

Coping With the New Corporate Environment

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Abstract: *At present, Business as an institution is going through a critical phase of evolutionary transition. The factors which brought success in the old world is no longer valid for success in the new world. In order to survive and prospers in the new world of business, the corporate mind has to do some radical thinking. This is the main subject discussed in a thoughtful and visionary book, "Rethinking the Future" edited by Rowan Gibson. In this book, leading management gurus like C.K. Prahalad, Stephen Cowey and Peter Senge provide insightful perspectives on how to cope with the future change. In the introductory part of the book, Rowan Gibson raises some important and critical questions on the future changes in the corporate environment. (1) This article is an attempt to provide some indicative answers to these questions based on emerging perspectives and in the light of an integral vision of management.*

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I. Rethinking Competition

Why is the nature of competition changing so drastically? And what should we be doing about it?

The nature of competition is changing because the corporate world as a whole is becoming conscious of the connectedness and interdependence of the various stakeholders that sustain the organisation. The rigid boundaries between competitors, suppliers and customers are getting blurred. For example, Sony and Philips are competitors but they are also suppliers to each other. Sony buys components from Philips and Philips buys components from Sony. The second factor is the overriding importance of customer satisfaction. In the future world, winning the customer's mind and heart, and not winning over competitors, will be the primarily factor that will determine the success of a firm. If a customer can be served better by collaborating with other firms or a competitor there is no point in dogmatically clinging to a "competitive strategy." The third factor is the increasing importance of Corporate Social Responsibility which is on the threshold of becoming a core value of business and a corporate imperative. As an editorial in Harvard Business Review puts it, "In recent years, corporate social responsibility became an imperative." (2) As more and more firms makes a conscious effort to integrate corporate responsibility into their strategic framework and begin to address common social concerns, they will find a greater need to collaborate for the common good than to compete head-on with other companies for market-share.

How to cope with these new possibilities of the future? Companies and their managements should focus their creative attention and energy more on serving the customer, employee and the society rather than on outwitting the competitor. This doesn't mean ignoring competition but paying greater attention to the underlying causal factors which lead to competitive advantage in the long-term, which means, in more specific terms, paying more attention to the following vital factors of future success:

- ❖ Constantly improving the quality of customer experience.
- ❖ Enhancing the creative potential, wellbeing and growth opportunities of employees.
- ❖ Aligning corporate strategy with the developmental goal of the community of which it is a part, which means to make wellbeing and development of the larger community an integral part of the corporate strategy.

When a company makes a conscious and creative effort to pursue the above goals it will lead to greater customer and employee satisfaction and a greater capacity to attract and retain talent, which are the real source of competitive advantage in the long-term.

II. The Network Economy

What exactly is the new network economy? How will it work? Why will it be fundamentally different from the classical economy?

"Network Economy" is a term coined by Kevin Kelly to denote the new economy where there is increasing connectivity, which means there is the impetus for connecting everything to everything else through information-communication network. This increasing connectivity leads to increasing interdependence, complexity, uncertainty and finally what we may call as "uncontrollability." As Kevin Kelly explains, "When you have a network, you have the sense of not being in control, you have a sense of uncertainty, a sense of interdependency, a sense of even relativity. Its something permeating our entire culture." (3) In otherwords,

while classical economy works like a machine which can be controlled with a predictable ease or results, network economy approaches the complexity of biological system of Nature which are relatively unpredictable in their behaviour.

What are the practical consequences of this network economy for management? Organisations must learn to manage “Complexity.” There is at present much debate and discussion in science and management on the concept or science of complexity. Recently, Harvard Business Review brought out a special issue on managing complexity. In an article in this issue, Gökçe Sargut and Rita Gunther McGrath define complexity in the following manner:

“Complex systems are imbued with features that may operate in patterned ways but whose interactions are continually changing. Three properties determine the complexity of an environment. The first, **multiplicity**, refers to the number of potentially interacting elements. The second, **interdependence**, relates to how connected those elements are. The third, **diversity**, has to do with the degree of their heterogeneity. The greater the multiplicity, interdependence, and diversity, the greater the complexity. An organic growth program, for example, is highly complex—it contains a large number of interactive, interdependent, diverse elements.” (4)

We are now brought to the practical question how to manage complex systems. Here are some principles and guidelines based on emerging perspective and in the light of integral management:

