Seminar

E- Corporatism – Workplace liberation or techno-feudalism for the twenty-first century?

Dr John Barker, PhD
Science Dynamics Consulting

Abstract
The relationship between organisational structure and function has been an endless source of debate since Weber in the late nineteenth century. Many authors, including Burns and Stalker in the mid-twentieth century and Henry Mintzberg in the 'eighties and 'nineties have added notable insights. However much of this large volume of work has used static descriptions of organisations to develop prescriptions for improving organisational performance, essentially ignoring the reality of the dynamic nature of all purposive systems. Thus, the predictive value of these models has been limited by a lack of analysis of causative mechanisms both within and outside the organisation, leading to endless surprises and shocks as organisations attempt to adjust to changed socio-economic circumstances. Perhaps no greater shock has occurred than the advent of the internet and its deployment for "e-business". Most management attention is now focused on "appropriate" e-business systems, e-skills for staff and maximising short-term outcomes, particularly stakeholder perceptions of the worth of the organisation. While vastly increased executive compensation has drawn some comment, limited attention has been paid to the radical shift in power relationships between the executive and various stakeholder groups that has been afforded by e-systems and the long-term consequences of this shift.

This presentation will describe the evolution of structure of both private and public organizations, leading to the present dominant form of the "e-corporation" and will suggest some likely directions for future structure, function and performance. The easy-to-follow methodology will draw on General Systems Theory (von Bertalanffy et al), Life Cycle Theory (Utterback et al) and recent insights into the effects of "information asymmetries" in markets and organisations provided by Kenneth Arrow, and 2002 Nobel Prize-winner Joseph Stiglitz.

The presentation will be of interest to both management theorists and anyone concerned about the future of participatory democracy at any organisational level.

The presenter
Dr John Barker has a PhD in physics and has worked variously as an academic, librarian, manufacturer, consultant and public servant. For most of the 'eighties and 'nineties he worked with the WA Government, being responsible for establishing Bentley Technology Park, Scitech, the Science, Industry and Technology Council and the Centres of Excellence Research Grants Program. His association with Murdoch University goes back to its inception; at various times being a visiting lecturer, full-time researcher or member of research boards and committees. Most recently he was Research Manager in the Division of Science and Engineering and in 2004 lectured MBS students in telecommunications, electronic business and innovation. In between consulting contracts, he is now drawing together the diverse threads of his forty-year career as a "systems innovator" into a book, of which this presentation will form a chapter.

E- Corporatism – Workplace liberation or techno-feudalism for the twenty-first century?

Dr John Barker, PhD
Science Dynamics Consulting

I recently returned from an exhilarating four-week visit to Europe- mainly London, Paris, Florence and Salzburg. Although the motivation for the trip was my partner's participation in a singing workshop in Tuscany, we took the opportunity to update and expand our limited experience of Europe. Both of us had lived or travelled extensively in the USA, but Europe had mainly been a stopover on the way to North America. Thus looking at our principal cultural wellspring through "Austerican" eyes, I was surprised at what I found- as well as momentarily delighted.

I mention this experience, not just to share the experience, but also to frame this presentation. On an analytical level, I found myself involved in two major strands of thought. The first was that each of these cities-at least the central city and not the sprawling suburban hinterland- is essentially an historic theme park- a place that is a pristine idealisation of a bygone reality. London is essentially preserved in the heyday of its nineteenth century industrial revolution and colonial glory. Paris is essentially preserved in its seventeenth and eighteenth century pre-French Revolution glory of the Sun King and later Louis's. Florence, for its part, is preserved in its sixteenth and seventeenth century glory of the Medicis, prior to the Galilean scientific revolution. Salzburg was a bit off to the side, but time seems to have stood still since Mozart in the late eighteenth century, and the music revolution of Beethoven and beyond has largely been ignored. "Theme Park" might sound like a trite description, but I will explain some of the implications of this notion as I proceed.

The second strand was that this journey through space and back in time culminated in a visit to the Museum of Science in Florence (*Istituto e Museo di Storia della Scienza*), which, not surprisingly, was mainly dedicated to the story of Galileo and his scientific revolution. The Museum is somewhat tucked away in a street behind the Uffizi Museum, where I had cued for six hours to get a gloomy glimpse of Botticelli's Venus and Primavera. No cues at the Science Museum- in fact I was able to chat for about half an hour to a Canadian/Russian staff member. I was thrilled to see so many of the instruments actually used by Galileo- doubly thrilled- first as a physicist, to get a real sense of the guy who framed my early thought patterns, and secondly as a researcher whose work has been very much based on the ideas of Thomas Kuhn- whose landmark book, *The Structure of Scientific Revolutions*[1] used Galileo's work as the archetypal paradigm. The word paradigm is now used frequently and often loosely, but scholars usually return to Kuhn and Galileo to reflect on its meaning and implications. As a further aside, the fact that there is no major street in Florence named after Galileo may seem passing strange to the visitor, particularly after noting that Paris continues to honour its soldiers, statesmen, poets and philosophers with its street names. However, a moment's reflection on the Galilean story might reveal why. To this idea we will return.

"Yet it turns"

The foregoing is meant to frame this presentation on e-corporatism, and to many, it may seem a long way from that subject. I will now proceed with a more direct analysis of that subject, and return from time to time to these recent experiences in Europe. In line with academic tradition, I will first provide some basic definitions and key concepts regarding organisational structure, function and dynamics, which I will then use to analyse the idea of corporatism and its latest expression as e-corporatism. I will conclude by making some comments on the likely or possible future of organisational structures.

