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The Evolution of the Culture of Enterprise

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Abstract:

At the top echelons of contemporary business, managers are becoming concerned with the unsustainability of the way companies now operate. A transformation of basic business strategies appears more and more indicated. For such transformation to be effective, the culture of the enterprise--the goals it pursues and the vision of these goals entertained by managers and collaborators--needs to change. Consequently there is a growing questioning of the viability of the typical culture of today's enterprise, and a search for more functional and timely concepts for creating anew and more timely cultural pattern.

The leading edge of the globally operating world of business is becoming keenly concerned with changes in today's social, economic, and ecologic environment. At the top echelons of management an intense search is under way for up-to-date modes of thinking and acting. It comes to the fore in the emphasis managers place on corporate strategy, corporate identity, corporate philosophy, even corporate ethics. An organizational revolution is underway, as managers seek to communicate their vision with their collaborators. The importance of communication among all branches and levels of the enterprise is becoming recognized. It is also recognized that the company can only function when people understand what goals management pursues, and what their own role is in the achievement of the goals.

The ongoing transformation of the enterprise culture is a positive factor in our changing and unpredictable world. It means that companies are becoming more sensitive to the changes that obtain in their environment, and more ready to respond to them. The new emphasis on management and company ethics also suggests that businesses are willing to assume the responsibility that goes with their larger role in society. Global enterprises wield unprecedented power and influence, and the transformation of their culture will be a critical factor in deciding the evolution of our interdependent socio-economic and ecologic systems--and therewith our individual and collective future.

The transformation of the enterprise culture is timely: the company culture dominant for most of this century became obsolete. It focused on the workings of the enterprise without much regard for its social and ecologic environment; it operated on the premise that the business of business is business--if it comes up with good products or services, it fulfills all its obligations vis-a-vis society and nature. The self-centered methods of the traditional management philosophy no longer produce acceptable results--they are like concentrating all one's skills on flying an airplane and paying scant attention to the airspace in which one is flying. The captains of contemporary business cannot be solely concerned
with the internal functioning of their aircraft: they must also set a course in reference to climatic conditions, current position and projected destination, and the traffic on the network of routes criss-crossing the globe. That traffic is diversified and complex. It includes, in addition to customers, suppliers, distributors, R&D partners, technology subcontractors, and governmental departments and ministries, and numerous other cooperative and competitive aircraft, together with the social, ecologic, and even cultural milieu of the various bases of operation.

Global companies no longer resemble a giant mechanism, controlled by those on top. This is new in the history of modern business. For most of the 20th century, top management could command the company structures without being influenced by, or even much concerned with, its lower echelons. Motivation for task-fulfillment was created by material incentives bolstered by threats; individual creativity and initiative were dismissed as unnecessary nuisance. Power was concentrated, together with responsibility and overview; middle management had access only to the information that was immediately relevant to its tasks. Following the recipes prescribed in Frederick Taylor's "scientific management", the distribution of tasks was established at headquarters and the company's functions were divided into individual work components. Planning was based on a belief in control and predictability, effects were traced to causes, and causes were quantitatively analyzed. Company operations based on cause-effect chains were given value independent of time and place: as in a machine, it was held that the same input would always produce the same output. This was the philosophy of the leading companies of the 20th century; the model for success at General Motors and Standard Oil, and the rest of the Fortune 500 group.

The economic growth-environment of the post-war period did not provide grounds to modify, or even question, this philosophy. Almost anything an enterprising manager would try had a knack of succeeding; he could even engage in personal bravado. Technological progress seemed assured, and expanding markets seemed to distribute the benefits of growth. The post-war economy welcomed all entrepreneurs; they could grow as the economy did. Long-term costs, if any, were hidden in the long term. In that regard businessmen were fond of quoting Keynes: in the long term we shall all be dead. If things get better and better, why bother to look further than one's nose? There was no need to worry whether or not there would be progress, it was enough to guess what shape it would take, and how the company could benefit from it.

