

STUDY OF AN ENTERPRISE: Critical Analysis & Literature Review

What is an 'Enterprise'? Why have one? What is it supposed to do? What are the alternatives?

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1. INTRODUCTION

In this paper, I have carried out a thorough analysis of an 'Enterprise'. To accomplish this, I have investigated couple of key aspects of an enterprise including some of the key theories on enterprises and how these evolved over the last century. In addition, I have carefully examined the numerous perspectives as they relate to an enterprise to gain a holistic understanding. Following the discussion on these perspectives, we will see how these relate to each other as presented in the *Enterprise Model*.

Before we get into a detailed discussion on an enterprise, it will be useful to see what exactly is the difference between commonly used terms such as an *enterprise*, a *business enterprise*, an *economic organization*, a *business corporation*, a *business organization*, a *company*, or a *firm*? There may be other relevant terms that I may not be aware of. However, the question remains the same; are these different legal terms for the same entity? Or are these different flavors of the same concept? Or are these entirely different concepts? Scholars of business and management studies have been researching for last many decades to understand what these terms mean. Some (Epstein, 1976) believe that the term '*business enterprise*' connotes large, privately-owned, non-state, economic organizations which functioned in predominantly capitalistic societies. While large '*economic organizations*' are found in all industrialized societies irrespective of the prevailing socio-economic ideology, '*business enterprise*' – a subcategory of economic organizations – are a more restricted phenomenon. For example, the Peking Pharmaceutical Factory in China, the Moscow Machine Authority in the United States, Standard Oil of California and Imperial Chemical Industries are all large economic organizations; only the last two mentioned, however, are business enterprises (Dahl & Lindblom, 1953). Since virtually all large business enterprises in Britain and the United States function in the corporate form, the word '*corporation*' or '*company*' frequently is substituted for the term '*business enterprise*'. It seems from this discussion that there are a couple of legal, socio-political, and functional factors that would enable us to qualify an '*economic organization*' to be a '*corporation*', a '*firm*', a '*company*', or a '*business enterprise*'. For the purpose of this paper, all these expressions, however, are used synonymously.

2. WHAT IS AN 'ENTERPRISE'?

Now, the question is, “*What is an Enterprise?*” Does it not depend on whom you ask? For instance, if you ask my Professor, “*Who is Ahmad?*”, hopefully he will have a different perspective compared to the answer that you will get from my daughter. And both these perspectives will be important to gaining a complete understanding of *Ahmad*. The point that I am trying to make here is that the answer to a question like “*What is an Enterprise?*” will depend upon who is being asked. One perspective may not be as important as the other. However, in order to understand what really an enterprise is, we require an analysis of different perspectives of an enterprise; hopefully all of these perspectives will come together to give us a better appreciation of what really makes up an enterprise. We will analyze each of these perspectives in detail. Then, we will see how these views establish a unified enterprise view.

2.1 'Enterprise' – From an Economic Perspective

The material framework of modern civilization is the industrial system, and the directing force which animates this framework is business enterprise. To a greater extent than any other known phase of culture, modern Christendom takes its complexion from its economic organization (Veblen, 1953, 1). The motive of any business is pecuniary gain; the method is essentially purchase and sale. The aim and usual outcome is an accumulation of wealth¹ (Walter, 1991, 53; Walker 1968: Ch 14; Nussbaum, 1968, Vol I: ch 1, 8, 9, 15; Marx 1979; Ch.4). Accumulation of wealth, according to Veblen, serves as the fundamental objectives of a business enterprise. In fact, Veblen says that men whose aim is not increase of possessions do not go into business, particularly no one on an independent footing (Veblen, 1996, 20). Taking a look at pre-capitalistic era, however, Ashley presents a very different view from Veblen and states that one of the features of business situation is that business, whether handicraft or trade, was customarily managed with a view to earning a livelihood rather than with a view to profits on investment (Ashley, 1966, 392). With a fuller development of the modern close-knit and comprehensive industrial system, the point of chief attention for the businessman has shifted from the old-fashioned surveillance and regulation of a given industrial process, with which his livelihood was once bound up, to an alert redistribution of investments from less to more gainful ventures², and to a strategic control of the conjunctures of business through shrewd investments and coalitions with other businessmen.