- ❖ **Become Fully Conscious of the Complexity:** make each part of the complex system fully aware of the nature of complex web of which it is a part, which means it has to become conscious of how it is connected with, dependent other parts.
- ❖ **Synthesize Diversity:** encourage diverse perspectives. Identify and bring together points of diversity with mutually complementing knowledge, skill, temperament and resources.
- ❖ **Encourage Collaboration:** create a system of motivation and an environment that encourages, rewards and felicitates teamwork, cooperation and sharing of knowledge, skill and resources.
- ❖ **Build a Common Purpose:** forge the complexity into a community by building a common and uniting system of guiding principles and goals.
- ❖ **Empower the Front Line Workers:** give complete freedom to frontline workers who are in direct contact with customers to plan, organise and decide how best to serve the customer without any control or interference from above. Provide them with appropriate training and whatever knowledge, skill or resources needed to do their work.
- ❖ **Cultivate Holistic And Intuitive Thinking:** train employees to think holistically which means to perceive each part as part of a larger whole and in relation with other parts and the whole. Educate them on the art of intuitive thinking which can perceive the consequences of their decisions and actions for the larger whole.

Big and the Small

Will it be better to be big and powerful or small and flexible in the global economy? Should companies be broadening their product lines in order to serve the world? Or should they be more specialized and focused?

There is no uniform answer to such question. These are strategic questions which each firm has to decide according to its historical strength, core competence and resources. However in the new economy where competition is fierce and “customer is the king” with many choices before her, it is better to remain small, alert, flexible, nimble and focused on serving the customer with a unique and specialized expertise in catering a niche market than building a large and diversified empire, which tend to become a lethargic and inefficient bureaucracy. As the leading management guru Michael Porter explains: “If you examine the economies of countries like Italy and Germany, what you very quickly realize is that it is the small and midsize companies who are really the backbone of those economies. And they don't jump around from product to product; they become the world's leading provider in a particular segment. Nobody can touch them in this area, because they have so much accumulated expertise and knowledge, and they've optimized everything they do in that segment.” (5) However, there are big and powerful companies like GEC, IBM and Toyota which have demonstrated that size is not necessarily an obstacle to efficiency, innovation, profitability and success in the market place. With innovative organisational strategies, decentralization, empowerment and a unifying and meaningful vision or values, big companies can also acquire the advantages of a small company while retaining the power and clout of bigness. Nevertheless, when we study the history of human societies, small communities tend to be much more creative than the bigger ones. For example many of the ideals and values which shaped modern western civilisation and the ancient Indian civilisation were born in small communities or kingdoms in Greece or Vedic India. However mere smallness is not enough to build a creative community. What is more important is an environment which fosters individual liberty, freedom of self-expression, social and political equality, sense of fraternity and a rich interaction between people.

In the future, mere size alone will not guarantee success. The main success factors of the future world are creativity, innovation and contribution to the future and higher evolution of humanity in the ecological, mental, moral, aesthetic and spiritual realms of consciousness. Only those communities and organisation which

are able to make a creative contribution to this higher evolution will be the leaders of the future. In this evolutionary perspective, bigger organisations with a global reach, if they are able to align their vision, values and strategies with the future evolutionary destiny of humanity can perhaps make a more substantial contribution to human progress than the smaller ones.

III. Technology and Geography

Will technology make geographical location increasingly irrelevant or will it make particular locations more important for particular industries in the twenty-first century?

Both are happening. Information-communication technology has allowed companies to tap talent and capital from all over the world irrespective of where they are located geographically. On the other hand, specific geographical location like a nation or a region which has developed a highly specialized expertise, skill or infrastructure in a particular industry or product acquires great importance. Michael Porter calls this factor as the “home base” advantage. As Porter elaborates:

“This new phase of globalization is paradoxically putting a greater and greater premium on what I call the ‘home base’-the unique critical mass of skill, expertise, suppliers and local institutions that makes certain locations the innovation centers in a particular business. There are numerous examples of industry clusters that have become the innovation centers in their fields. There's Silicon Valley in microelectronics, Hollywood in the entertainment business, Los Angeles in multimedia.” (6)

