

# CALL FOR ORGANISATIONAL AGILITY IN THE EMERGENT SECTOR OF THE SERVICE INDUSTRY

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## **Abstract**

Purpose of this conceptual study is developing the theoretical framework for investigating organisational agility in small and medium enterprise in the newly emerging industry.

Design of research is based on two distinctive streams in the literature: theoretical conceptualisation of organisational agility and the media and statistical publications on the small bars and restaurants sector of the Western Australian hospitality sector.

Findings – Identified drivers of organisational agility in the emergent sector for firms with limited resources and agility strategies were formulated and justified.

Theoretical contribution the concept of organisational agility, previously extensively studied in manufacturing, is interpreted in the context of services and, specifically, in conditions of the newly emergent industry.

Managerial implications: the information for managers on agility actions that can be undertaken by small businesses operating at a resource disadvantage compared to their larger counterparts.

Keywords: agility, emergent industry, small businesses, strategy, Western Australia.

Classification: exploratory qualitative study.

## **1. INTRODUCTION**

The idea of agile responses to the fast changes in the external environment to neutralise market turbulence is not a new. Since the early 1990s organisational agility was viewed by scholars and practitioners alike as an effective solution which protects businesses in the manufacturing processes from losses and enable their survival in conditions of unpredictable changes in the operational environment (Vasquez-Bustelo, Avella and Fernandez, 2007). In conditions of uncertainty and an increasing pace of change, the ability businesses to survive depends on their agility in responding to the challenges of unpredictable environment. While the importance of agility is commonly recognised (Arteta and Giachetti 2004; Dove 1999; Yusuf, Sarhadi and Gunasekaran, 1999), there are limited studies which interpret agility in context of specific and, in particular, newly emergent industries. Yes, especially in the newly emergent sectors of the industry services, agility is crucial for vulnerable firms to survive in a still evolving market environment (van Oosterhout, Waarts and Hillegersberg, 2006).

The newly emerging businesses are very fragile and represent an interest for managers and scholars alike to identify success strategies in emergent business sectors. According to the Australian Bureau of Statistics, more than 50% of all established businesses fail in the first four years, for example, out of all existing new businesses established in 2007, just 48.6% were in business in July 2011. Despite such dramatic failure rates, growing industries, such as food service sector, part of the hospitality industry, still offer a lot of room for new entrants. Growth rates in the Australian hospitality industry are predicted to continue at 4.3% per annum through to 2017 (DRGL, 2014). One of the fastest growing sector of this industry is the small bar/restaurant sector which is newly emerging in recent years.

Although, the Australian hospitality industry is fast growing, its players face serious challenges attributed to common characteristics of the emerging sectors which include increasingly complex regulatory environment, sophisticated and educated consumers, labour challenges, skills shortages, low market entry barriers, and intense competition (Adelaja, Nayga Jr, Tank and Schilling 1999; Kozac and Rimmington 1998; Olsen and Zhao 2001; Tsai, Pan and Lee 2011; Parsa, Self, Sydnoe-Busso and Yoon 2011). Specifically, the ongoing changes in the regulatory environment represents the most critical challenge for firms operating in the hospitality industry (Tsai, Pan and Lee 2011). Other challenges are caused by shifts in consumer demographics and consecutive behaviour (Adelaja et al., 1999; Ruhanen, McLennan and Moyle 2012), a lack of financial support and management expertise among current industry players (Ruhanen, McLennan and Moyle 2012).

The dominant players of this industry are small firms who count 85% of the industry firms, and these small firms are highly dependent on long-term debts to support their investments (Tsai Pan and Lee 2011). The industry challenges influence the way of doing business and, particularly, the expected speed of firms' response to the environmental changes and demand organisational agility. The competitive pressure on firms in the small bar/restaurant sector of the Australian hospitality industry to respond and act in an agile matter motivated our study. The purpose of our study is to generate a theoretical framework for analysing an emergent industry sector with limited resources and capture business strategies of its players. The research questions of our study include the following: how does the new sector of the industry emerge? And how do emergent industry players with limited resources and capabilities implement agility strategies? Our study contributes into the literature on organisational agility by developing a theoretical framework for studying agility in an emergent food services industry. The paper is structured as follows: it begins with the literature review on organisational agility resulting in formulation of research questions; next, the method and context of the study are introduced. The paper is concluded by the discussion of findings and their theoretical and practical implications.