First, a general definition of corporatism: I personally like the definitions used by the on-line Wikipedia:

> Historically, **corporatism** or **corporativism** (Italian *corporativismo*) is political system in which legislative power is given to corporations that represent economic, industrial, and professional groups. Unlike pluralism, in which many groups must compete for control of the state, in corporatism, certain unelected bodies take a critical role in the decision-making process. This original meaning was not connected with the specific notion of a business corporation, being a rather more general reference to any incorporated body. The word "corporatism" is derived from the Latin word for body, corpus[2]

By extension, e-corporatism is corporatism facilitated by modern electronic communication systems. But while this socio-politically based definition is quite interesting, it lacks the analytical and dynamic aspects that are needed to provide context and prediction that would fully satisfy me. To do this I would like to focus on the Latin root, *corpus*, but broaden from just a *body*, to include *any bounded or observable entity or system*. Thus, we will shift to *system-based* approach based on General Systems Theory (GST) definitions and methodology.

In this context, a (purposive) *system* can be defined (after von Bertalanffy, Boulding and others[3]) as

> A set of related elements with a purpose.
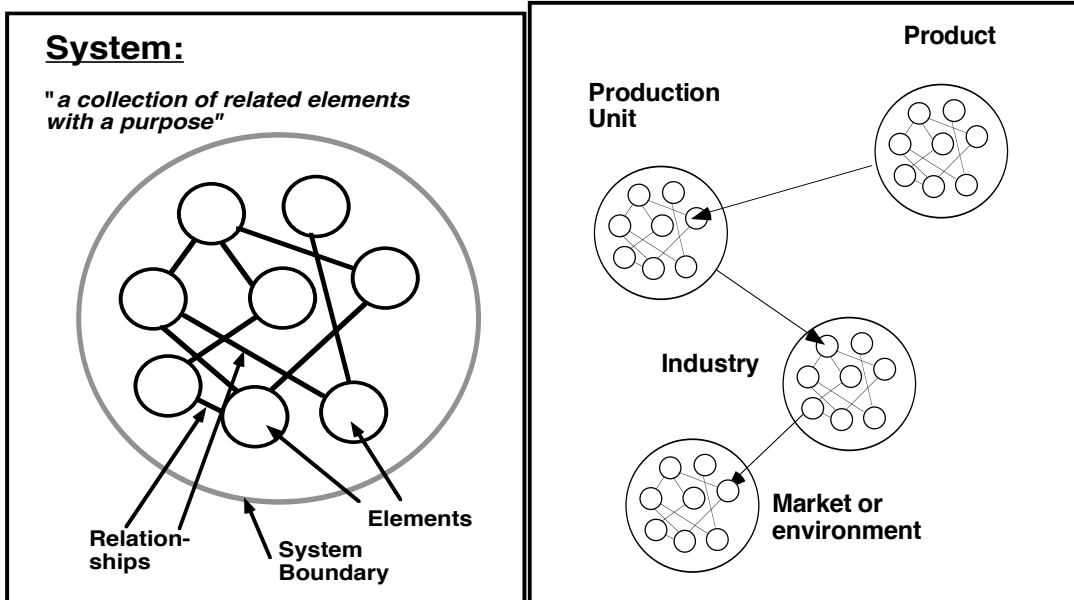
This is depicted in Fig 1. In summary:

- "elements" refers to all those things that appear to be the parts of the body or system of interest.
- "set" means that the system is bounded, and some things are included while other things are excluded.
- "related" means that there are identifiable interactions, or communication between the elements within the system.
- "purpose" has its usual meaning, which is the (implied or articulated) reason why the system exists.

This is a very abstract definition, and is meant to be, as GST aims to encompass a wide range of system types from widgets to nation-sates. In the case of organisations, such as private firms and public agencies, which are our main interest in this essay, these elements will be mainly people, buildings, equipment, and stored information.

In GST-thinking, the elements of a system are also systems in themselves (Figs 2,3), and are called *sub-systems*, with respect to our system of interest. In turn, the world outside the system of interest can also be considered as a system, which we called the *super-system*. Both the sub- and super-systems might comprise a number of levels, rather like a set of Russian dolls. What comprises the system, and its sub- and super-system depends on what the analyst thinks is important to fulfilling its purpose, and what has significant or discernable relationships to the system that relate to that purpose.

Ideally, the system is completely described through identification and quantification of all of the relationships between all of the elements, and its purpose is unambiguously articulated. In reality, we usually don't know all the elements, or at least do not have full knowledge of the relationships within and between them, and as discussed below, the purpose of the system is not completely clear. The lack of complete quantification does not necessarily mean that we don't have a practical understanding of the system. In some cases, our knowledge about particular relationships is intuitive, or *tacit*, and thus, we have the capacity to act without having the capacity to explain why, or *codify* our actions.

4

In different systems, different elements relate differently to each other, and not all elements relate directly to all other elements. In the context of organisations, we are particularly interested in the way that people relate to each other. Importantly in organisations, as Weber[4] described, people not only agree to perform particular tasks in exchange for some reward by way of pay and conditions, but also agree to obey work-related commands to perform particular actions from certain other people within the organization. Often, people in organisations are in a position where they obey commands from specified people and give commands to others, thus creating the well known, but often overlooked, chain of command of the *rational-legal* authority-based, hierarchy (Fig xxx). In Weber's terms, this can be compared with authority that is derived from *tradition* or *charisma*.