This phenomenon creates a new possibility for nations for creating wealth. For example, a small nation which can provide the right kind of infrastructure, educational institution and working condition for attracting top talent, like for example and leading companies in biotechnology, nanotechnology, microelectronics or computer software sectors - can become a leading player in that field and generate wealth for the nation. As John Kao, an innovation strategy consultant states in an article in Harvard Business Review:

“Consider a small country with few natural resources that wants to invest in cutting-edge research in synthetic biology. If the country pays 10 leading scientists \$1 million each annually and spends another \$100 million to build a world-class research institute, it becomes a player in a strategic industry, yielding incalculable financial and social returns over time.” (7)

For example, the government of Singapore has identified life sciences, clean technology and digital media as the three areas for funding and development. If a company conducts research in any of those areas and set up a facility in this small nation-state, the government of Singapore will consider providing tax relief, state-of-the-art infrastructure, training and technical staff and research grants covering upto 40% of expenses.

The Future Economic Battle

Why will the global economic battle of the twenty-first century be so different from previous economic battles?

The economic battle of the old world is based on capital and natural resources. The economic battle of the new or future world will be based on knowledge, innovation and creativity, which means in practical terms the ability to attract and retain talented people.

There is one more factor which is not recognised fully by economic and management pundits: Values. Success in the future world depends not exactly on knowledge and innovation but on the values they serve. Those groups which use knowledge or innovation solely for their own corporate self-interests disregarding the wellbeing of the larger world of which they are a part may not succeed in the long-term. In the future world, evolutionary and competitive advantage goes to those groups who use their knowledge, innovation, creativity or resources not only for their own self-interest but also for creating a better world around them. Here comes the importance of some of the emerging values in business like corporate social responsibility and environmental sustainability. A recent issue of Harvard Business Review asks in the cover page: “What Great Companies Do Differently” and answers: “They create values for the society, solve the world’s problems and make money too.” In an article in this issue, the well-known management thinker, Rosabeth Mass Canther writes, “Articulating a purpose broader than making money can guide strategies and action, open new sources for innovation, and help people express corporate and personal values.” (8)

Another important success factor or value of the future will be employee wellbeing. The present excessive stress on performance, driving employees to achieve near impossible productivity targets, has created a stress-prone and unhealthy work-culture which is counter productive in the long-term. For when the human source of productivity and performance is constantly under stress or sick and burnt-out, there cannot be any sustained results in the bottomline. For sustainable organisational effectiveness, companies must pay as much care and attention to achieve a certain level of human wellbeing as they do at present to other corporate aims like productivity or customer satisfaction. This is now beginning to be recognised in the corporate world. Recently, Harvard Business Review, brought out a special issue with the cover page title: “The Value of

Happiness: How Employee Wellbeing Drives Profits” and states: “Happiness can have an impact at the company and the country level.”

To conclude briefly: corporate success in the future depends mainly on attracting and retaining talent and talented people would prefer to work in a company which is ethical, socially responsible, caring for their wellbeing and provides a meaningful purpose.

IV. The Role of Asia

How important Asia’s role will be in this battle? Will the modernization of Asia shift the world’s centre of economic, political and cultural gravity back from the West to the East?

All the current and emerging trends indicate that the centre of gravity of our present human civilization is shifting more or less decisively from the West and back to Asia, especially towards India and China. This shift seems to be part of the evolutionary destiny of our human race. However to be entirely beneficial to human progress, this shift should not remain merely economic but also cultural, and not a battle between two cultures for supremacy but a concord for the realization of the common evolutionary destiny of humanity. The economic resurgence of India and China, the leading nations of Asia, is only the first stage and not the final result of the Asiatic destiny. The role of Asia in human evolution is not economic but moral, cultural and spiritual. The Asiatic mission is to provide the life-transforming vision, values and the path which can steer this higher evolution of humanity. This higher knowledge is already there in the rich cultural and spiritual heritage of India and China. These two great nations of Asia have to rediscover and reformulate their cultural genius not only for their own good but for the future evolution of the world.

However, this Asiatic spiritual genius is not something contrary to the genius of the West but complements it. The genius of Asia lies in the knowledge and the path which can lead to the inner evolution and transformation of humanity in the moral, psychological realms of consciousness. The genius of modern West lies in the technological and managerial competence for the material realization of ideas in the outer life. Both are needed for the integral fulfillment of humanity. These two orb of humanity, instead of competing or battling for world-supremacy, have to work together in complementing harmony for the wellbeing of the world.