## **2. ORGANISATIONAL AGILITY AND ITS DRIVERS**

Agility was first introduced in manufacturing in relation to the vital changes to operations undertaken by businesses in response to increased volatility and significant changes in the operational environment (Vasquez-Bustelo, Avella and Fernandez, 2007). In the early 1990s, organisational agility was considered as a potential solution for firms operating within turbulent markets (Nagel and Dove, 1991). In that context, an agile organisation was defined as "... a manufacturing system with extraordinary capabilities (internal capabilities: hard and soft technologies, human resources, educational management, information) to meet the rapidly changing needs of the marketplace (speed, flexibility, customers, suppliers, infrastructure, responsiveness). A system that shifts quickly (speed and responsiveness) among product models or between product lines (flexibility), ideally in real-time response to customer demands (customer needs and wants)" (Yusuf, Sarhadi and Gunasekaran, 1999: 36). As the manufacturing firms are traditionally characterised by inflexible and repetitive processes, the changes agility brought to operations are easy to be observed and thus well acknowledged in literature (Joroff, Porter and Feinberg, 2003).

The majority of publications emphasised the importance of organisation agility and offered their own interpretation of the concept. As explained by Yusuf, et. al., (1999: 35) "as a mark of the newness of the concept, every publication attempts to define and explain agility". These authors gave one of the relatively early definitions of organisational agility, specifically, as "the successful exploration of competitive bases (speed, flexibility,

innovation, proactivity, quality and profitability) through the integration of reconfigurable resources and best practices in a knowledge-rich environment to provide customer-driven products and services in a fast changing market environment” (Yusuf et. al., 1999: 37). Many investigations into the diverse aspects of organisational agility followed this paper, coupled by clarifying definitions specific to each aspect of an organisation (Jin-Hai, Anderson and Harrison, 2003; Meade and Rogers, 1997). For example, the agility definition of van Oosterhout, Waarts and Hillegersberg (2006: 134) solely concerns distinguishing agility from flexibility: “business agility is being able to swiftly change businesses and business processes beyond the normal level of flexibility to effectively manage unpredictable external and internal changes.” The other definition of agility provides a clarification of context for managing of supply chains and emphasises the importance of costs cutting and timely and proactive response to the customer’s requirements Agarwal, Shanker and Tiwari, 2007). Further understanding of agility was given by scholars who compared agility and flexibility and also investigated how agility can be achieved. The later studies stressed the role of cooperation and integration in the implementation process (Kidd, 1994; Vasquez-Bustelo, Avella and Gernandez, 2007). This divergence in focus and purpose of each organisational agility investigation, coupled by distinct definitions adopted in each paper has largely contributed the multidimensional nature of the concept, consequently leading to a lack of consensus and the confusion surrounding agility.

There are a number of the various interpretations of agility. For example, Dove (2001: 5) viewed agility as “derived from both the physical ability to act (response ability) and the intellectual ability to find appropriate things to act on (knowledge management). Agility is expressed as the ability to manage and apply knowledge effectively, so that an organisation has the potential to thrive in a continuously changing and unpredictable business environment.” Other scholars alternately proposed that “agility is the ability over time to respond quickly and effectively to rapid change and high uncertainty” (Joroff, Porter and Feinberg, 2003: 293). More recent publications argue that survival in turbulent unpredictable environments makes it mandatory for firms to increase the speed of their response if these firms are determined to survive (Chandler McLeod, 2011).

## **2.1. DISTINGUISHING AGILITY FROM FLEXIBILITY AND ADAPTABILITY**

Although flexibility as a business concept was established long before agility, both of them are often used interchangeably in the literature. Both, agility and flexibility are focussed on business survival (Sharifi and Zhang 1999). One of the first definitions of flexibility stresses the ability of firms to respond to changing circumstances (Mandelbaun, 1978) and this ability is also included in most of definitions of agility. However, agility include more aspects than flexibility (Yusuf, Sarhadi and Gunasekaran, 1999). Organisational agility encompasses a wide range of components, rather than attributing agility strategies to flexibility characteristics alone (Baker, 1996; Kidd 1994).

A major divergence between agility and flexibility is observed regarding each concepts focus within the hierarchy of an organisation. Flexibility refers to the top level of an organisation (Baker, 1996), whereas agility emphasises integrative efforts at all levels within an organisation. Indeed, agility goes beyond the ability of flexibility alone to additionally encompass proactive behaviours and a focus on every level within an organisational hierarchy (Huang and Nof 1999; Sharifi and Zhang 1999). Moreover, flexibility is a vital component to the success of an agility strategy, yet is only a single component of the strategy, not its entirety.