For a theoretical inquiry into the course of civilized life as it runs in the immediate present, therefore, and as it is running into the proximate future, no single factor in the cultural situation has

an importance equal to that of the business man and his work (Veblen, 1953, 3). According to the earlier generation of economists, as debated by Veblen (Veblen, 1953, 23), the business man's part in industry, in great measure, was that the undertaker was the owner of the industrial equipment, and that he kept an immediate oversight of the mechanical processes as well as of the pecuniary transactions in which his enterprise was engaged. In early modern times, before the regime of the machine industry set in, business enterprise on any appreciable scale commonly took the form of commercial business – some form of merchandizing or banking (Veblen, 1996, 21). Shipping was the only considerable line of business which involved an investment in or management of extensive mechanical appliances and processes, comparable with the facts of the modern mechanical industry (Veblen, 1996, 21).³ The economic welfare of the community at large is best served by a facile and uninterrupted interplay of the various processes which make up the industrial system at large; but the pecuniary interests of the businessmen in whose hands lies the discretion in the matter are not necessarily best served by an unbroken maintenance of the industrial balance (Veblen, 1953, 27).

Investments are made for profit, and industrial plants and processes are capitalized on the basis of their profit-yielding capacity. The interest of business community centers upon profits and upon the shifting fortunes of the profit-maker, rather than upon accumulated and capitalized goods. Therefore, the ultimate conditioning force in the conduct and aims of business is coming to be the prospective profit-yielding capacity of any given business move, rather than the aggregate holdings or the recorded output of the product (Veblen, 1996, 90).

2.2 'Enterprise' – From a Society Perspective

This perspective is pretty different from economic perspective. It is interesting to see how business enterprises use '*social responsibility*' to their '*pecuniary advantage*'; we will see how. The term '*social role*' or '*social responsibility*' actually encompasses two separate concepts which frequently have not been distinguished: one *descriptive*, and the other *prescriptive*. The first, which is empirically based, refers to the social tasks or functions which business enterprises actually perform in a society at a given period in time. The second, which is normatively predicated, relates to social tasks or functions which other social interest groups assert that business firms should perform (Epstein, 1976). Important to note is that this concern with the social role of business enterprise in both descriptive and prescriptive senses – the '*is*' and the '*ought*' – is not, however, a parochially American matter. In Western Europe, there has been a rapidly expanding awareness of the social and political influences of large domestic and multinational enterprises on the communities wherein they operate.

Moreover, the subject is relevant not only in mature industrialized nations. Developing countries – inspired frequently by a variety of motives – have reacted, occasionally forcibly, to the fundamental impact which business firms (particularly foreign-owned multinational enterprises) have had upon the process of industrialization and rapid social change which these countries are undergoing (Epstein, 1976).

How important is this '*Social Responsibility*'? How are enterprises responding to these? What benefit in terms of pecuniary gains do these enterprises expect? Let's look closely at what some of the largest corporations are doing. Corporations like the Bank of America, Aetna Life and Casualty Company, Shell Petroleum, and Chase Manhattan Bank are responding to social responsibilities and have begun to include '*Social Audits*', '*Social Action Reports*', or '*Social Balance Sheets*' in their annual reports. Although the form, content and sophistication of such '*accounting*' vary considerably, they assess, typically, company performance with regard to racial and ethnic minorities, women, the physical environment, underdeveloped nations, consumers, employees and the general community (Epstein, 1976). Many leading business enterprises have established departments of Public Affairs, Environmental Relations and the like, headed by senior executives. These departments are charged with several specific tasks related to social responsibility. For instance, Citigroup Inc. announced \$200M education program and started an Office of Financial Education, which will be headed by Dara Duguay, formerly executive director of the non-profit JumpStart Coalition for Personal Financial Literacy in Washington D.C. Citigroup will also allow employees around the world to take a day off to volunteer for a non-profit organization supporting financial education or other charitable causes (Sam, 2004). In addition, Citigroup Inc.'s strategic goal is to become the most respected financial services industry. By the year 2009, Citigroup plans to exceed \$50 Billion in revenue (from ~\$17 Billion in 2004); this goal is *confidential* within Citigroup and now made public. However, each decision that is being made from top to bottom is driven by this highest level goal. How do these different goals co-relate? By the very nature of services it provides, for the longer-term success, Citigroup Inc. needs to ensure that it is globally respected and is "*perceived*" to have the highest levels of integrity.

With regards to academia, leading American schools of business administration have established a field known varyingly as '*Business and Society*' or the '*Social and Political Environment of Business*', within the past fifteen years. This area of teaching and research examines the interactions between business organizations and their societal setting and prepares present and future managers

to deal more effectively with the non-traditional and non-exclusively economic aspects of business operations.

