

COMPLEX ADAPTIVE LEADERSHIP IN RETAIL ORGANIZATIONS: THE CASE OF RETAIL CHAIN JYSK

Luljeta Bexheti

State University of Tetovo
Tetovo, MACEDONIA

Agron Bexheti

The University of Sheffield
Tetovo, MACEDONIA

ABSTRACT

Each organization is complex in its own way, where the features of complexity are present in every level of the organization, which trying to be competitive as much as possible. The purpose of this study is to present the concepts of chaos theory and complexity theory by expanding more on complex adaptive leadership and its impact on a change process within an organization. Another implication of this study is that the information conducted from other relevant researches and case studies to be used as recommendations for the retail organization JYSK Macedonia, which have the current situation of changing the ERP software from traditional to cloud based solution. Furthermore, several techniques of change management, relational leadership and responsible leadership have been discussed, from which appropriate recommendations are proposed for our case company JYSK Macedonia. Based on the current literature we can conclude that leadership of the organizations in general need to be careful when they are implementing change management techniques, where during the implementation process they should take in to consideration chaos theory and adaptive systems theories.

Great vision without great people is irrelevant. - Jim Collins, Good to Great

Keywords: Change, Chaos Theory, Complex Adaptive Systems (CAS), Leadership, Retail.

INTRODUCTION

Nowadays, business organizations suffer a lot of changes during their work process. Any change within the business organization must be managed well in order to succeed. The success of the organization depends from the approach of the leadership and their ability to manage the team, tasks and actions toward achieving the predefined goal.

The primary subject matter of this study is to provide proper literature and analyze the impact of chaos theory and complex adaptive leadership theory on change processes inside the organization. Through this study we will explain what are the factors that contribute to have effective leadership in managing a change within the organizations. Any change within the organization is closely related to Chaos Theory and its implementation. Chaos theory is the study of complex systems, which is the crucial component in analyzing of the complexity science. Ford (2008) pointed out that complexity science presents a collection of theoretic concepts that share conceptual integrity in different fields like studying living or dynamic systems. From literature we know that Complex Adaptive System (CAS) is a system in which many entities interact together to generate an outcome that is hard to predict through analyzing the individual behaviors.

Complexity science seeks to explain the process of self-organization, emergence of new properties and the spontaneous creation of new order. Complex adaptive Systems (CAS)

theory originated in the natural sciences and articulates how interacting agents in systems adapt and co-evolve over time in creative and spontaneous ways (Dooley, 1997).

The purpose of this study also involves examining the case of the international retail company JYSK Macedonia, where will be analyzed the impact of complexity adaptive leadership on Enterprise Resource Planning (ERP) software change process at one of the stores of the business organization. Our case company JYSK Macedonia is a part of international retail chain, global leader in all products for the bedroom, the bathroom, the living room, the garden, the window and many more products for the home. Due to the fact that information technologies have rapid changes recently, JYSK Macedonia in order to be on trend with these changes started to implement a project of changing the ERP software at all the stores from the traditional in to the centralized cloud based software. This process of change is directly related with the employees that use this software on daily basis therefore through this study we will investigate what aspects of chaos theory the managers of the store should use in leading this change as well as will be investigated how relational leadership is related to change management. Another objective of the study includes providing some empirical finding, discussion as well as proper recommendations for the management of the business organization in order to better manage the current process of Enterprise Resource Planning software change from traditional to cloud based system.

LITERATURE REVIEW

Nowadays, the strategic point of any organization is to increase the overall productivity and employee's performance. In order to achieve this the management of the organization should follow and keep up to date with new technological changes. The role of manager and leadership of the organizations is to identify all the necessary ways and forms needed for technological change. Any kind of change inside the working environment is a very important challenge not only for the senior management, but also for the employees as the organizational part of the business organization. Below on Figure 1, based on the book by Obolenksy, (2007) we have presented the organizational evolution in modern times from traditional way of thinking to complex dynamic way of thinking.