What is the relevance or implication of this East-West concord to business? In our modern world, Business is the most efficient and innovative social organ, with a concentrated presence of the Western genius for execution and implementation of ideas on a global scale. Secondly, global business has the highest amount of cultural diversity in its work-force. So the corporate world has the potential to become an experimental laboratory for forging a practical synthesis between the genius of the East and West. But to realise this synthesis business world has to elevate its vision, values and ideals to a higher level, which reflects the evolutionary destiny of humanity.

V. Rethinking Capitalism

Now that the old fight between communism and capitalism is basically over, will a new fight emerge between the different forms of capitalism? Does the concept of capitalism have a bright future at all? Or has economic progress turned to be an empty promise?

Communism has collapsed. After the collapse of Lehman Brothers, economic recession and the recent dept crisis in Europe and America, many thinking minds in business and management are questioning the basic tenets of traditional capitalism. What we need at present is a new ecology of wealth- creation which doesn’t suppress free enterprise but at the same time ensures distributive justice and strives for a higher purpose beyond self-interest and exclusively economic aims like shareholder value or GDP. In a critical review of traditional capitalism in Harvard Business Review, Christopher Meyer and Julia Kerby make the following points for reinventing capitalism:

- ❖ Obsessive and exclusive emphasis on competition and financial parameters like ROI and GDP has lead to misdirected priorities in capitalist economies.
- ❖ Financial gain is not the soul of capitalism. The overall objective of commerce is to better people’s welfare or in other words, “the greatest good of greatest number of people.”
- ❖ Financial indicators like GDP or ROI cannot be the sole measure of human wellbeing. If they are used as a part or a limb of a wider system of measurement of human wellbeing that includes non-financial parameters like education, health then it helps. But if financial parameters become the sole aim of capitalism it derails the whole system.
- ❖ Similarly, the real source of an economy’s vitality is not competition but innovation. Competition can help innovation but strategic collaboration can also be a fertile source of innovation. (9)

There can be many forms of capitalism. Recently, the well-known British magazine, **Economist** brought out a special issue on “State Capitalism,” where free private enterprise coexists with a strong and prominent government intervention and involvement in the economy, not only in the form of regulation and control but also active participation by government firms. China and Russia are examples of state capitalism.

Each nation can evolve its own system of wealth-creation according to its unique historical, economic, social and cultural environment. However the main malady of capitalism lies in its lack of a higher purpose beyond selfishness and greed. As the well known British management thinker, Charles Hardy, puts it forcefully.

“Communism had a cause—which was, ideally, a sense of equality and prosperity for all, that all people were and could be equal—but it didn't have an appropriate mechanism to deliver that cause. Whereas capitalism is a mechanism, but it seems to me that it lacks a cause. Is it all just to make ourselves rich, or is there more to life than that? Because when we get the money, that seldom seems to be enough. The question is, are we in danger of throwing the baby out with the bathwater? The bathwater is the inefficiency and intolerance of communism, while the baby is its idealism. And that is what capitalism is sadly lacking. There is a cancer in the heart of capitalism. It is the lack of a cause that can stir the heart. What's it all for and for whom? The first stage in rethinking capitalism is to be absolutely clear about what it's all for and who it's for. I don't think the answer that it's for the financiers—i.e. the shareholders—it is a very adequate answer at all, either practically or morally.” (10)

The main question which needs to be understood with clarity is what is the purpose of Capital or Money. Is it to make more money or fatten the purse of a few rich people? Capitalism has to enlarge and uplift its purpose from prosperity for a few to the economic, social and ecological wellbeing of the community, nation, humanity and the planet as a whole. There can also be one more step beyond, which is to build a material environment favourable to the higher evolution of human consciousness: As Mother of Sri Aurobindo sums up succinctly the higher purpose of Money:

“Money is not meant to generate money; money should generate an increase in production, an improvement in the conditions of life and a progress in human consciousness. This is its true use. What I call an improvement in consciousness, a progress in consciousness, is everything that education in all its forms can provide—everything that leads humanity towards its future realization. Money should serve to augment that and to augment the material base for the earth's progress.” (11)

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