Chapter 4
A Complex Responsive Process Approach to Strategic Management: Employee Engagement, Knowledge Creation, and Organizational Learning

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ABSTRACT

Traditional strategic management focuses on securing organizational assets and maximizing resources through top-down leadership and the formation of competitive strategies to advance market position, meet performance objectives, and gain competitive advantage. Top-down bureaucratic paradigms are not well suited for gaining an edge in the knowledge economy, and in many cases, these strategic behaviors are counterproductive. There is a growing need for alternative ways of thinking about strategic management and human resource development. Complexity science provides a new framework for 21st century strategic management. The complex responsive processes approach to strategic management strengthens employee engagement, knowledge creation, and organizational learning, and it improves performance, achievement of long-term competitive advantage, and strengthens intellectual capital.

INTRODUCTION

Today, the digital age has radically shifted the competitive environment from industrialization to a knowledge-based service economy. The 21st century is characterized as rapidly changing, complex, and global. Knowledge creation, transfer, and management of human resources have become the differentiating resources of a firm, and intellectual capital explains performance differences between firms.

For more than 200 years, economic principles, scientific management, and administrative bureaucracy have been dominant business paradigms.
Under these conditions, financial capital and physical labor were considered the primary factors of production with economies of scale and cost reduction representing the governing strategies for increasing wealth and achieving competitive advantage (Denning, 2010). Managers planned the work, created policies, established procedures, and trained employees; the labor force performed duties as assigned.

Today’s marketplace is different. Unfortunately, many corporate executives continue drawing upon outdated strategic management practices that are grounded in traditional management discourse. They continue to believe that “small groups of powerful executives are able to choose the ‘direction’ their organizations will move in, realize a ‘vision’ for it, create conditions in which its members will be innovative and entrepreneurial, and select the ‘structures’ which will ensure success and keep managers in control” (Stacey, 2010, p. ix). They myopically react to organizational complexity with an impulse to institute greater top-down control over organizational systems thus proliferating bureaucracy and red tape (Vaill, 1996). Their prevailing attitudes have become impediments to gaining a competitive advantage from knowledge-based resources.

There is a growing need for “alternative ways of thinking” about strategic management and human resource development (Stacey, 2010, p. 2). The complex responsive approach to strategic management presents a new framework for enhancing knowledge creation, transfer, and management as well as strengthening employee engagement and organizational learning. Stacey (2001) explained that knowledge is created in “the joint exploration of, and reflection on, patterns of participation in the ongoing flow of communicative interaction in which knowledge emerges” (p. 146). Stacey (2010) has also noted that “people and groups of people, who are the organization, make choices, form intentions and implement strategies, but what happens is not simply determined by the choices, intentions and strategies of one group. What happens is determined by the interplay of all of the intentions of all of the groups and individuals” (p. 9). The complex responsive process approach represents an alternative way of thinking about organizations as repositories of knowledge-based resources and capabilities. It introduces a new perspective for managing knowledge and learning through strategic management and human resource development to achieve long-term competitive advantage.

STRATEGIC BEHAVIOR AND ORGANIZATIONAL GAMES

Strategic behavior has been discussed for centuries and can be traced back to stories conveyed by ancient writers of the Old Testament, Homer in Euripides, and Socrates consoling Nichomacides, the Greek militarist (Bracker, 1980; Orcullo, 2007). “The Greek verb stratego means to “plan the destruction of one’s enemies through the effective use of resources” (Bracker, 1980, p. 219). Throughout the ages, military generals, economists, and politicians have formulated plans and marshaled resources to meet objectives (Orcullo, 2007).

By the mid-twentieth century, practitioners, consultants, and scholars were connecting principles of strategic behavior with the competitive business environment. Conceptualizing strategic behavior as competitive play among rivals is a notion that is grounded in game theory. When people think and behave strategically, they attempt to predict how other individuals will respond. Strategic actors pursue their goals rationally, and their intentional behaviors take place within a specific context (Heuvelhof, DeJong, Kars, & Stout, 2009). According to the assumptions of game theory, each player stands to gain or lose based on the choices they make while playing the game (Dutta, 1999). When game theory is applied to the business environment, competitive business strategy describes how “each firm’s optimal action
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