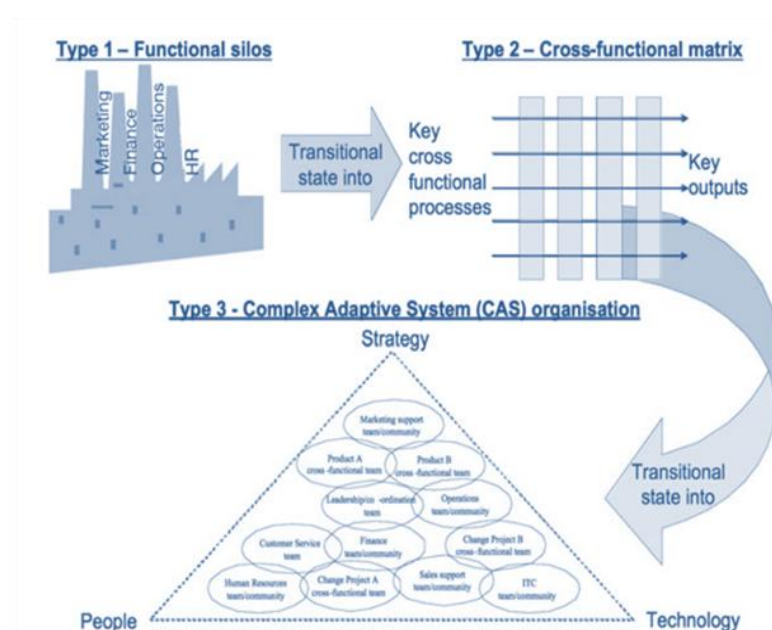


Figure 1: Organizational Evolution in modern times (Source: Obolenksy, (2007))

The organizational evolution has great impact on the leadership roles and behavior. In modern organizations, all the team members have the chance to manage any task. This is a perfect way to create working groups and leadership, which groups cooperate with each other in complex ways. There are many theories that explain and help the managers to implement the best possible method of the change inside one organization. In order to explain the impact of any change inside one organization through this study we will present and analyze the theories relating to chaos, complexity adaptive systems, relational leadership and responsible leadership in general.

Chaos Theory

Chaos theory is a scientific principle describing the unpredictability of systems. Most fully explored and recognized during the mid-to-late 1980s, its premise is that systems sometimes reside in chaos, generating energy but without any predictability or direction. Chaos theory can be applied in organizational psychology, for example, in modeling group behavior in which heterogeneous members may behave as if sharing to different degrees. The group dynamics is the result of the individual dynamics of the members: each individual reproduces the group dynamics in a different scale, and the chaotic behavior of the group is reflected in each member.

Using the Chaos Theory strategy allows us to overcome all the vicissitudes and changes that may occur within the organization. According to Rainey (2010), Chaos Theory also points out the Butterfly Effect, which shows great sensitivity that may indicate a small problem that has not been analyzed at first, which later turns out to be a major problem issue. According to Farazmand (2003), the main message that follows the Chaos theory is that any kind of linear or chaotic change that can be planned and implemented, as well as the impact of this change in real life, is considered a healthy process.

Complex Adaptive Systems (CAS)

For many scientists there was always a challenge to understand the complexity inside one organization. Recently complexity except in organization also is present in leadership style of an organization. Complex Adaptive Systems (CAS) based on current literature are defined as group of individual actions that are acting in unpredictable way through which they produce system-wide patterns. In a book by Marion and Uhl-Bien (2008) Complex adaptive systems (CAS) are defined as a basic unit of analysis in complexity science.

Every organization is a complex system which makes complex adaptive system to be new model for the current time of business organizations. In a study by Arena and Uhl-Bien (2016) conducted from 2007 to 2015 across 30 complex organizations explained that innovation and adaptation are the result of pressures on a system and they are presented through four components including: a need for a novel solution, new contacts or partnerships, conflicting perspectives and interdependence Geer-Frazier (2014) highlighted that various organizations are complex adaptive systems that grow in complexity challenging a growth in shared interdependence. Nair et al. (2009) explained that of Complex Adaptive Systems (CAS) are discrete dynamical systems in which the space, time, and the states of the system are all discrete. According to Sutherland and Heuvel (2002) the essential challenge of Complex Adaptive Systems (CAS) is to offer the method to deal with emergent behavior of organization systems, where a well-planned Complex Adaptive Systems (CAS) could help the business organization find better software architecture that quickly could evolve in the future.