It is beyond the scope of this paper to discuss in detail the many complex reasons contributing to the almost obsessive American concern with business social responsibility. More details on the subject can be found in Votaw and Sethi (1973), Chamberlain (1973), Bell and Kristol (1970), Walton (1967), Cheit (1964), Epstein (1973), and Epstein (1974). Suffice it to say, this societal emphasis is a consequence of factors both external and internal to the corporation. On the other hand, there exist continuing pressures from diverse social interests (frequently articulated through the political process) which seek to conform business values with ever-rising public expectations; to assure effective societal control of corporate power; and to improve business's performance with regard to its traditional (i.e., shareholders and employees) and newly defined (e.g., minorities, environmentalists and consumers) constituents. Within business enterprises, on the other hand, more managers – particularly at the top levels of the organization – seek increasingly to anticipate changing societal expectations and the resultant external pressures, and have begun, consequently, to view their own and their firms' roles much more broadly than heretofore (Epstein 1976). It is not to be supposed that corporate executives have adopted heightened criteria of business's social role primarily out of altruistic motives. While idealism undoubtedly plays some part, pragmatic considerations of *“achieving harmony between the firm and its environment so that business can be conducted with a minimum of externally-imposed constraints constitutes an essential rationale for managerial concern about the present and future social roles of business enterprises”* (Epstein 1976).

2.3 ‘Enterprise’ – From Ownership Perspective

Think about an enterprise without ownership; can an enterprise take birth, exist, or be profitable without an owner? Consider the statement made by Veblen (1953, 66), *“The spiritual ground of business enterprise is given by institution of ownership”*. ‘Business Principles’ are corollaries under the main proposition of ownership; they are principles of property – pecuniary principles. The binding relation of property to its owner is of a conventional, putative character (Veblen, 1953, 69). In absolute terms the institution of ownership is ancient, no doubt; but it is young compared with blood-relationship, the state, or the immortal gods (Veblen, 1953, 69). Especially is it true that its fuller development is relatively late. Not until a comparatively late date in West European history has ownership come to be emancipated from all restrictions of a non-pecuniary character and to stand in a wholly impersonal position, without admixture of personal responsibility or class prerogative⁴.

Ownership is not all-pervading and all-dominant, but it pervades and dominates the affairs of civilized peoples more freely and widely than any other single ground of action, and more than it has ever done before (Veblen, 1953, 70).

We understand that for an enterprise to exist and be profitable, ownership is necessary. So what does it mean to own? According to modern European, common-sense theory says that ownership is a 'Natural Right'. What a man had made, whatsoever "he hath mixed his labor with", that he has thereby made his property. It is his to do with it as he will. It is his in the nature of things by virtue of his having made it. "Thus labor in the beginning, gave a right of property." (Veblen, 1953, 72). The baseline of every enterprise is a line of capitalization in money values (Veblen, 1953, 85). In current business practice, variations from this base line are necessarily rated as variations of the base line. The business man judges events from the standpoint of ownership, and ownership runs in terms of money⁵. We will see in the *Enterprise Model* that *Ownership* forms the foundation of an enterprise; shareholders' benefits are always considered important when designing strategy.

2.4 'Enterprise' – From an Organization Perspective

Understanding the complexity of organizations and their environments has been a long-standing concern of organization theory. Organization plays an important role at all levels of an enterprise; from a single person enterprise to a global enterprise of enterprises with thousands of employees. Obviously, the higher level goals of an organization may remain the same i.e., optimizing enterprise functioning. It

seems very intuitive to assume that the intensity of organization varies with the size and complexity of the enterprise. As an enterprise (industry or business) begins to involve large size, great numbers, and complexity, organization becomes

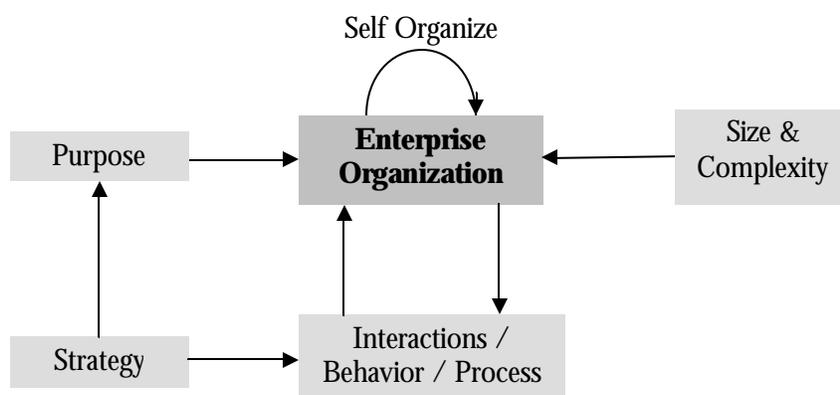


Figure: I – Factors affecting organization

necessary simply for the direction, control and handling of affairs, quite aside from any question of direct economy (Robb, 1910, 2). A virtue has, however, been made of this necessity for division, because it becomes possible, by dividing duties and functions, to conserve special skill, ability, and

use, and to direct all effort into definite paths, to which it becomes accustomed and thus gains in efficiency. Figure I gives a pictorial overview of some of the critical factors that affect organization of an enterprise. We will discuss each of these in greater details.