Flexibility is used to address responses and the consequent organisational changes that may be largely predetermined by an organisation (Van Oosterhout, Waarts and Hillegersberg, 2006). Further, flexibility refers to the changes in an organisations environment where there is ample available information regarding inputs and outcomes (Van Oosterhout, Waarts and Hillegersberg 2006). However, when changes are unpredictable, flexibility is not enough and agility is required. In this conceptualisation, flexibility is viewed as a single element of agility strategy.

Adaptability is defined as an “inherent ability to adjust or modify” (Katayama and Bennett, 1999). Adaptability is further distinguished from flexibility by Van Oosterhout, Warts and Hillegersberg (2006: 132) who view adaptability as an ability “to swiftly change businesses and business processes beyond the normal levels of flexibility to effectively manage unpredictable external and internal changes”. However, similarly to flexibility, agility only encompasses adaptability as a single component (Yusuf, Sarhadi and Gunasekaran 1999). Each foundational concept, namely, flexibility and adaptability, should be synthesised into a comprehensive approach to strategy, coined organisational agility.

## 2.2. DRIVERS OF ORGANISATIONAL AGILITY

Chance is recognised as the major driver of organisational agility (Sharifi and Zhang, 1999; Zhang and Sharif, 2000; Ganguly, Nilchiani and Farr, 2009). Drivers of agility are linked to changes in consumer preferences, emergence of new technology, changes of the business systems of firms, market changes and shifts in social environments (Sharifi and Zhang, 1999; Yusuf, Sarhadi and Gunasekaran, 1999; Oosterhout, Waarts and Hillegersberg, 2006). Although the drivers of agility concern those forces external to an organisation, internal triggers additionally drive the adoption of agility strategies. Internal triggers are thought to be caused by external factors, or those planned internal changes resulting in unexpected consequences (Joroff, Porter and Feinberg 2003; Van Oosterhout, Waarts and Hillegersberg 2006). Table 1 presents the drivers of organisational agility and the required organisational actions required for agility strategies within organisations. Based on the discussion of the drivers of agility, *the first research question is formulated: what are the drivers of organisational agility can be identified in the context of an emergent industry?*

Table 1

**Drivers of Organisational Agility and Organisational Actions**

Drivers of Agility	Organisational Actions	Description
Technological shifts New technology developments	Changes in the process (e.g. booking; supply chain management)	Faults are discovered in employees work due to irrelevant technologies or the physical work of the employees
Jobs skills shift Resource limitations	Update the organisational routines and streamline operations	Continuously learning of employees from the experience resulting in constantly fine-tuning work practices
Emerging consumer markets and changes in consumer preferences	Communication with consumers and knowledge transfer within an organisation	Opportunity identification and perusal; ongoing learning from consumers, competitors and the market
Growing customer expectations	Efficiency programs and new business systems	New ways of thinking are discovered from an examination of processes when pursuing greater efficiency

*Source: Developed by authors based on Joroff, Porter and Feinberg, 2003, and Yusuf, Sarhadi and Gunasekaran, 1999.*

### 2.3. RESOURCES AND CAPABILITIES FACILITATING AGILITY DEVELOPMENT

Organisational agility requires specific capabilities and resources of firms. Agility must be embedded into every component of the business including organisational structure, culture, technology, leadership and management (Chandler McLeod, 2011). The management of an organisation must promote a culture of agility, emphasising its importance to personnel at every level of the organisation (Vazquez-Bustello, Avella and Fernandez, 2007). In fact, organisational structure, information systems, and the mind sets of those within the organisation are all used together to enable organisations to act agile (Ararwal, Shanker and Tiwari, 2007). Communication is considered as the most vital capability in acting agile. Communication enable organisations to integrate personnel at different hierarchical levels, as well as to integrate organisational structure and culture.

Organisational structure has a significant influence on the organisational ability to act agile (Golan 2006). In particular, a compressed – flat- hierarchical structure allows firms to avoid rigid formal processes that slow the speed of their response to the environmental changes. To ensure agility in the organisation, its employees shall be empowered by decentralised decision making, continuous training and development leading to capacity building with multiple skills and flexibility in accomplishment of tasks (Yusuf, Sarhadi and Gunasekaran, 1999). Investing in employees and instilling them with the capabilities of self-directed work and discipline also allows organisations to use a simple structure, thus, increasing its ability to act agile. This further emphasises the importance of employees as a resource in achieving agility.