Complexity and Leadership

The terms Complexity and Leadership are used in many aspects of management and change inside various business organizations. Current literature explains that complexity from organizational point of view is a framework of the behavior of one organization. The new concept of leadership is presenting the leadership as adaptive with the new trends of working inside one organization. Minas (2005) pointed out that leadership plays important role at all levels of complex systems where the complex adaptive systems inside contain various subsystems. In a study by Apenko and Chernobaeva (2016) on complex adaptive leadership in IT-companies of Russia presented that CAS can improve the success of management in an organization but in order to have better results the organization must develop complex leadership strategy.

On the other side Lichtenstein et al. (2006) pointed out that complex adaptive leadership plays an important role between computational analyses of individual agents and the structures of interactions where it presents the actions and events that manages emergent structures. The changes inside one organization no matter what kind they are they depend from five factors including change management, top management support, business process re-engineering, vendor support, and user involvement (Altamony et al., 2016).

The study of social behavior of leadership as a complex system have problem with situations where they must be analyzed across time to find the patterns of underlying order (Svyantek et al., 2000). On the other hand, Marchi et al. (2014) highlighted that in supply chain networks changes is constant therefore the leadership need to change the way of perceiving reality because isolated decisions may produce negative effects for the whole supply network. In a study by Holland (1992) is compared human immune system with the complex adaptive system where is explained that human immune system has the same structure as complex adaptive system where the immune system in order to be in good state must change and evolve. Psychogios and Garev (2012) based on their research about complexity leadership behavior in SMSs pointed out that manipulation of organizational structures, loose hierarchical control, explicit job rotations, employee empowerment and nurture of extensive formal and informal communication are the most important behaviors of leadership related to the complexity theory.

Retail industry is one of the main areas of economic development for many countries. Nowadays retail companies are completely different and have undergone positive changes over time, as in term of internal organization as well as in the relations manager – employee. Complex Adaptive System (CAS) has a major impact on everyday work of retail industry. The retail organizations that have implemented the complex adaptive system inside their organization have better results and are leader in the market. It is important the supply chain organization to be treated not just as a “system” but also as a complex adaptive system (Surana et al., 2005).

ANALYSIS AND DISCUSSION

Based on the findings from literature review about the complexity and chaos theory we will analyze the change of Enterprise Resource Planning (ERP) software at one of the JYSK stores. Due to the positive changes and improvements in the field of information technology, which in general makes the job of retail easier, JYSK Nordic has developed a plan to change the ERP software of all the stores of the company from the traditional software solution to cloud-based solution. Even though this change of software solution was implemented and

tested before due to the differences of mentality of employees and location the change can cause unpredicted feedback at any of the stores. Therefore, the management of the company has raised some issues which need to be examined before they start with the implementation of change. There are many theories based on the leadership role that explain the implementation of any type of change inside one complex environment or like in our case in retail organization. One of the most known theories about this issues is developed by psychologist Kurt Lewin, which presents three stages of change: unfreeze, transition and refreeze.

JYSK as an international chain have very organized internal organizational structure across all the countries where it operates. Every country where JYSK operates have vertical management organizational style where all the decisions are taken from the Headquarter of the company in Arhus, Denmark. In every country where the JYSK is operating there is a position of Country Manager, which is responsible for all the decisions and activities within the country. Every store inside the country have Store manager position that reports directly to the Country Manager which is controlled by Regional Manager of the company.

For successful implementation of any change inside JYSK organizations there is a need for effective management and educated leadership who will work and corporate together with collaborators and employees. Despite the fact that JYSK have, well-organized structure any change inside the organization no matter what kind it is because of the complexity can cause unpredicted actions on the later stages. Even though the change of ERP system is happening inside one of the stores of JYSK, the organization is a part of larger system, therefore the leadership should consider the concept of Butterfly Effect during this change where the employees should be treated well in order the ERP system to be successfully implemented. Studies have shown that the structure of one organization can affect the strategy or change inside the organization. Complexity and its features nowadays are present at retail organizations in general.