Purpose plays an important role in defining organization. With one purpose in view, the principle of the division of labor for specialization of skill may be all-important; in another situation, this may become insignificant in comparison with the proper control and direction of large numbers (Robb, 1910, 4). It is interesting to consider some of the different forms that organizations take and some of the results that are sought, because such a consideration brings out more clearly this question of purpose and conditions and material, and helps to prevent one from assuming that organization always means the application of a perfectly definite method or system to the carrying out of any large and complicated undertaking (Robb, 1910, 4).

According to Levy (2000, 67), strategy concerns itself with the development and deployment of corporate resources in such a way as to compete more effectively in a particular industry. Business success and failure are outcomes of complex interactions between an organization and its changing environment, without simple cause and effect relationships; indeed, any patterns that we may discern may well prove ephemeral (Levy, 2000, 67).

Compared to the organizational importance for an enterprise in the context of its purpose, Levey (2000) presents an interesting discussion of the influence that an enterprise (a firm) behavior can have on the organizational structures. Industries evolve in a dynamic, path dependent manner over time as a result of complex interactions among firms, government, labor, consumers, financial institutions, and other elements of the environment. Not only does industry structure influence firm behavior, but firm behavior in turn can alter the structure of an industry and the contours of competition. Existing theoretical models, however, tend to assume relatively simple linear relationship without feedback.

During the 1990s, there was an explosion of interest in complexity as it relates to organizations and strategy. There are seven major themes in complexity theory that explain its appeal to scholars of organizations (Levy, 2000, 68). Simon (1962; 1964) viewed the analysis of complexity and the application of analytical and computer tools to study complex systems as laying the groundwork for a unified theory of management. Systems theory (Katz & Kahn, 1966; Thompson, 1967) also promised a theoretical synthesis that could integrate multiple levels and perspectives. More discussion on this aspect will be carried out in the section on '*Living Systems*'.

As with most aspects of operating an enterprise, organization comes with its own limitations; it is crucial to have organization appropriate for the purpose. *Over* organization or *under* organization may not be beneficial at all. According to Robb (1910, 24), a business organization is for the purpose of accomplishing definite pieces of work, of arriving at a definite result with the least expenditure of labor and material, the smallest expenditure for plant, and the shortest time of use of the plant; and if organization does not prevent waste or enable us to get results attainable in no other way, it has no value. In any undertaking there are many things that influence the result; that we shall make the best use of time, labor, and money if we keep all these factors in view, if we develop the whole in harmony, consider the bearing for the factors, and work for their improvement in proportion to their influence, instead of getting twists in one direction because it happens to interest us or is easy of progress, or because it is in plain view. It helps us to an appreciation of the true kind of thoroughness, of the value of attention to what is significant, and the elimination of waste of time and effort (Robb, 1910, 30).

Robb (1910) presented an interesting discussion of organization as it relates to the enterprise purpose; organization of army is very different from an organization of R&D focused enterprise. In his discussion, however, Robb (1910) did not present an explicit discussion on flexibility, creativity, and innovation in response to the vagaries of the marketplace; how should these enterprises re-organize based on the changing needs to accomplish the purpose. Predicting the future, Simon said that, 1) Organizations will still be constructed in three layers; an underlying system of physical production and distribution processes, a layer of programmed (and probably largely automated) decision processes for governing the routine day-to-day operation of the physical system, and a layer of non-programmed decision processes for monitoring the first-level processes, redesigning them, and changing parameter values. 2) Organizations will still be hierarchical in form. The organization will be divided into major subparts, each of these into parts, and so on, in familiar forms of departmentalization. The exact basis for drawing departmental lines may change somewhat. Product divisions may become even more important than they are today, while the sharp lines of demarcation among purchasing, manufacturing, engineering, and sales are likely to fade (Simon, 1960, 49). In enterprises like Citigroup Inc., self-organization or re-organization is a constant; you will hardly see same organization last for more than couple of months. Business Systems are in a constant state of change – they are created, operated, revised, and often eliminated (Johnson, Kast & Rosenzweig, 1964). In this regard, the idea of organic structures seems more appealing and effective to me than mechanistic ones in coping with turbulent environments as is truly supported by Burns

