbulent, Chaotic Environments (Figure 1)

To strategically manage chaos, the focus must be on leadership and culture in order to maximize effectiveness and efficiency. We propose a model (See Figure 1) into which the chosen strategic planning process is integrated to arrive at the optimal strategy execution, especially in a global setting.

This model incorporates transformational leadership as a requirement for implementing strategies. A cultural evaluation and behavior selection process is put in place between the strategic planning and the strategic implementation. The idea of this model is to support strategies that are formed in the first step with leadership behaviors that will have the highest probability of getting accepted by the target country and local managers. As a result, the probability for success will be increased.

The model starts with utilizing systems theory to identify the level of chaos and unpredictability in the organization followed by assessments of cultural issues, organizational issues, and strategic issues. In turn, this leads to evaluation of the internal and external environments. To be culturally effective, leaders will consider where their overseas organizations are located in order to determine (and adopt) the most desired leader behaviors for that location. Given that different cultures view leadership differently, the level of desire and acceptance of the leader behaviors will greatly impact their effectiveness in the particular cultural setting. Adoption of the desired leader behavior will enable organizational leaders to be perceived as “leaders” within the context of the particular cultural setting, and thereby facilitate strategy execution. These leader behaviors are to complement transformational leadership, and at no point should these behaviors replace an organization’s core values. The effective and efficient strategic management of chaos involves specific elements, including recognition of chaotic unpredictability, strategic thinking, incorporation of a cross cultural strategies, and innovation and creativity. These elements are being discussed as an integral part of Figure 1.

Chaotic Unpredictability

Turbulence occurs as a result of unexpected changes, uncertainty, lack of control, cross- cultural disintegration, employees’ resistance to change, lack of knowledge of organizational leaders, and uncertainty in terms of processes or fluctuating demand. A suitable approach to strategically managing the organization during such turbulence is very important (Dolan, et al., 2003).

Figure 1: Strategic Management Model for Turbulent, Chaotic Environments

With the machine in normal operation mode, as is the case of the preparation of tools. Shingo (1985) proposed his SMED methodology to be implemented in four different phases, as shown in figure 1:

- Phase A: the firm makes no distinction between internal and external setup operations and consequently, machines remain idle for very long periods of time. The main objective in implementing the SMED methodology is to study the shop floor conditions in great detail through a production analysis, interviews with workers and, videotaping of setup operations.
- Phase B: the firm separates internal from external setup operations. Usually, this action saves 30% to 50% of the time needed for the setup operation. Mastering this distinction is a key issue to achieving success in implementing SMED.
- Phase C: the firm converts the maximum internal setup operations to external ones. In this phase, it is important to re-examine all operations in order to assess if they were wrongly assumed as internal ones and, if needed, convert them to external ones.
- Phase D: Streamlining all aspects of the setup operation. This phase seeks the systematic improvement of each basic operation of internal and external setup, developing solutions to accomplish the different tasks in an easier, faster and safer way.

Figure 1 exhibits the different phases of the whole process. Clearly, the idle production time diminishes as the process moves forward.

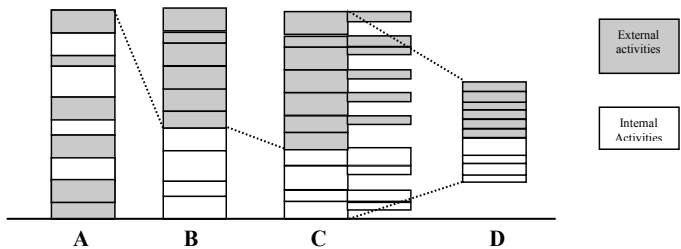


Figure 1 – The phases of the SMED methodology.

Shingo (1985) describes, quite exhaustively, a set of procedures that must be followed to reach global success during the SMED implementation:

- Analyzing the actual procedure;
- Classifying the several operations performed as internal or external ones;
- Converting the internal operations into external ones;
- Developing brand new solutions in order to reduce the time of internal operations as well as to decrease the time delays in external operations;
- Creating rigorous procedures in order to reduce flaws during the setup;
- Returning to the beginning of the process and repeating the whole procedure in order to continuously reduce the setup time.