The change of ERP Software at JYSK stores goes through prepared implementation plan in details where a special team of ERP software engineers is engaged to educate the employees and technically to implement the new solution of software. The technical part of the implementation of ERP software is the easiest one due to the fact that the organization is implementing web based solution similar in design and layout with the traditional software that was used before. In order the store leadership to better manage the situation and organize themselves it is good from the headquarter of the company to have freedom of decision making.

Another important issue in managing the change inside one organization is relational leadership and its impact on the change management inside one organization. A wide range of academics agree that leadership represents a relationship between leader of the organization and followers and relational leadership represents a group of employees gather together to make a difference for the benefit of the organization. The model of relational leadership is also important for managing the change of ERP Software in our case company JYSK where the leadership and the employees must corporate together to implement the new software solution. The feature that makes important the relational leadership to change management is that good leader can influence the employees to manage the change in certain way, an important fact that makes all the levels of the organization to have leadership skills.

Another important issue in implementing the change inside one organization is responsible leadership. Responsible leader except that needs to manage the organization change also needs to have in mind to be careful with the stakeholders of the organization. Pless (2007) pointed out that responsible leadership is a social and moral occurrence, which ensures that corporate responsibility is primary leadership challenge and the nowadays organizations need leaders who are responsible, morally conscious and open towards diversity of team members. Based on this the management of JYSK for any change inside the company ensures that key positions to appoint the leaders who are responsible and understand the concept of responsibility inside the organization.

CONCLUSIONS AND RECOMMENDATIONS

Nowadays organizations and managers are challenged with various situations during their work. In order to survive in competitive business environments, the business organizations must be adaptive and responsive to the change. Managing a change requires an experienced leadership who needs to prepare the plan from the early stages, always based on theory and experience.

Based on the current literature about the change management inside one organization as well as based on the example of our case company JYSK about the implementation of cloud based ERP software at one of the stores we can conclude that organizations in general need to be careful when they are implementing a change. The leadership of the organizations must follow and implement the proper change management theories starting from Chaos Theory.

Complex Adaptive Systems (CAS) is alternative approach to manage the business processes inside one organization. Nair et al. (2009) have conducted a study about supply networks as a complex adaptive system and have concluded that Complex Adaptive Systems (CAS) are open systems that interact with their environment in a transformation process and they are most adaptive when they are near the edge of chaos. During the implementation of the new cloud based ERP software at JYSK stores worldwide, the management of the company should take in to consideration the impact of Butterfly Effect related to the change they want to implement inside their organization. We know that same as other organization also the retail organizations are complex system where a very small change inside the working processes can cause greater consequences in the future. The consequences for the retail organizations are not always from the organizational aspect. Due to the fact that success of retail organizations is depending from the consumers, sometime a small change inside the internal organization can cause loss of consumers that is related with the loss of turnover in general.

Relating the change of ERP Software inside one of the stores of JYSK the leadership should involve the store employees in to the process of change through strategies of relational leadership, which refers to the model of leadership-organized together on all levels to implement the change inside the organization.

Another important issue in change management is responsible leadership which is a new method but important for business organizations especially for retail organizations. The method of responsible leadership it is important for retail because it makes business decision by taking care about all the parties that are affected by the change. In our case of ERP software implementation at JYSK store through using techniques of responsible leadership the organization will be sure that the shareholder, employees and consumers will be satisfied

with the change. According to Voegtlin et al. (2012) responsible leadership is a form of active stakeholder arrangement that should be able to address the challenges of globalization in a better way than existing leadership conceptions therefore the leader should investigate the hierarchical position of leaders in order to have access to resources, interactions with stakeholders, engagement and decisions.

We are living in a time when due to the improvement of technology every industry it is changing a lot. Therefore, it is very important for business organization today to be careful with the fast market changes through guiding and preparing their leadership inside their organization to handle changes in order to sustain the competitive advantage on the market.