and Stalker (1961). Complexity theory suggests that organic networks poised on “*the edge of chaos*” might give rise to self-organization and emergent order that enable firms to prosper in an era of rapid change (Allen 1988; Brown & Eisenhardt, 1997). Therefore, in order to be efficient and effective, approaches to organization design must change as well. Most texts on the subject focus on tasks and structures, with detailed discussions of roles, positions, levels, and reporting relationships (Galbraith, 1977; Schlesinger & Sathe, 1992). They say relatively little about processes or about how the work actually gets done. From these readings, the implicit argument seems to be that organization design is largely a matter of architecture: drawing the right boxes and connecting them appropriately. A ‘*Process Perspective*’, discussed later, suggests that far more attention should be paid to organizational functioning, and that design efforts should begin by attending to processes and only later should shift to the structures needed to accommodate them. Structuring organizations as decentralized, nonhierarchical networks is an important component of achieving this vision (Nohria & Eccles, 1992; Senge, 1990; Stacey, 1995; Wheatley 1996). The effectiveness of decentralization in promoting adaptation is suggested by Kauffman’s (1993) work on network patches. The hastening of adaptation through a process of annealing, or jolting, could find its organizational analogy in bold forms of experimentation. Stacey (1995) argues that organizations can be tuned to the edge of chaos, where adaptation and creativity are maximized, by finding a balance between centralization and decentralization, between rigidity and disorder, though elsewhere Stacey (1993) asserts that the speed of information flow within an organization also serves this purpose. Lane and Maxfield (1996) have proposed that firms can enhance the process of variation and adaptation by seeking to build a web of external ‘*generative*’ relationships, such as joint ventures with other firms, and allocating organizational resources to the more promising ventures. Organizational identity, culture, mission, and values can play a powerful role in integrating a decentralized, network form of organization, and some writers have suggested the metaphor of organizational mission and core values serving as an attractor (Mintzberg, Pascale, Goold, & Rumelt 1996; Pascale 1990; Stacey 1995; Wheatley 1996).

2.5 ‘Enterprise’ – From Living System Perspective

A system is “*an organized or complex whole; an assemblage or combination of things or parts forming a complex or unitary whole.*”⁶ Darwin, in his theory of evolution, integrated all life into a “*system of nature*” and indicated how the myriad of living subsystems were interrelated. Keynes, in his general theory of employment, interest, and money connected many complicated natural and man-made forces which make up the entire economy. Both men had a major impact on man’s thinking because they were

able to conceptualize interrelationships among complex phenomena and integrate them into a systematic whole (Johnson et al, 1964).

James Miller (Miller, 1978) developed a general theory of living systems in an effort to classify living organisms. His primary classifications were in regard to placing living systems into hierarchical levels and he proposed twenty characteristics necessary to sustain life. However, the application of his theories to this research is the organisms' desire for *homeostasis* or *stability*. The biologist Ludwig von Bertalanffy has emphasized the part of general systems theory which he calls "*Open Systems*" (Bertalanffy, 1951). The basis of his concept is that a living organism is not a conglomeration of separate elements but a definite system, possessing organization and wholeness. An organism is an open system which maintains a constant state while matter and energy which enter it keep changing (so-called dynamic equilibrium). The organism is influenced by, and influences its environment and reaches a state of dynamic equilibrium in this environment.

With regards to '*stability*', the Le Chatelier principle⁷ states that a stable system under stress will move in that direction which tends to minimize the stress. The first level of modification is simply no modification. Extracting from living systems theory, there are then three progressive levels of modification: adjustment, adaptation, and evolution. "**Adjustment**" is the use of existing features to respond to the change. This can be likened to minor modifications of inputs and outputs to existing activities. "**Adaptation**" is the development of new capabilities to respond to the change. This can be likened to the addition and subtraction of activities and data to the diagrams as well as changing of their relative positions. "**Evolution**" is change in the genetic structure of the model. This can be likened to performing business process reengineering to radically change the business processes and therefore the model. Evolution is usually considered occurring slowly over a long period of time, the use of the term here only applies to the radical change, not to the time span of the change.

Such a description of a system adequately fits the typical business organization. The business organization is a man-made system which has a dynamic interplay with its environment, customers, competitors, labor organizations, suppliers, government, and many other agencies. Furthermore, the business organization is a system of interrelated parts working in conjunction with each other in order to accomplish a number of goals, both those of the organization and those of individual participants (Johnson et al, 1964).

A common analogy is the comparison of the organization to the human body with the skeletal and muscle systems representing the operating line element and the circulatory system as a

necessary staff function. The nervous system is the communication system. The brain symbolizes top-level management, or the executive committee. In this sense an organization is represented as a self-maintaining structure, one which can reproduce. (Organic Growth concept) Such an analysis hints at the type of framework which would be useful as a systems theory for business – one which is developed as a system of systems and that can focus attention at the proper points in the organization for rational decision making, both from the standpoint of the individual and the organization (Johnson et al, 1964).