- pre-organisational

- early formation

- experimental

- entrepreneurial

- matrix

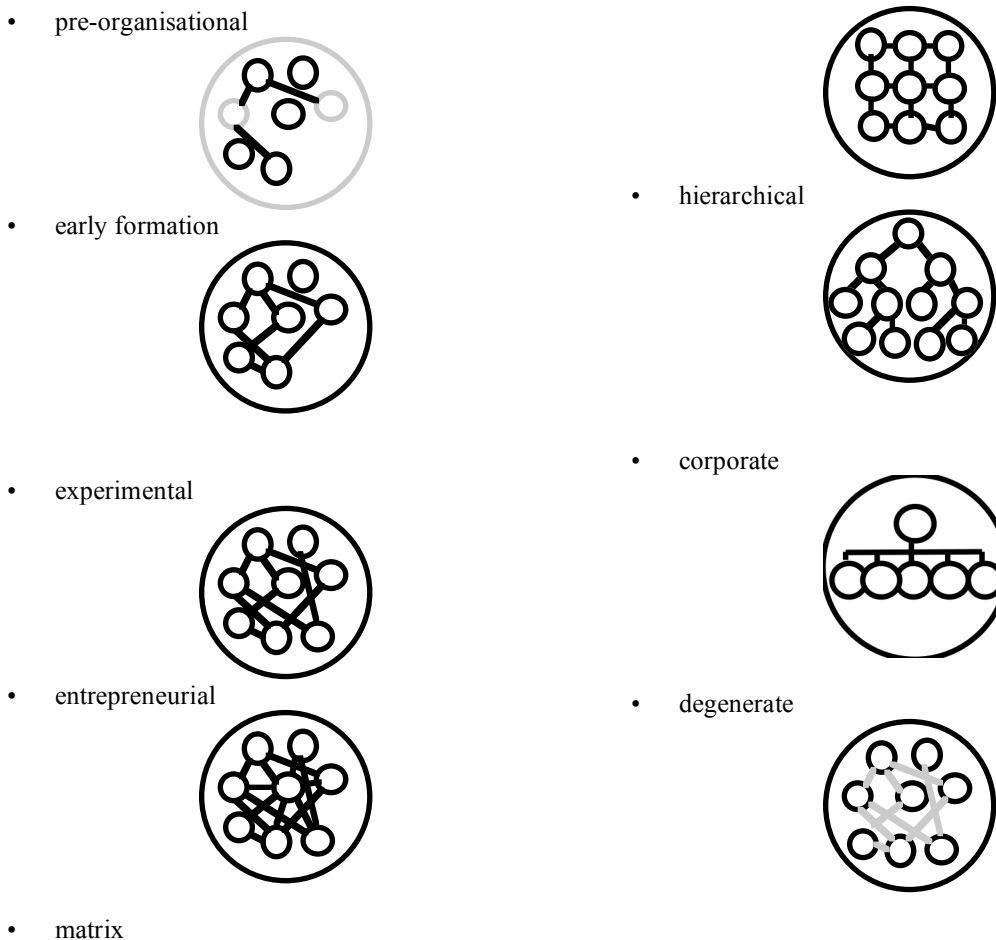- hierarchical

- corporate

- degenerate

Fig 3: A taxonomy of archetypal systems.

Although it is not difficult to broadly appreciate the difference between these three forms of authority, apparently Weber was quite obsessed by the notion of "rational", and used no less than 16 synonyms for the word, among them "systematic," "impersonal," "sober," "scrupulous," and "efficacious." In Weber's view, modern Western society is the product of increasingly rational forms of organisation. Its institutions are governed by "systematic" rules and "impersonal" procedures, rather than by custom or religious obligation, and this sets it apart from virtually all other world-cultures[5]. In GST language, Weber would consider "the West" as preoccupied with the transformation of organisational knowledge

from tacit to codified. While traditional- or charismatic authority-based systems generally have a degree of codification, it is generally less than in rational-legal systems, and moreover, there is not the same inclination of participants in these systems to increase this codification.

In theory, within the bounded rationality of an organisation, authority is derived from the specifications of the contract between the individual and the organization. This authority is supposed to be exercised in two basic situations: The first relates to the judgments that have to be made by the supervisor as to whether the performance of the supervised person conforms with the explicit specifications within the contract (and its associated work manuals). The second relates to the discretion of the supervisor to give directions (within limits) when the contract and work manuals do not cover the actions to be taken in some situations. Expressed in another way, the first role relates to *conformity* to existing codes and the second, to *creativity* in the face of uncertainty.

In practice, the circumstances for the exercise of authority are not so clear-cut, giving rise to the role of *trust* in organizations. Often, (particularly in small businesses) there is no written contract between the parties. In these situations, the parties rely on common practice, common law and government- or union- mandated rules for guidance, with each party trusting that the other has both the competency to understand, and intention to conform, to these public standards. In some cases, the contracts and manuals have not been reviewed and revised in the light of changed circumstances, and the parties simply agree to a course of action that will achieve the desired outcome. This situation relies on the parties trusting each other to work within the inferred principles of the contract.