Technology is also recognised as a vital resource of organisational agility, especially in the manufacturing industry (Huang and Nof 1999; Yusuf, Sarhadi and Gunasekaran 1999). Technology can be used for a better interpretation of the market and industry knowledge and its communication through the value chain and responsiveness to customers. Although technology presents as a vital resource and facilitator of organisational agility, it may also act as a hindrance in achieving agility when it stifles innovation and flexibility (van Oosterhout, Waarts and Hillegersberg 2006). For example, if the used an online booking system does not allow to link the order with the inventory or delivery services, there will be miscommunication in the value chain and, as a consequence, slow response to the customers. Based on the analysis of capabilities and resources of organisational agility, the second research question is formulated: *what are the resources and capabilities that enable organisations to act agile in the context of an emergent industry?*

### 3. THE METHOD AND CONTEXT OF THE STUDY

The qualitative study based on multiple case studies (Eisenhardt, 1989; Hesse-Biber and Leavy, 2011; Yin, 2009) was chosen as the method of this study. The chosen research strategy allowed considering agility, a phenomenon under investigation, in the chosen context. Case studies are deemed appropriate not only when the phenomenon under investigation is relatively new, but also when existing literature surrounding such a phenomenon is conflicting (Bailey, 1994; Eisenhardt, 1989). According to Yin (2009), utilising a case study strategy is the good choice of method in the newly emergent sector of the hospitality industry due to the following reasons: 1) research focus is on contemporary events/phenomena, 2) research questions under investigation are of a how/why nature (how are firms displaying agility in this market/context), and 3) researchers have no control over the events related to the phenomenon. Satisfaction of these requirements cements the validity



of case study utilisation, differentiating from other strategies such as surveys and experiments. The data was gathered via interviews with business owners and managers of the businesses (32 respondents in total) till the data was saturated. The primary data was supported by the industry reports, media and government publications to achieve triangulations and verify the results.

The Western Australian (WA) hospitality industry has been transformed in recent years, especially in newly emergent sector of this industry - the small bar and restaurant sector (Wilson-Chapman 2012). Sector emergence began in 2006 after the de-regulation of WA liquor licensing, introducing the Small Bar License allowing for venues of up to 120 patrons on premises consumption with lessened licensing costs (DRGL, 2011). Simplified licensing and increasing consumer demands resulted in an array of new bars was opened in the Perth Metropolitan market. Such bar/restaurants strive to provide the best services, product offerings, and experience in a relaxed dining atmosphere, at a price that is deemed more affordable than similar offerings in traditional fine dining restaurants.

The development of this sector was supported and facilitated by the City of Perth who saw it as one of the way to improve the city's image (DIISR, 2014; Summer Holidays, 2010). The State Government was also highly supportive of the emerging small bar/restaurant sector, quoting them as "important to the cultural fabric of the city, creating unique and imitate spaces" (City of Perth, 2014). The diverse culture in the small bar/restaurant sector is primarily driven by licensing requirements for venues to propose a distinctive theme for their venue (Bailey, 2012).

#### **4. FINDINGS - LESSONS LEARNT FROM THE SMALL BAR/RESTAURANT SECTOR**

##### **4.1. EMERGENCE OF THE NEW SECTOR AND AGILITY DRIVERS**

The small bar/restaurant sector of Perth has emerged in response to numerous factors, including growth in the state business and, in particular, growth of the small business sector, and the hospitality industry (ABS, 2014). The consumer movement towards high quality food, beverages, and services, has also resulted from an influx of disposable income in the state from the mining boom (Martin, 2012). The population boom of the state has also led to increasing demand for services and infrastructure (Malkin, 2009), again driving growth in the sector, further facilitated by heavy state and city support (City of Perth, 2014). Many of the environmental characteristics and operating challenges of the small bar/restaurant sector appear indicative of those present in the manufacturing industry during the establishment of organisational agility. Thus, it is reasonable to infer the emergence of agility in the hospitality industry as imminent, with the developing small bar/restaurant sector possibly representing initial progress. Such movements in organisational design and offerings of hospitality venues to mirror consumer demand again presents as initial attempts of organisational agility as defined by Dove (2001). The movement of consumer demands and purchasing behaviours in general additionally presents as a major driver of agility. As highlighted by Yusef, Sarhadiand and Gunasekaran (1999) consumer preferences shifting from cheaper mass produced items, to high quality items at a competitive price was one of the main drivers in the emergence of agility in the manufacturing industry.