REFERENCES

1. Apenko, S., and Chernobaeva, G. (2016) The Influence of Complex Adaptive Leadership on the Efficiency of Business Management. *Proceedings of The European Conference On Management, Leadership & Governance*, p. 17-24.
2. Arena, M. J., and Uhl-Bien, M. (2016) Complexity Leadership Theory: Shifting from Human Capital to Social Capital. *People & Strategy*, 39(2), p. 22-27.
3. Dooley, K. (1997) A complex adaptive systems model of organization change. *Nonlinear Dynamics, Psychology, & Life Science*, Vol. 1 No. 1, pp. 69-97.
4. Farazmand, A. (2003) Chaos and Transformation Theories: A Theoretical Analysis with Implications for Organization Theory and Public Management. *Public Organization Review*, 3(4), p. 339-372.
5. Ford, R. (2008) Complex Adaptive Systems and Improvisation Theory: Toward Framing a Model to enable Continuous Change. *Journal of Change Management*, 8(3/4), p. 173-198
6. Geer-Frazier, B. (2014) Complexity leadership generates innovation, learning, and adaptation of the organization. *Emergence: Complexity & Organization*, 16(3), p. 105-116.
7. Holland, J. (1992) Complex Adaptive Systems. *Daedalus: A new era in Computation*, 121 (1), p.17-30.
8. Lichtenstein, B. B., Uhl-Bien, M., Marion, R., Seers, A., Orton, J. D., and Schreiber, C. (2006) Complexity leadership theory: An interactive perspective on leading in complex adaptive systems. *Emergence: Complexity & Organization*, 8(4), p. 2-12.
9. Marchi, J. J., Erdmann, R. H., and Rodriguez, C. T. (2014) Understanding Supply Networks from Complex Adaptive Systems. *BAR - Brazilian Administration Review*, 11(4), p. 441-454.
10. Marion, R., and Uhl-Bien, M. (2008) Complexity Leadership. Charlotte, NC: Information Age Publishing.
11. Minas, H. (2005) Leadership for change in complex systems. *Australasian Psychiatry*, 13(1), p. 33-39.
12. Nair, A., Narasimhan, R., and Choi, T. Y. (2009) Supply Networks as a Complex Adaptive System: Toward Simulation-Based Theory Building on Evolutionary Decision Making. *Decision Sciences*, 40(4), p. 783-815.
13. Obolenksy, N. (2007) Chaos Leadership and Polyarchy – countering leadership stress? University of Exeter, Centre for Leadership Studies, p.2-15.
14. Pless, N. (2007) Understanding Responsible Leadership: Role Identity and Motivational Drivers. *Journal of Business Ethics*, 74(4), p. 437-456.

15. Psychogios, A. G., and Garev, S. (2012) Understanding Complexity Leadership Behaviour in SMEs: Lessons from a Turbulent Business Environment. *Emergence: Complexity & Organization*, 14(3), p. 1-22
16. Rainey, M. B. (2010) Choosing Your Negotiation Site. *Graziadio Business Report*, 13(3), p. 1-6.
17. Reid, W. A. (2011) Leadership Type for A Successful Enterprise Software Implementation. *International Journal of Business & Public Administration*, 8(2), p. 79-94.
18. Stapleton, G., and Rezak, C. J. (2004) Change Management Underpins a Successful ERP Implementation at Marathon Oil. *Journal of Organizational Excellence*, 23(4), p. 15-22.
19. Surana, A., Kumara, S., Greaves, M., and Raghavan, U. N. (2005) Supply-chain networks: a complex adaptive systems perspective. *International Journal of Production Research*, 43(20), p. 4235-4265.
20. Sutherland, J., and Heuvel, W. D. (2002) Enterprise Application Integration and Complex Adaptive Systems. *Communications of the ACM*, 45(10), p. 59-64.
21. Svyantek, D. J., Svyantek, D. J., and Brown, L. L. (2000) A Complex-Systems Approach to Organizations. *Current Directions in Psychological Science*, 9(2), p. 69-74.
22. Voegtlin, C., Patzer, M., and Scherer, A. (2012) Responsible Leadership in Global Business: A New Approach to Leadership and Its Multi-Level Outcomes. *Journal of Business Ethics*, p. 105(1), p. 1-16