In a third, and far more problematic situation, the contract is too vague or ambiguous for practical use and is open to a variety of interpretations. Such contracts are now quite fashionable, and are couched in terms of required *outputs* or *outcomes*, as compared with details of required tasks or actions. Outputs are usually the achievement of some intermediate result of effort, such as processing all outstanding invoices or erecting a brick wall. Outcomes are usually the achievement of a desired final state, such as a firm achieving a particular rate of return on capital invested, or a government agency achieving a particular level of public satisfaction with its services. Governance boards, shareholders and the general public have little interest in intermediate results or *how* the final state was achieved, simply that it *has been* achieved. It is similar to the adage in golf "It's only the final score that counts-there is no column on the scorecard for *how* the score was achieved". This shift in the focus of work contracts in the past several decades from inputs (detailed, codified tasks prescriptions) and outputs (intermediate results) to outcomes (desired final state or system purpose) has generally been welcomed by all parties involved in the organization. Thus, there is greater emphasis on clarification of the *purpose* of the organization, and less emphasis on specifying the details of the relationships that might be required to achieve that purpose. In the short term, this shift has allowed well-trained and educated staff to make their own decisions as to the best way to achieve a particular goal. However, as we shall see later, this shift of emphasis has created all kinds of opportunities for change within organizations, not all of which has been to the benefit of all participants.

So the interactions in organizations comprise a mixture of explicit contracts, implicit trust, commands and negotiations. In so-called *creative* organisations the mixture emphasises trust and negotiation and collegiality, and in so-called *production* organizations, the mixture emphasises contracts and command. Interactions may be face-to-face, or mediated by phone, or written messages that are delivered on paper or electronically. The content of the interactions frequently has a degree of

ambiguity, depending on the degree to which the interactors share a common language, be it explicit or tacit. We will return to this in detail in a moment.

Purpose is a very interesting aspect of systems in general and organizations in particular. Although, by definition, all purposive systems have a purpose, in some systems it has not been fully articulated or made explicit. This is certainly the case in many businesses, which have been started in order to sell the fruits of the owner's labour- either goods or services- so that the owner might make a living. Businesses once just had signs saying "Baker" or Butcher" etc, denoting the owner's principal activity. One could imagine the response of these traditional artisans to the questions "but *why* do you bake?", or "for whose benefit do you bake?" being a shrug, or a statement to the effect that he came from an honourable tradition of bakers (whence his name), and this was made possible because people in the village liked his bread, and therefore bought it. If pressed, this mythical baker might talk about his dream of baking the perfect loaf when he perfected his craft. As such a loaf would probably not be appreciated by the villagers: this goal was more about his relationship with his God. Customers, in the last analysis (if this analysis were ever undertaken) were the means by which he achieved personal grace or transcendence, or simply survived.

It has only been in the past 30-40 years that businesses have reflected deeply on the matter of purpose, and publicly expressed their views. A great stimulus to public thinking was Theodore Levitt's classic article in the Harvard Business Review, titled *Marketing Myopia*[6], which posed the fundamental question of "what business are you in?" Levitt had looked at many failed companies, and came to the view that they defined their businesses too narrowly, thus tying their fate to the fortunes of that particular activity- for example as railway companies rather than transportation companies. This article lead to a raft of questions now posed daily by strategic planners, including "what are your core assets" and "why are you in business". Businesses now answer many of these questions in their business plans, which were unheard of in most businesses before the mid-'eighties. Business plans are now very formalised, or system-atic, commencing with a "mission statement", which structurally should describe the means by which the firm will address a particular market. In GST terms, this can be expressed as how the purpose of the firm's super-system (the market) will be served by the firm's subsystems (its resources). Many mission statements show evidence of not being well thought through, and are ambiguous. Generally, though, most organizations have a number of "markets", or stakeholders, which they try to serve, including private shareholders, public stakeholders, boards of management, the public in general and the people who work in the organization, both the commanders and commandees. The extent to which each group benefits is a complex matter, as serving more than one purpose means a partitioning of effort and resources, with attendant competition and conflict as to what the respective proportions should be. As we will see, that nature of these different groups, and their relationship to each other has been dramatically re-interpreted in the past two decades, particularly the relationship between the commanders and the shareholders.

Systems whose principal purpose is to serve (or provide some benefit to) *external* elements are called *open* systems; alternatively, systems whose principal purpose, whether it be explicit or implied by actions, is to serve *internal* elements, are called a *closed*, or *autopoietic*. This distinction, and the close correspondence of the definition of autopoiesis to the definition of life has been of intense interest to an increasing number of scholars, probably led by the complexity theorist of the Santa Fe Institute[7].

The foregoing is a quick tour through the main features of GST of importance to this discourse. The area of GST and organisations can fill many seminars, and often does. I will now turn to the second main theoretical strand of this tapestry- Life Cycle Theory, or LCT. The way purposive systems change has been of interest to scholars since the Enlightenment. At a macro level, these systems have been empires and nation states, at the meso level, organizations and at the micro level, artefacts, particularly of the kind that we call technology. At the macro level, we call the study "history" and "economics", at the meso level "management science" and at the micro level "technological change"[8]. What is of interest here, and which has become increasingly interesting to scholars, statespeople and executives alike, is the way in which certain patterns seem to be common to all of these systems, and how these patterns seem to change in similar ways, which are analogous to the basic patterns of change in the life of an organic system, be it animal or vegetable.