Chaos is a natural phenomenon in a turbulent environment which requires the interactions of elements that are internal and external to an organization. “There’s a tight relation between chaos and order so much that one leads to another in a dynamic process” (Dolan, et.al, 2003: 23). They go on to say that “it is on the boundaries of chaos that most creativity occurs (and) where there’s no control, only self-governing parameters or values can be established” (Dolan, et al: 26). The establishment and incorporation of values as self-governing parameters is an integral part of the strategic management of an organization, especially during paradigmatic chaos.

Strategic Thinking

Strategic thinking is required for the strategic management of chaos. “The goal of strategic thinking is much the same goal of organizational leadership” (Fairholm & Card, 2009: 7). Strategic thinking is required to analyze the external environment from national and global perspectives, develop goals based on organization’s long-term mission and vision, and formulate effective strategies. Strategic thinking fills the gaps and overcomes the limitations that organizational leaders experience with strategic planning because it takes into account the external as well as the internal environments (Fairholm & Card, 2009). Strategic management of chaos includes:

- Taking an expansive look around at what’s going on outside the organization and how it might affect the organization (an environmental scan) and measuring the extent and possible impact of existing or potential disruptive complexities;

- Assessing the internal environment of the organization for the causes of existing or potential turbulence;

- Aligning the strategic management of chaos with the organization’s mission, vision, core values, and goals in order to strategically manage the existing turbulent environment and/or to invent the organization’s future; and

- Establishing performance excellence expectations and measurements as a result of existing or potential turbulence inside and outside the organization.

Cross-Cultural Strategies

Cross-cultural characteristics give important clues as to the extent of change resistance, leadership behaviors, and decision making styles. For example, in a high context culture like China where management and process rigidity is common, it would take additional effort and time (e.g., building closer relationships) for strategic leaders to “sell” the innovations and/or new standards and processes to the country and to local managers (Northouse, 2007). Recognizing these complex characteristics of social culture is an essential step in understanding its importance for strategic leadership behaviors and innovation processes.

Innovation and Creativity

Innovation is often an important factor in business growth, and when change is managed accurately, it can trigger innovation. Friedman, (2007) indicates that as the world becomes flattened (i.e., globally integrated) companies must focus on searching for new

markets or expanding current markets in order to sustain growth. Kim and Mauborgne (2005) suggest that organizational leaders should create new market space and offer the customer new experiences resulting in a value innovation strategy for the organization. An innovation strategy of this nature requires an organization to be able to adapt to new environments. Therefore, a focus on the overall change strategy must be addressed by organizational leaders.

Challenges

The biggest challenge for organizations is to function within a culture of organized chaos. According to Raval and Subramanian (2000), challenges arise when there are conceptual, perceptual, standardization, gradation and validation, substitutability and decision-rule variances among and across cultures. Raval and Subramanian (2000) stated that “a major impediment in the transfer of best practices is the fundamental variation in decision making, marketing and management processes in different cultures. These variations are created by differing cultural perspectives and the influences of forces that constitute a particular culture. In high context cultures, management views the impact of decision from a long-term, multigenerational view whereas low context cultures promote consideration of short-term variables and responsiveness to rapidly changing environmental variables” (p. 189).

Conclusions

Strategic leaders can elicit positive results in eras of paradigmatic, disruptive chaos if they (1) understand and utilize chaos theory and systems theory, (2) are able to build and maintain a supportive organizational culture, (3) assess their respective organization’s internal and external environments for turbulence (and potential turbulence) and determine appropriate management strategies, and (4) utilize a consistent process, such as the model we propose in Figure 1, for strategic management in times of turbulence. In order to utilize this model, top executives must be transformational leaders who also encourage others to function as transformational leaders.

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