In the 1970s and '80s the situation had changed. The economic growth curve flattened out and optimistic extrapolations failed to come true. Social alienation and anomic rose, and technology produced unexpected side-effects: scares and catastrophes at Three Mile Island, Bhopal, and Chernobyl, the ozone hole over the Antarctic, recurrent instances of acid rain and oil spill, and worsening environmental pollution in cities and on land. Belief in progress was shaken. Intellectuals and youth groups found it necessary, and some segments of society fashionable, to espouse the view that technological advance is dangerous and should be halted. Environmental effects and social value-change began to enter as factors in the equations of corporate success, and leading managers, together with consultants and management theorists, began to reexamine their operative assumptions.

By the late 1980s further changes occurred in the operating environment. Environmental concerns moved from the fringes of society into the marketplace; people proved amenable to paying higher prices for products they deemed environmentally friendly; and they were known to boycott companies that remained environmentally polluting or unresponsive. New information and communication
technologies came on line, markets became integrated and internationalized, product cycles became shorter and product lines diversified, and clients and consumers demanded shorter delivery times and higher quality. Competition moved into the global arena. Under these circumstances classically run hierarchical enterprises proved unable to cope. The centralization of information and its slow one-way penetration to lower echelons produced fatal mistakes-and then terminal rigidity. The companies that survived did so by transforming themselves into team-oriented multi-level decision-making and implementation structures, often in the nick of time.

In the late 1990s the diffusion of information and the growth in the intensity and number of interfaces between people, departments, and divisions have radically changed the company's operative structures. Not only information, also people emerged as the key resource of the enterprise; teamwork proved to be the best way this resource could be tapped. The boundary between the company and its economic, social, and ecologic environment turned fuzzy. Within the business sphere fusions, alliances, and partnerships became commonplace. In many cases the core activities of the enterprise came to be sub-contracted, and work relations with other firms became as operative as company-based organizational structures. Reliance on distributors and suppliers, and linkage to local communities and ecologies turned into standard parameters of corporate functioning.

Under these circumstances, there is a dire need for new and adapted management concepts. There is no dearth of advice. Theorists speak of activity bundling and the company's capacity to sustainably capture the highest portion of the total industry value-added chain's profit margin; strategy specialists emphasize the need for management to focus on dynamic competitive positioning and customer-driven processes; technology consultants stress the importance of anticipatory R&D in both products and processes; and organizational experts insist on the need for learning within net-worked teams operating beyond established company structures. Leading managers realize that their vision of the company's functioning within its global environment, and its adaptability to changes and trends in that environment, is at least equal in importance to their ability to formulate strategy and carry out operations.

Management guru Tom Peters called intellectual capital a company's greatest resource, and consultants Gary Hamel and C.K.Prahalad named future vision its greatest competitive advantage, more valuable than a large bank account or a lean organization. Managers who possess intellectual capital and future vision have a sense of purpose, avoid wasting time on useless experiments and dead-ends, and elicit deep commitment from their collaborators. In today's world effective leadership calls for a sound knowledge not only of current company operations and resources, but of its ability to reach strategic, financial, and organizational objectives in the years ahead. This requires considerable acumen. Because the future, as Charles Handy pointed out, could be most anything, but is not likely to be a continuation of the past.

Though the enterprise needs a new and different culture, that culture must be efficient: it must enable executives to cope with ever less predictable economic conditions; offer sufficient flexibility to use new technologies as they come on line; develop adaptability for the company to enter new fields of activity and leave old ones as the opportunities present themselves; and keep track of the growing interdependence of the company with its partners and competitors and its economic and financial environment. But the new culture must also be ethical. It must recognize the impacts of the enterprise on society and on nature, and even on the conditions that we bequeath on future generations. And it
must be ready to accept responsibility for these impacts.

Accepting responsibility in the sphere of society and nature is not only good common sense, it is also good business sense. There are no longer definite boundaries where a company ends and society and nature begins. The basic enduring interests of the enterprise and its social and ecological environment coincide. What is good for society and for nature is also good for the company—hence what is ultimately good for the company must also be good for society and for nature. This coincidence of interests will not change in the future; on the contrary, it will become more pronounced. The successful managers of the future will be those that recognize this fact and act on it. They will be effective as well as ethical: leaders of responsible corporate citizens in the global socio-economic-ecological system that is already emerging worldwide.