Our impulse to classify has led us to divide the changes between birth and death into a variety of stages, which, depending on the author, vary from three to sixteen or more, with most settling for a median number of seven or eight. Fig 2 depicts the life cycle that I often use, which identifies eight stages. The early stages relate to the system's inception and growth, the middle ones to its maturity and the later ones to its decline. Several features are of particular interest to the present discourse: The first is the observation that although many systems, like people, slide gradually from maturity into dotage and decline, many others undergo what could be called "revitalisation" as depicted in Fig xxx (b), with the intention of going out with a bang, rather than a whimper. This phenomenon of revitalisation has been of increasing interest in recent years- no doubt partly stimulated by ageing baby boomers reviewing their muddled lives and their superannuation and deciding on a sea- change. But it is the revitalisation of organizations that is particular interest here. This revitalisation phenomenon is sometimes called the "sailing ship effect"[9],[10], recognising the way in which innovation in the Thames sailing shipbuilding yards was boosted for several decades in the nineteenth century by the advent of the steam and steel ships which ultimately surpassed them, particularly in the new Clyde yards. Importantly, both the sea-changers have- and the Thames shipbuilders had- a fundamentally romantic view of how the past could be perfected by focussing on the essence of their system. It is this revitalisation or sailing ship effect that is at the heart of corporatism, as I will explain.
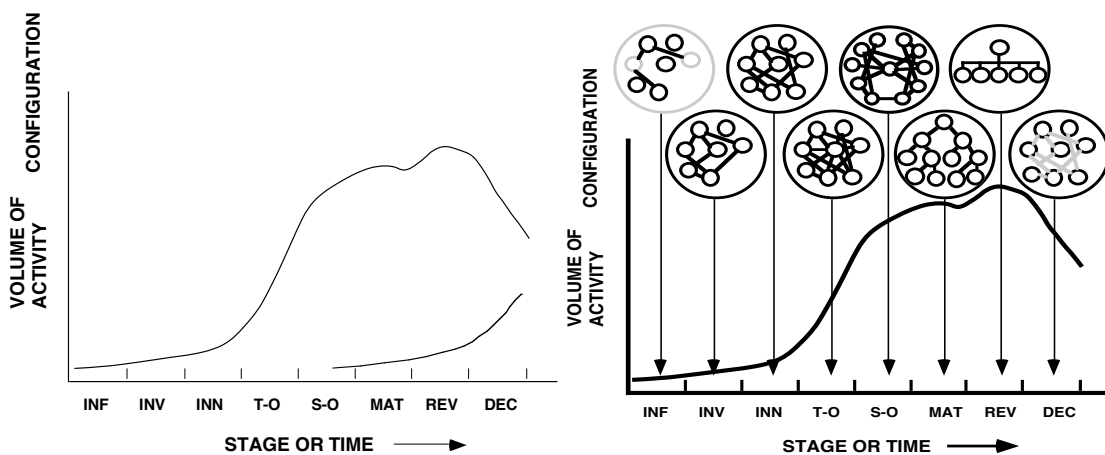

Fig 2a Classical Life Cycle and 2b Organisational Configurations in their Life Cycle Stage

To properly develop this idea, the two concepts of GST and LCT need to be brought together to provide a complete picture. Fig 2b shows a series of system configurations aligned with the various

stages of the life cycle. The early stages depict the formation of the "system of interest" from its tangled and uncertain beginnings. The DIFF stage depicts the shape of the system in its market introduction stage, where it first expresses its external purpose. At this stage there are multiple connections between elements, signifying an informal, trusting, egalitarian, multi-skilled staff at the firm level, or off-the-shelf, multipurpose components at the product level. The Shake-Out stage shows that staff skills are being rationalised into project groups with the emergence of a degree of hierarchy with project leaders. Although this stage is of great interest in itself, as it denotes the initial shift away from strict collegial interactions, for the present discussion we will focus attention on the succeeding stages, the first being the MAT, or mature stage, where firms exhibit the classic hierarchical structure.

In the early period of this (Mature) stage, the purpose of the system is fairly evident, even if it hasn't been fully articulated. There is a reduction in the "redundancy" of interactions between elements, as each element has a well-specified function, and formal relationships are confined to performing those functions. In Williamson's[11] terms, this represents a reduction in "transaction (or relationship) costs" as functions are clarified and more skilled, experienced and knowledgeable staff are managing the less able, by providing instructions to them where necessary and monitoring their performance of those instructions. In principle, these relationships within the firm are confined to matters related to the performance of the firm's purpose, and as in earlier stages, there is a high degree of tacit understanding, or trust, in the interactions, which substitutes to some extent for codified instructions and formal contracts, thereby further reducing transaction costs[12]. As the firm develops and grows, there is a tendency for stratification to increase, with a concurrent, and perhaps paradoxical, increase in both codified and tacit knowledge related to both skills and interactions. Codification is essential to preserve corporate knowledge in the face of high staff turnover, through both promotions and staff exit and entry.

The media for interactions need further elaboration, as it is central to the principal issue of this paper. Until the late-'seventies, formal communication was typed quite laboriously onto paper and, if necessary duplicated, with photocopying replacing carbon paper at about this time. Fine gradations in hierarchy (vertically) and divisions (horizontally) meant that formal communication was slow, and was increasingly augmented by less precise verbal communication. In academic language this Western socio-economic situation was described as "Fordist"[13], denoting the Taylorist segmentation perfected by the Ford Motor Company in the early Twentieth Century, within the triumvirate of big business, big government and big unions. The Fordist period had lasted for about fifty years, and its processes came to define our concepts of representative democracy. In principle, it espoused the *merit principle* as the basis for progress and promotion of ideas and people from the "shop floor" or grass-roots to the board-room or parliament house. In practice, information availability was fairly symmetrical, as paper and verbal communication systems are notoriously leaky, meaning it was quite difficult for one group to hide information from any other group. We will return to the idea of information symmetry shortly.