The concept of the business enterprise as a social system also has received considerable attention in recent years. The social-system school looks upon management as a system of cultural interrelationships. The concept of a social system draws heavily on sociology and involves recognition of such elements as formal and informal organization within a total integrated system. Moreover, the organization or enterprise is recognized as subject to external pressure from the cultural environment. In effect, the enterprise system is recognized as a part of a larger environmental system (Johnson et al, 1964).

The models presented by Bartlett and Ghoshal (1989) tend to be oversimplified and lack much explanatory or predictive value. Complexity theory, which is the study of nonlinear dynamic systems, promises to be a useful conceptual framework that reconciles the essential unpredictability of industries with the emergence of distinctive patterns (Cartwright 1991). Although the theory was originally developed in the context of physical and biological systems, Butler (1990), Kiel and Elliott (1996), Merry (1995), and Radzicki (1990), among others, have noted that social, ecological, and economic systems also tend to be characterized by nonlinear relationships and complex interactions that evolve dynamically over time. Deep chaos is a natural, inescapable essential stage in the transformation of all life forms. Out of chaos come forth the fertile variety of forms of existence and life in this universe (Merry, 1995: 13). If we believe that enterprises are living organisms and go through transformations and evolutions during their lifecycles, the theory seems to be applicable.

There are certain key subsystems and/or functions essential in every business. Organizations are too complex to map. But this does not mean organizations cannot be improved. Evolution is a process that in the biological realm has consistently improved extraordinarily complex organizations (organisms) – sometimes in remarkably short periods of time as the unexpected emergence of drug-resistant bacteria attests. Computer simulations of evolutionary processes, strongly suggest that biological evolution is only one example, albeit the archetypal example, of more general processes that can improve complex systems (Holland, 1995; Koza, 1992; Goldberg, 1989).

2.6 'Enterprise' – From Process Perspective

Garvin (1998) presents a process view of an organization and defines processes as collections of tasks and activities that together – and only together – transform inputs into outputs. Within organizations, these inputs and outputs can be as varied as materials, information, and people (Garvin, 1998: 33). Process theories have appeared in organization theory, strategic management, operations management, group dynamics, and studies of managerial behavior. The few scholarly efforts to tackle processes as a collective phenomenon either have been tightly focused theoretical or methodological statements or have focused primarily on a single type of process theory (Mohr, 1982; Monge, 1990; Van de Ven, 1992; Van de Ven & Huber, 1990). Yet when the theories are taken together, they provide a powerful lens for understanding organizations and management (Garvin, 1998: 34). From the discussions, organization and processes of an enterprise affect each other.

2.7 'Enterprise' – From Innovation & Learning Organization Perspective

There is a growing recognition among economists that the innovation process is key to an understanding of the economic development, and that the business enterprise is an organization that is central to the innovation process. Yet, despite considerable research that draws inspiration from the seminal insights of Joseph Schumpeter, 'innovation' economists have yet to expound a rigorous and relevant theory of innovative enterprise.

According to Nevis, DiBella and Gould (1995), while companies do not usually regard learning as a function of production, their research on successful firms indicates that three learning related factors are important for their success i.e., 1) Well-developed core competencies that serve as launch points for new products and services; 2) An attitude that supports continuous improvement in the business's value-added chain, and 3) The ability to fundamentally renew or revitalize. These factors identify some of the qualities of an effective learning organization that diligently pursues a constantly enhanced knowledge base. This knowledge allows for the development of competencies and incremental or transformational change.

Senge's work (Senge, 1990) stresses the creativity and learning capacity of network organizations that encourage all workers to engage in a dialogue, "*the free and creative exploration of complex and subtle issues, a deep 'listening' to one another and suspending of one's own views.*" Senge's work frequently invokes the metaphor of organizations as brains (Morgan 1997). Interest in the brain as a neural network has been growing. In a neurophysical study of magnetic fields generated by the

brains of human subjects performing manual coordination tasks, Kelso and Fuchs (1995, 64) concluded, “*The brain is fundamentally a pattern forming, self-organized system governed by non-linear dynamical laws. The brain is a complex dynamical system in which, under certain conditions, spatiotemporal patterns emerge spontaneously and sustain themselves in a relatively autonomous fashion. It is poised on the brink of instability where it can switch flexibly and quickly.*”

Innovation and learning seem to be the key factors in determining the evolution path of an enterprise. We will discuss these aspects in subsequent papers on enterprise analysis.

