Are Corporations Becoming Irrelevant?

Charles H. Green, Trusted Advisor Associates

Corporate organizations in the past contained networks—networks of wealth-creating business processes, and networks of people. The organizations were the businesses. But business process networks and people networks today wander across corporate boundaries. To modify Sun Micro's famous phrase, nowadays the networks are the business. If the networks of people and processes no longer correspond to organizational entities, what happens to companies themselves—and to the ways we think about them? What becomes of corporate and organizational design, strategy and leadership when the organization itself becomes irrelevant?

What's Happening to Business Processes

First of all, corporations don't last like they used to. Turnover in the Fortune 500 has accelerated over the years. M&A activity has grown, as have joint ventures. Strategic alliances have taken off. The idea of a stable relationship between a particular business and a particular corporate entity has been eroded.

Those are factors external to a business--the internal factors are also powerful. Business process reengineering taught us to disaggregate businesses into processes, and then reconstitute them. Information technology now lets us disaggregate information repositories and exchanges as well.

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The web drives process transaction and integration costs toward zero. This facilitates outsourcing, which in turn fosters best-in-class specialization. Businesses can be built out of components, like so many Lego toys. And—critically--this can happen freely across corporate lines. Business design isn't just modularized; it is set free from any particular corporate entity. Businesses exist "between" corporations, not within them. They become, properly speaking, free-floating networks of modular components. If organizations are not dying, they are in some sense becoming irrelevant.

What's Happening to People

People networks are simultaneously expanding and unlinking from corporate borders. Corporations come and go in people's lives much more fleetingly—they are no longer givens, but variables. This is true for people as employees, but also for people as shareholders (think stock ownership turnover) and people as customers (think ubiquitous branding, private labeling and brand piracy).

Employee networks have grown exponentially, with a consonant decline in the significance of the corporate relationship. Multiple employers (average company job tenure is declining) mean multiple networks. Strategic alliances and outsourcing also vastly expand the network. Health insurance and pension plan control are becoming portable—no longer do we identify them with a given company. All these trends have been encouraged by a highly volatile economy (both up and down) and by corporate restructuring. What was job-hopping is now career development. "Loyalty" no longer carries ethical overtones.

Because all these factors interact multiplicatively, the number of people an employee deals with in business increases exponentially—constantly shifting, and more and more of it outside the corporate walls. The "givenness" of a particular corporation in an employee's life is far less than what it used to be. The molecular unit of business is coming to be not the corporation, or even the business—it is the individual. This was always true, but the covariance is now gone. The dominant fact in employees' lives is now not their corporate employer, but their networks of other people in business.

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Networks are replacing corporations. Interesting though this is, it has been well documented (e.g. *Fortune*, March 5, 2001, Great Leap Forward: From Davos, Talk of Death). But what of our mental models—the very tools we use to think about these issues?

Effect on Business Thinking

The pulling apart of business and people from corporations affects in subtle ways the very terms with which we think about business—in particular, our frameworks of strategy, organization and leadership. The challenge is to reframe them around the new molecular units of business and individual.

Strategy

What happens to corporate strategy when it is no longer corporate? Strategic models built at the business level (e.g. Porter's five forces, growth/share based strategies) remain valid. So do purely financial corporate-level models of portfolio balancing. But many other approaches to strategy contain implicit assumptions about the transaction costs of going outside the corporation. Those assumptions include synergy, core competence, and culture.

Corporate strategy as synergy makes no sense if there are no costs of crossing corporate boundaries. Synergies are no longer internal to the corporation, but exist externally as well. Similarly, models that conceive of strategy as something grown and nurtured by a particular corporate environment, culture or value set must be reframed. Cultures, values and environments still exist—they are just not intrinsic to a company. In fact, strategies that seek to change or enhance corporate cultures and values often do so by shutting out external cultures and values—when this may be the very thing that is needed for enhance business or personal networks.

Finally, the concept of "built to last" gets turned on its head. Continued existence can no longer be considered prima facie evidence of success. If anything, it is increasingly a cause for concern that the company in question is not sufficiently open to the real networks of people and processes that create and drive businesses.