Small bars and restaurants are characterised by an overriding theme that sets them apart from the majority of traditional industry players, namely the regular restaurants and cafes, instilling an atmosphere of sophistication and trendiness. Skinner, Moss and Parfitt (2005: 115) suggest that there is an "overwhelming bias" for such venues to appeal to the younger demographic who are searching for the newest, fashionable bars in the market. In requiring

small bar/restaurants to maintain an innovative theme for their venue, they are more likely to primarily appeal to this subgroup of the market. The literature (e.g. see Beldona, Moreo and Mundhra, 2010) highlighted the tendency for the younger demographics, specifically those aged 18-33, to be the most likely consumers of the theme eating outlets, additionally suggesting that the new establishments shall target younger demographics in order to increase the chances of their business success. However, our data shows that younger generations are not the sole patrons of these venues. The customers of the sector are those who are seeking a new experience and/or high quality offerings at an affordable price in a relaxed atmosphere. Our respondents demonstrated their awareness that using a novelty factor of themed venues can be dangerous if venues are lacking the appropriate food quality or service. It is evident from our study that most of business owners and managers are committed to support their initial success of their themed venues that rests on the atmosphere and experience provided, by offering consistent quality of the food and service. These shared understanding and undertaken efforts to sustain the initial success of new venues are in line with the recommendations on the success factors in the hospitality industry found in the previous studies (Bagli 1998; Weiss, Feinstein and Dalbor, 2004).

#### **4.2. RESOURCES AND CAPABILITIES FOR ORGANISATIONAL AGILITY**

While employees encompassing the required skills and attitude to work are a vital component to the firm which enable the firm to quickly respond to customers and keep them satisfied, the sector under examination experiences the lack or shortage of skills and heavily relies on temporary employees. Although agility literature emphasises the importance of ongoing and continuous training and development in employees, this area was found lacking in the chosen study context. Moreover, training of employees is highly undesired by the management of firms. Indeed, the management is concerned with potential loss of well-trained employees who are likely to move on in search for better payments in the traditional restaurants and bars.

#### **4.3. AGILITY STRATEGIES IN THE SMALL BAR/RESTAURANT SECTOR**

Our data allowed to develop a set of feasible agility strategies that can be implemented by the firms in the sector under examination. The theoretical value of these strategies is in the contextualisation of agility in the service industry and small firms with limited resources as opposite to the resources-rich large manufacturing firms used as the most common context of the previous studies on organisational agility. The agility strategies are based on the current successful actions of the respondents which enabled their agile response to the consumers, as well as the lack of such actions and, as a consequence, missed opportunities. Both undertaken actions and missed opportunities were highlighted by our respondents. The summary of agility strategies and their reasoning are presented in Table 2.

Table 2

**Agility strategies in the small bar/restaurant sector**

Agility strategies	Current Implementation/Future recommendations	Reasoning
Social media systematic utilisation	Social media are recognised and utilised to some degree There is no consistent use of social media/ no strategy on incorporating social media into the marketing campaign	Social media shall be used as a free marketing tool and a method of direct communication with consumers Social media shall be used for increasing the visibility of venues as well as the learning tool about the market Social media shall be used to be abreast with the changing trends in the market
Cooperation and interfirm relationships building among small bars/restaurants	All venues within the sector have strong relations with one another Strategize partnerships in the sector New entrants to the sector shall affiliate themselves with existing sector players	The information and advice gained through relationships is invaluable, especially due to the developmental nature of the sector Limited resources and small size of venues require pooling resources together Skills shortage can be overtaken by sharing the key resources and capabilities when required
Training and development of staff	Train staff and sharpen consumer service Polish product and service offerings	Regular training schedules should be utilised for training in not only new product offerings, but maintaining but customer service skills, management skills, and general hospitality skill. Use both cost-efficient in-house training and the dissemination of knowledge from senior to junior staff as well as the cross training in collaboration with competitors in the sector These interactions additionally contribute to strategic relationships between venues
Consumer relations	Maintain consumer relations Support community groups Build relationships with corporate clientele	Venues should constantly develop relations with patrons, questioning their desires and demands on the venue Greater market alignment of operations and developing loyalty of consumers are based on consumer relations Insights gained through interactions are vital considering the limited budgets of venues
Supplier relations	Utilise good relations with suppliers in the systematic way	Knowledge of suppliers is priceless Orders may be consolidated by a number of competitors in the sector to create volume discounts Strong trustworthy relationships allow for greater communication, thus, suppliers will let venues know in advance if stock is unavailable or is special stock suited to them has become available Changes to offerings are then made in a timely fashion. Additional stock requests also have a greater chance of being accepted such as sourcing something not usually stocked by the company.