3. WHY HAVE AN ‘ENTERPRISE’? – Enterprise Objectives

It may not be very straight-forward to have this discussion. The bottom-line is that ‘Enterprises’ exist in order to “*make money*”. We have seen this in the arguments presented by (Veblen, 1904) and Epstein (1976).

Within industrial nations, especially in the West, managers, trade unionists, social activists, scholars, and the general public have expressed concerns periodically about the social role of business enterprise. At issue is the determination of the objectives of business organizations over and above the functions conferred upon them by traditional economic theory; the production and distribution of goods and services, and the attainment over time of a level of profitability (income over costs) sufficient both to enable the enterprise to survive and to provide an attractive rate of return for the shareholder-owner-investors (Epstein, 1976). Nowhere has the issue of the social role of business enterprise assumed greater theoretical and practical importance than in the United States where the self-conscious attempt to assess “*corporate social responsibility*” has pre-occupied corporate managers and critics since the end of World War II with the antecedents of this concern, indeed, traceable to the beginnings of the 20th century⁸. The bottom line is that enterprise’s social role does effect the perception it creates in the environment; the perception in turn directly affects the profitability of a given enterprise.

Based on the perspectives discussed earlier, enterprise may have one or a combination of objectives including (but not limited to) “*Accumulation of Wealth*” (Veblen, 1904), “*Social Services*”, “*Earning of Livelihood*” (Ashley, 1906, pp389-397). MacGregor (1934), on the essay of *Motive and Interest*, very rightly insists that it makes no sense to judge motives like the so-called profit motive as if they were isolated in thought. Regard must be had to the fact that these motives make an inseparable part of a whole system of industry and industrial society; they cannot be dis severed from the special conditions of their sphere.

Historical View of Objectives of a BUSINESS ENTERPRISE

Veblen: *Accumulation of Pecuniary Wealth – Late 19th and early 20th Century*

“The vital point of production is the vendibility of the output, its convertibility into money values, not its serviceability for the needs of mankind (Veblen, 1904; p51).”

“According to Veblen giant corporations of the late nineteenth and early twentieth centuries were not primarily interested in profit maximization through the production and sale of products. The primary goal of the corporate managers of such companies was to maximize the value of their common stock (Ganley, 2004).”

“The aim and end result of business enterprise, properly conducted, was the accumulation of pecuniary wealth. Since businessmen, through private property, own and control the machine process⁹, they operate it primarily for profit and only incidentally to produce material benefit for the community at large.”

Ely: *Making Money – Early 20th Century*

“Business men are primarily interested in acquisition rather than in production, in making money rather than in making goods (Ely 1916; p513).”

MacGregor: *Whole System of Industry*

“Numerous motives (profit, social services and others) make an inseparable part of a whole system of industry and industrial society; they cannot be dissevered from the special conditions of their sphere (MacGregor, 1934).

McGuire: *Material Wants of Mankind vs. Beliefs and Values – Mid 20th Century*

Economic Explanation – “Business firms and businessmen exist to satisfy the material wants of mankind in the most efficient, free, just, and satisfactory manner. The businessman is an economic man, a person who is driven by a never-ending need to satisfy his primary single-minded quest for maximum gain through the exchange system (McGuire, 1966).”

Behavioral Science Explanation – “Behavioral scientists perceive the role of business in our modern society not in terms of the goods and services produced, but in terms of the broad range of changes in attitudes, beliefs, values, and standards. Behavioral scientist is prone to point out that men who are entirely selfish simply do not exist or, if they do, they end up in prison or in a mental hospital. To the *psychologist*, the businessman is first and foremost a man – a human being who acts much like his fellow man. The *sociologist* also sees this similarity of human behavior for he perceives the businessman in his relationships with other men – both in and out of business. The *anthropologist* knows that the businessman is but one particle in his society and that his values are shaped and conditioned by the culture of which he is a part (McGuire, 1966).”

Hines & House: *Higher Profits & Better Service – Late 20th Century*

“Managers hope to improve their companies. Ultimately, they seek higher profitability for shareholders, more satisfaction for employees, and better service for customers (Hines & House, 1998).”

Company X: *Pecuniary Wealth, Integrity, & Social Responsibility – Early 21st Century*

“Company X goal to generate \$x Billion in revenue by the year 2009 (*Confidential* – not made public yet).”

“Company X announced \$y M education program.”

“Company X voted most respected financial services company in the world.”

4. ALTERNATIVE AVAILABLE

Economic organizations (specialization – business enterprises) seem to have played and will continue to play key role in defining the world’s economy. History provides evidence that there is no substitute to these economic entities to do the job that it does.