However, the muddled and increasingly dysfunctional organisational landscape of that time was described publicly by the pejorative "bureaucratic", with both public and private organizations seemingly losing their sense of purpose in the face of apparently more resolute socio-economic systems in Asia and the old Communist Bloc.

"Classic" Mature or Hierarchical Organisation Structure   Mature Organisation Communication:

"Two-way" via voice and paper
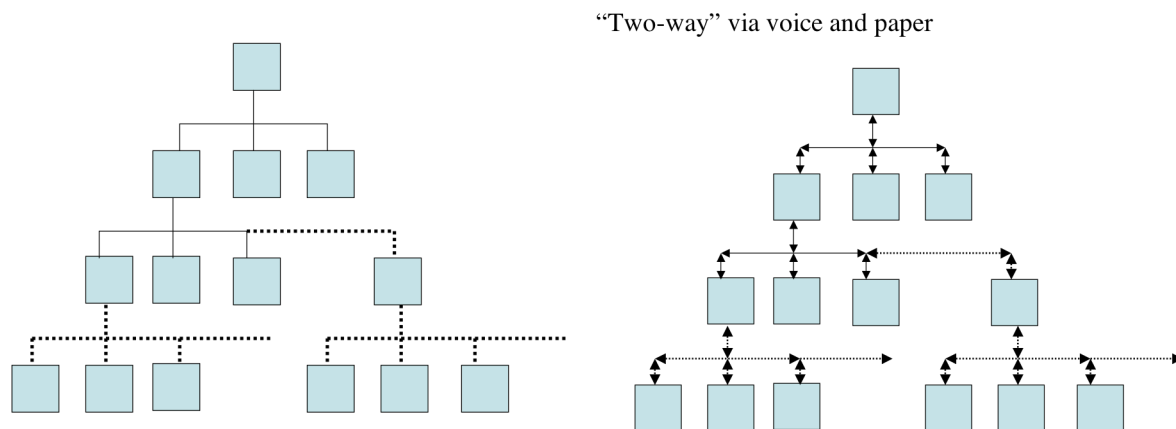
While, during the 'eighties, many of these organisations succumbed to the arguably natural processes of decay, many others set about to survive through a drastic process of revitalisation. This process was aided in the USA and UK by sympathetic governments, and "Thatcherism" and "Reaganism" became shorthand descriptions for the wholesale public and private processes of deregulating, downsizing and outsourcing. The general systems configuration of this organisational modality is depicted in Fig. 2. As we will describe, this stage has now entered a second generation, but in its first generation it was generally known as "managerialism". The important aspects of this stage are:

- In this managerialist stage, organisational purpose was re-defined (and perhaps clearly articulated for the first time). This was facilitated by business consultants and embodied in business and strategic plans. The language of "business process re-engineering", with a vocabulary including "visions" and "missions" and "core competencies", "efficiency and effectiveness" was introduced wholesale to these organisations.

- These activities were accompanied by a shift in the balance of organisational objectives towards the interests of shareholders or stakeholders or customers and away from the interests of employees.

- Some of the operations that were not in line with the "core mission" were eliminated, either by selling the unit to another company or simply closing it. The operators were either sold along with the operations or paid out.

- Much of middle management was removed; some of it retrenched with "redundancy packages", some of it redeployed as "team leaders" of the "operators" at the output end of the organization, and a few were promoted to the executive. (See below)

- The formation of an "executive class" (in government, called the "Senior Executive Service"), whose function was to manage the strategic (ie major) issues of the organization, while end-of-line responsibility for minor issues was delegated to operators and their team leaders.

- Electronic data gathering was implemented on a whole-of-organisation basis, with this financial and performance data being fed via the "management information system" (MIS).
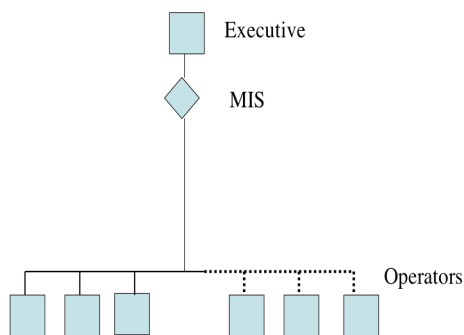
The advent of electronic information systems was the key to the paradigm shift in organisational structure and function.

Many of the first generation of the managerialist-driven, re-engineered organisations failed dismally, or even catastrophically, for the following reasons:

- The time taken to undergo the transformation caused loss of markets
- The cost of redundancies did not justify the savings
- The cost of restructuring was not justified
- Many of the business units that were eliminated were found to be core functions
- Many of the people retrenched were core personnel, and many had to be re-hired at great cost
- Many of the executive were not competent, being employed mainly for their compliance to the CEO's views, or simply could not adjust from operations.
- The MIS systems were a failure, both from their exorbitant cost and their inability to deliver useful strategic information to the executive. Much of the information gathered was useless, or not used, or could not be interpreted usefully by the executive.