Organization and Leadership

Many organization thinkers would say the central challenge facing organizations today is the ability to adapt. But what happens to organization change, organization development and corporate culture if the corporate organization itself no longer matters? If strategy doesn't require a corporate base, and if people can network outside the corporate walls, then what is the point of working to manipulate organizations themselves?

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Corporations facing major transition must reframe the problem. The challenge is not to enhance corporate adaptability, but to eliminate organizational restrictions on the development of business and people networks. The challenge is not to create learning organizations, but to create learning.

Consider a simple example. Executive search contracts typically bar recruitment from the client for a period of time. This works to preserve the corporation, but it stifles networks of people and business. The attempt is grounded in making the corporation competitive, but the effect is to shut down the evolution of people networks. It is the policy of a corporate world, not a networked world. It sacrifices personal growth—the currency of the emerging economy—for continued corporate existence.

Technology provides vivid metaphors for this boundarylessness. We are moving away from a "mainframe and client-server" world—the world of hierarchies and boundaries. We are moving to "peer-to-peer networks"—organically evolving networks of networks, much like the Internet itself. There is no center, there is no hierarchy; there are evolving networks. Networks don't "compete" with each other—they combine, reform, integrate, absorb and pass on their own capabilities to future permutations of networks.

Leadership too must be reframed. Business still have to get built, managed and rebuilt. People still respond to leaders. But the job of a leader is no longer a corporate job. The problem is not to lead corporations, but to lead businesses and people; people come in the form of evanescent, constantly changing networks. Leadership traits become valuable across networks, even in individuals. Leadership gets decentralized to the individual level. There are not "leaders" and "followers;" rather, we all become partial leaders part of the time—more or less as the networks and circumstances demand.

New Ideas and New Success Models

As businesses and people become disaffiliated from corporations, group models become less useful. Molecular, individual-based models become the focus. We need to think less sociologically and more psychologically. Technology will continue to evolve and reduce the costs of outsourcing, but people must also acquire the traits of "modularity." What does this mean?

As the number of business interactions increases exponentially, those who can maintain quality of interaction will gain competitive advantage. Those who can rapidly forge relationships with other individuals to create new businesses will prosper. And those who can connect with others and create new and larger networks will also be successful.

Interpersonal skills are becoming more strategic. This doesn't mean just first-order communication skills like listening or giving feedback. It means far higher-order capabilities—mindsets, if you will—like rapid trust creation, self-confidence and low levels of self-orientation in pursuit of customer focus.

Trust, for example, will migrate from "corporate" paradigms of reliability and credibility into other aspects of trust like authenticity, sincerity, and other-focus. Customer orientation must migrate away from database-based conceptual models like CRM to truly personal-driven models in which CRM is a minor enabler. Customer focus must come to be seen as a consciously chosen psychological state, not a business process.

We have seen mass customization in manufacturing, and one-to-one marketing. But it's still mass, and it's still marketing. What we are about to see replace them is individualization and personal selling in the evolving networks of business and of people.

The Irrelevance of Corporations

Robert Frost wondered whether the end of the world would come with a bang or a whimper. The end of corporations, if you will, is more of the whimper variety.

Corporations will still have a role to play, but it will be far narrower. They may continue to play the role of a person-less entity for purposes of financial aggregation; they solve the problem of liability in financing. In plain language, they work well as holding companies.

Corporations may also become holding companies for people, as well as for investments. One can imagine a future in which employees have multiple jobs, working for multiple businesses; not unlike consulting firms, the movie business or project-based organizations of today. In such a world, corporations can still play an infrastructure role—housing technology tools, providing billing/payment and project administration functions, even minimally supporting networking of people.

As the old saying goes, "The last thing a fish notices is the water it swims in." So it is with our intellectual ideas. We notice the changes in our world before we notice the changes in the ways we must notice. The challenge is for our mental models to keep pace with the changes in the world around us.