**5. DISCUSSION AND CONCLUSIONS**

The small bar/restaurant sector represents an interesting case for learning lessons in the development of organisational capabilities to act agile. Our data indicates that organisations follow an outside-in strategy perspective and respond to the industry and consumer changes. Although an outside-in strategy perspective (Days, 1990; De Wit and Meyer, 2004) has not been related to organisational agility within the academic literature, there are similarities between the two, as demonstrated by venues within the small bar/restaurant sector. Both concepts are characterised by a firm's orientation on a consumer, market knowledge, and the ongoing adaption to changes within the market and consumers demand (Dove, 1999; Joroff, Porter and Feinberg, 2003; Tanaka, 2012). Thus, consumer demand is driving the focus of organisations, their offerings and target market (De Wit and Meyer 2004). Customer orientation and market responsiveness were consistent themes in all interviews. Similarly to other small business firms, our respondents revealed their dissatisfaction in the current



hospitality options in Perth as the major driver to become a business owner. The initial foundations for the business were made in consultation with current and future patrons. The respondents recognised a niche in the market, took steps to satisfy that market, and ensured they were aligned with demands.

### **5.1. LIMITATIONS OF THE STUDY AND AVENUES FOR FUTURE RESEARCH**

This study represents a snap shot of the emergence of the new sector in the selected geographic area of the city of Perth, thus, results have limited generalisability due to the restricted nature of the sample utilised. However, as venues within the sector demonstrate high levels, significant divergences from the sample are unlikely. Future studies shall be implemented using large samples in different areas of the state as the sector continues to grow. Special studies on social entrepreneurship and partnerships in the small bar and restaurants sectors and on the growing regulation of this sector are also advisable.

### **5.2. THEORETICAL IMPLICATIONS**

This paper has interpreted the concept of organisational agility within the emergent service industry with limited resources, namely the small bar/restaurant sector. This was a movement from the extant studies which were focused on the manufacturing industry dominated by large firms with well-established resources. Additional characteristics of agility as well as the challenges of firms to act agile were identified within the context under examination. As result, the following agility strategies were identified: ongoing market assessment via building and maintaining mutually beneficial relationships with all industry players; consolidation of resources via comprehensive supplier management; cost savings via focussed market differentiation as opposite to working across the broader market offering; and continuous development of firms capabilities via staff development programs. These agility strategies have been identified in the context of an emergent industry and can be recommended to all firms striving to survive in similar conditions of highly differentiated services and operating with limited resources and capabilities.

### **5.3. MANAGERIAL IMPLICATIONS**

This paper inform managers on the specific context and its agility drivers. The paper also summarise the emergence pattern of the new sector within the traditional hospitality industry. The driving forces behind the emergence of the small bar/restaurant sector have also been identified, including those operating challenges and restrictions shaping venues within the sector. The timing of the study cannot be more fortunate: since the resource boom in Western Australia has slowed down in the recent year, the practitioners and policy makers alike question: where to after the resource boom is over and what are the alternatives for the state economy? The current study she some light at such an alternative. Finally, the feasible agility strategies developed for use in the sector provide practical and market specific solutions for venues within the sector. Again, increasing the development and growth of the sector will not only boosts employment rates, but contribute to the development of culture within the City of Perth, as desired by local government (City of Perth, 2014). Practical contributions are validated by the Small Bar Association of Western Australia that contacted the researchers to obtain results of this study.

This paper explored agility drivers and agility capabilities of firms in the emergent sector of small bar/restaurant in the hospitality industry in Perth, capital of Western Australia.

The nature of this small and vulnerable sector with limited resources of firms and strong competitive pressure from the traditional players of the hospitality industry makes agility a crucial factor of firms' survival. The strongest drivers of agility in this sector are changes in consumers' preferences and technological changes in the process of providing services (starting from an online booking and finishing by sharing consumer feedback on received service through social media). The most critical actions that have to be undertaken by the firms in the sector to be able to act agile are ongoing learning from the market, consumers and competitors and collaboration with competitors and consumers in co-creation of consumer value.

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