From a broader perspective, much of this "failure" can be understood as the inevitable casualties of the revolution, a revolution in which the bullets were information and the guns were computers, the generals were the executive and the foot-soldiers their consultants (and the spies and double-agents were in HR). As in most revolutions, there was a mixture of motivations and visions amongst the leaders. Some undoubtedly imagined, albeit imprecisely, a new world with new opportunities for all. Some were simply opportunists, acting in revenge or as mercenaries for whomever would hire them. But many saw the new information systems as a means of deriving greater *efficiencies* from existing production systems. This latter group were, essentially, trying to create *an efficient and perfect past*. A great problem with this strategy was that in a rapidly changing world their "sailing ships" were no longer needed. Fanatical adherence to strategies derived from retrograde mission statements created companies that were too inflexible to respond to a turbulent real socio-economic environment.

"Classic" Revitalised Organisation Structure　　　　　　　"Communication Flows in Corporatised Organisations
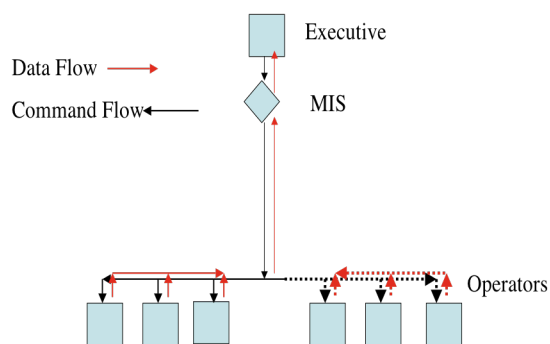
Nonetheless, many organisations muddled through, creating a much-changed environment. This mode of organization is now in its second generation, where most of the revolutionary bluster has been blown away, and most of the problems relating to information gathering and processing have been resolved. Further, many of the executives, who in the revolutionary generation, were schooled in the

old, Fordist ways, have been replaced by a new generation, whose schooling and grooming has been post-revolutionary, unsullied by these old concepts and energetically focussed on organisational imperatives. This new executive class is selected by CEO's and boards of management for their ability to focus on specified organisational objectives and to work as a tight team for long hours. Their salary packages are much higher than the senior staff that they have replaced, ostensibly to compensate for their rare skills and short contracts. As well, an incentive component in the form of stock options or other forms of bonus are added.

It is the connection of the executive to information systems that I now wish to turn, as the key point of this essay. Whereas, as described briefly above, Fordist organisations had fairly symmetrical information/knowledge flows between the various levels, the new Neo-Fordist organisations were characterised by considerable information/knowledge asymmetry. (I will return to the alternative of Post-Fordist organisations later). These organisations were, and are, characterised by "data up and commands down". Operators generate data on a moment-by-moment basis on prices, sales, customer behaviour, markets, operator efficiency etc, which is fed into computer programs of increasing sophistication that using algorithms to manipulate this data. The programs also learn from previous changes and can provide visual displays and simulations to assist the executive. Most of this information is not accessible to the operator, who is absorbed in the moment of their own, often poorly paid deregulated, globalised world as part-time contractors. The general absence of unions has made "operators" powerless as the presence of knowledge in the executive has made them powerful.

This situation would not be so worrisome if there were some other element in the system to ensure that, in an overall sense, Adam Smith's unseen hand could keep the market operating efficiently. Unfortunately, governments have generally become handmaidens to the interests of shareholders in the interest of stimulating the economy and believe that what is good for the economy will ultimately be of interest to all. This is the theory of the trickle-down economy.

As Stiglitz describes, a greater issue is related to the "principal agent problem", where information asymmetries present individuals with the opportunity to act in ways that allow them to benefit at the expense of others, whom they are supposed to serve[14]. As Stiglitz describes, workers, shareholders, operators and the public at large are at a great disadvantage relative to the executive, who hold the keys to the actual performance information of organisations. Given the right incentives, betrayal of trust is bound to happen. This incentive has been expressed in terms of stock options in commercial firms and customer/stakeholder perceptions in public organisations, all of which is measured in the short term-ie in the order of three-month intervals. The groups outside the executive have been led to believe that short-term stock market valuation and stakeholder perceptions are valid proxies for fundamentally sound performance. Unfortunately, given the exclusive access to core information, the executive group have frequently manipulated the data to suit their own ends. Stiglitz' book gives a detailed and horrifying account of how this has played out in Enron, amongst others, to the public's detriment, mainly using the vehicle of stock options or other performance bonus systems.

But the Enrons and Worldcorps and HIHs and NAB forex's are just the dramatic tip of the corporate iceberg. In organisations large and small, public and private, the executive has become a new and significant element in the system. And whereas operators have been given to believe that the system's purpose is expressed in terms of shareholder and stakeholder benefits, from which *they* will ultimately benefit, the executive seem to have other ideas- that is, that the organization is primarily there for *their*

benefit. This is what Maturana and Varela called *autopoiesis*[15] - where a system becomes closed, or self- serving, rather than open, and serving a purpose outside itself. The notion of self-serving systems can be applied to all sorts of situations, and Maturana and Varela were quick to identify that an autopoietic system is in fact identical to a living system, whose principal purpose is self-survival.

This is e-corporatism.