5. DISCUSSION & CONCLUSION

In this paper, we have discussed some of the most significant enterprise perspectives. Each of these perspectives plays an important role in understanding what an enterprise is and in creating a holistic picture. Enterprise Model, presented in Figure II, presents a high-level view of how these perspectives co-exist and play such a defining role in an enterprise.

As shown in Enterprise Model, ‘Ownership’, based on my research seems to play the most critical role in ensuring that enterprise survives and is hopefully profitable. Within an enterprise, ‘Living System’ allows the enterprise to achieve a stable state by adjusting, adapting, and evolving the processes, organization, and strategy (economic and society); each of these affect the other in significant ways.

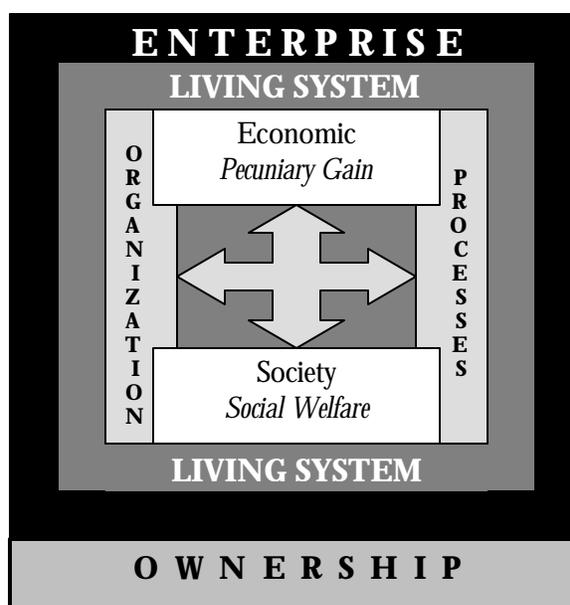


Figure II: Enterprise Model

6. FUTURE RESEARCH

In this paper, we have carried out a detailed study of an enterprise. We have gained detailed understanding of what really is an enterprise, why it exists, and how it’s objectives have evolved over the last century. Challenges faced by enterprises in meeting these objectives seem to be the next incremental and logical step in analyzing an enterprise. There is a strong need for developing a thorough understanding of the transformation and evolution of enterprises; enterprise lifecycles. Such a study will expose the stages of enterprise evolution lifecycle and the factors that contribute towards the success or failure of transition phases across the lifecycle. In carrying out enterprise analysis, “Value Analysis” framework developed by McKay and Ng (2004) seems to be worth exploring.

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End Notes

¹ The ulterior ground of efforts directed to the accumulation of wealth is discussed at some length in Veblen (1953) chapters II and V and the economic bearing of the business man's work is treated in a paper on "Industry and Pecuniary Employment," in the Proceedings of the thirteenth annual meeting of the American Economic Association.

² Marshall (1930) on the "Law of Substitution," e.g., bk. VI. ch. I. The law of substitution implies freedom of investment and applies fully only in so far as the investor in question is not permanently identified with a given industrial plant or even with a given line of industry. It requires great facility in shifting from one to another point of investment. It is therefore only as the business situation has approached the modern form that the law of substitution has come to be of considerable importance to economic theory; for a theory of business, such as business in medieval and early modern times, this law need scarcely have been formulated.

³ It is significant that joint-stock methods of organizations and management – that is to say, impersonally capitalistic methods – are traceable, for their origin and early formulation, to the shipping companies of early modern times (Veblen, 1996).

⁴ For e.g., E. Jenks, *Law and Politics in the Middle Ages*, ch. VI. and VII.

⁵ The conventional acceptance of the money unit as an invariable measure of value and standard of wealth is of very ancient derivation. (Carlille, 1969; Ridgeway, 1976).

⁶ For a more detailed discussion see: Johnson, Kast, and Rosenzweig (1963; 4-6, 91, 92).

⁷ Le Chatelier Principle (1850-1936):

<http://dwb.unl.edu/Teacher/NSF/C09/C09Links/www.chem.ualberta.ca/courses/plambeck/p101/p01101.htm>

⁸ The best comprehensive social and intellectual histories of the business social responsibility concept in the United States are Heald (1970) and Hurst (1970).

⁹ According to Veblen, the 'machine process' was a carefully balanced, well articulated, and intricately co-ordinated system of tools, machines, skills, and techniques which operated in terms of 'opaque cause and effect' and whose end result was the production and distribution of the community's material livelihood. Business enterprise, on the other hand, was a set of pecuniary institutional controls based upon private property and investment for a profit and resting securely, in a philosophical sense, upon the system of natural rights and natural liberty.