What is the likely future for this kind of system? The living world is full of all kinds of systems, playing out their life cycles. All living systems take in resources and energy from their environment, and most provide enough back into their environment for the species and their environment to survive in some kind of dynamic equilibrium or symbiosis. Even systems that we call parasites, which seem to take without giving, are usually in balance with the wider environment. However, from time to time a life form emerges that is truly autopoietic- fully self-serving at the expense of its host or wider environment. An example would be HIV/AIDS, which seems to have close to 100% mortality for its host. Without mutation to a more benign, symbiotic form, such life forms must become extinct, as they will eventually kill all available hosts, or create a catastrophic collapse in the host population that creates a non-viable environment for both. In purposive systems, symbiosis might be seen to be "enlightened self-interest", where the wellbeing of the host or wider super-system is taken into account by the system of interest. Life forms like HIV/AIDS must rely on blind, random changes in its DNA- its information system- that might produce a form with long term viability. Corporatism may well be like HIV/AIDS, with an asymmetric information system that is not sufficiently connected to its wider environment to provide symbiotic feedback. It might eventually kill both itself and its socio-economic environment. Authors like Stiglitz are not optimistic, and his book was written before the recent (1994) US elections, which would give him nought for cheer.

The lessons from history are even less comfortable. In a general systems sense, modern corporatism is identical in its structure to the totalitarianisms of the past, such as fascism and communism:

- Fanatical executive groups who model their behaviour on their leaders (the SS rather than the SES).

- Remoteness from the masses, who operate on the principle that actions are either compulsory or forbidden, and who are spied upon without appeal or justice.

- Elimination of those who are considered to be corporately dysfunctional.

- Orders given *en masse* through loudspeakers and radios (both the latest IT in the '30s and 40s). Inconvenient information withheld from the masses.

- A merging of the interests of the business class and the governing class.

- All endeavouring to perfect a neo-platonic past.

It may not surprise you that Benito Mussolini invented the word corporatism, or at least adopted it to describe Italian Fascism. The attempts of the Pope, the Medicis and the Inquisition to muzzle the likes of Galileo and his inconvenient heliocentric World System could be looked at as an earlier example of corporatism and information asymmetries in action[16].

I conclude by saying that there is a ray of hope. Not only do these life cycle stages seem to pass, it is a general observation that a new cycle is actually spawned by the excesses of the old. In the case of modern e-corporatism, it seems that the demand for all things electronic to perfect the organization has resulted in the growth of new organisations with more collegiate behaviour and open information systems. A myriad of virtual organisations have been made possible by the internet and the cellphone and MYOB. One might also reflect on the organisational style and structure of companies like Apple Computers, Google and Sun, with its sponsorship of Open Systems. Perhaps the sun will rise again with this new dawn, or as Galileo would have asserted "eppur se muove"- yet it turns.

Adolf Slumbers

And as he slumbers
He dreams
Of the Sleep of Reason
And of Galileo's charge of treason:
A world comprising perfect spheres
That lasted for *two* thousand years
Upset by glass ground as a lens
And pointed at the stars.

And how glass, ground underfoot
On Kristallnacht
Tore apart
That enlightened world
As his flags unfurled.

The light that now
Seen through the prism
Of global Reich
And Corporatism
Blinds all who gawk
Or talk
Of glories past.
Or try to fix
The world in marble
Stone or bricks
As if what's carved will last.

Dark dreams at dawn
Before a sun
That even brighter burns
Awakens Reason
From its sleep
Eppur se muove
(And yet it turns).

---

[1] Kuhn, Thomas S, *The Structure of Scientific Revolutions*, University of Chicago Press, 1962

[2] Wikipedia, the free encyclopedia, http://en.wikipedia.org/wiki/Corporatism, sighted 10/11/04

[3] See, for example, Principia Cybernetica Web: *What is Systems Theory?*
http://pespmc1.vub.ac.be/SYSTHEOR.html, sighted 21/11/04

[4] See, for example, Wikipedia, http://en.wikipedia.org/wiki/Max_Weber, sighted 21/11/04.

[5] Kolbert, Elizabeth, *Why Work- A hundred years of "The Protestant Ethic."* New York Review of Books, issue of 2004-11-29, http://www.newyorker.com/critics/books/, Sighted 26/11/04

[6] Levitt, Theodore, *Marketing Myopia*, Harvard Business Review, July-August 1960, pp. 45-56.

[7] See http://www.santafe.edu. Sighted 12/11/04

[8] For a comprehensive review of the product/company lifecycle, see Hayes, Robert H and Wheelwright, Steven, *Matching process Technology with Product/Market Requirements*. Chapt 7 of Restoring our Competitive Edge, New York, Wiley 1984 pp197-228.

[9] De Liso, Nicola and Filatrella, Giovanni, *Technological competition: a formal analysis of the sailing-ship effect - or on optimal spending on R&D for an old technology*. DRUID Research Papers http://www.druid.dk/ocs/. Sighted 12/11/04

[10] For a contemporary account of the 19th Century British Shipbuilding industry, see *Encyclopedia Britannica*, Ninth Edition, 1875

[11] Williamson, Oliver E., (1979) "Transaction-Cost Economics: The Governance of Contractual Relations," *Journal of Law and Economics*, 22(2), 233-261.

[12] Nooteboom, B. (1998b), Trust as a governance device: Theory and evidence, paper for the conference "Cultural factors in economic growth", Marienrode, Germany, 3-5 April.

[13] Roobeek, Annemieke J.M.,The crisis in Fordism and the rise of a new technological paradigm. Futures, April 1987: 129-43.

[14] Stiglitz, ibid, p 168

[15] Maturana, Humberto R. and Varela, Francisco J. *Autopoiesis and Cognition: The Realization of the Living,* Dordrecht: D. Reidel, 1980.

[16] See for example, Koestler, Arthur, *The Sleepwalkers*, Penguin Books, 1964.