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# CORPORATE DARWINISM

An Evolutionary Perspective on Organizing Work in the Dynamic Corporation





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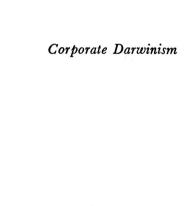
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#### **PREFACE**

Organized ways of getting work done have been evolving since before recorded time. The industrial comporation, at least in the Western world, has become the most common way of doing so. Even as an idea, though, the corporation is only a few centuries old. The corporate idea is simplicity itself. Yet the operation of a corporation is something more complex. It probably represents the most intellectually challenging and emotionally demanding activity that men can embrace today—that is, running one really well, achieving corporate excellence.

In Corporate Darwinism, we first picture various alternatives for running a corporation. We show the interrelations among them. We indicate what appears to us to be "lower" and "higher" ways of running a corporation; that is, poorer and better ways of operating a business. We provide suggestions on how to change a corporation from a lower to a higher level of effectiveness and excellence. Finally, we relate

the corporation to its historical antecedents and show how it has emerged from the food gathering families of prerecorded time.

The theory of the evolution of work organization presented here is entitled *Corporate Darwinism*. It is not intended as a literal translation of a biological theory to the evolution of human institutions. It is a strategy of thinking which has proved uncommonly useful for understanding the forces which bring about change in an orderly and predictable way. Beyond that, however, the order of evolution presented here is certainly a "natural" one in the Darwinian sense. Being a "natural" order, the laws governing it can be identified and established and thereby brought under control. Thus, the order, though sequential, by no means should be regarded as inevitable.

Though the evidence—historical, comparative, and experimental—determines the validity of Corporate Darwinism, it should nonetheless be evaluated as a yet not fully proven theory. Archaeological and anthropological data give substantial validity to the first two stages while economic, cultural, and natural history describe the unfolding of the third stage in clear terms. Natural order—entrepreneurial, mechanistic, and dynamic corporate forms—is verified by independent scholars as well as by our own interviews with more than 150 key executives of American, Canadian, British, Australian, and Japanese firms.

Corporate Darwinism, in essentially the version given here, has proved to be a powerful aid to corporate presidents, Organization Development executives, training directors, and managers at all levels in their efforts to evaluate and to plot constructive solutions to problems which constitute barriers to corporate excellence. Corporate Darwinism also has proven useful to industrial scholars as the basis for hypotheses in terms of which to evaluate Organization Development and change.

To the degree men find meaningful personal reward in work, they are undoubtedly moving in a more mature and healthy direction. As men move in a more mature direction, society will follow in that same direction. Indeed, the real solution to the deeper problems of human society may be found in a truly well run dynamic corporation.

Appreciation is expressed to Clayton Umbach, who has contributed in numerous ways to the quality of this book.

R.R.B. W.E.A. I.S.M.

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#### Chapter 1

# THE DILEMMA OF MODERN CORPORATIONS

Corporations appear to evolve in predictable ways. Some evolve to a position of superior effectiveness—they grow, develop, and expand with ever increasing profitability. Others evolve too—but only to a certain point, then stall. Still others grow ever so slightly, then sink into bankruptcy and out of sight. But why is this so? Why do some corporations continue to get stronger and stronger while others develop just so far, then stop, or perhaps slip into obscurity?

There appears to be a pattern in this, one which accounts for the varying degrees of organizational fitness among corporations. It is found in the underlying assumptions on which corporate leaders base their decisions for solving problems which are hampering organization effectiveness. And these underlying assumptions form the basis for Corporate Darwinism—a theory of the evolution of work organizations.

Corporate Darwinism provides a framework for understanding a vital piece of mankind's history: man's endless quest to organize production—to make his environment satisfy his needs, wants, and desires. In coping with this problem, men have tried one set of solutions after another. Their earliest actions and reactions probably were based on instinct, intuition, trial and error. Then as men became more knowledgeable, as they reached higher levels of understanding, they found themselves able to scheme, to invent, to plan. As a result they began to use a series of organized strategies to produce the necessary things of life.

Man's latest invention in trying to solve this challenge is no more than a thousand years old. It is the corporation: his most powerful solution to date. For now, with the corporation—more precisely, an effectively run corporation—men may finally have evolved a key to sound society.

Some may raise the point that while corporations are certainly important, they are hardly the key to a sound society. But consider the overwhelming importance of corporations to society—an importance which lies in their ability to mobilize the productive energies of people—to satisfy their needs and wants ever more fully.

When you stop to consider it, there are many reasons—valid reasons—why corporations are vital to society. Here are just a few of them:

- 1. Corporations provide an outlet for the need of people to be useful, to achieve, to contribute to society. In short, people need to work.
- 2. Corporations provide wages and salaries which in turn give people the chance to satisfy their personal needs, wants, and desires in whatever ways they want to satisfy them.
- 3. Corporations provide the opportunity for individuals to work together, thereby enabling them to achieve production results which they could not do working alone.

- 4. Motivated by profit, corporations engage in an endless quest for new and better ways to produce things and new and better things to produce.
- 5. Corporations generate wealth which provides the basis for future growth and expansion of society, and contribute taxes for furthering general welfare.

In spite of these obvious contributions of corporations, a dilemma exists. This dilemma is that while profitably run corporations are important to a strong society, life within the corporation is deeply meaningful to only a few.

From a standpoint of achieving results, it is clear that the modern corporation represents the best way yet devised for integrating people into production. But many people don't feel integrated. They don't feel committed. Instead, they tend to see themselves as small cogs in a giant machine which is continually grinding away—small cogs which do their jobs day after day, year after year until they gradually wear out, at which point they are replaced by newer cogs which commence to do their jobs day after day, year after year, and so on.

Thus, the majority of corporate personnel—an extremely large majority we might add—is plagued by unrest. People are uneasy. They are unable to find the full gratification from the kind of personal contribution to the corporation that makes for mature, vital, and healthy people.

For years men have sought to understand the causes of this dilemma—and solutions which could eliminate it. Now one has emerged. It is the concept of the *dynamic corporation*—the most recent stage in the evolution of organized ways of working.

To comprehend the concept of the dynamic corporation, we must first understand not only what the dynamic corporation is, but what it is not. However, the first step along this path to understanding is to answer the questions, "What are the earlier forms from which it has evolved?" "How does it fit into the overall concept of Corporate Darwinism?"

Corporate Darwinism provides a theory—a theory of evolution. In doing this, it first defines six distinct stages of evolution leading to the dynamic corporation. These six stages are:

- 1. The food gathering family
- 2. The food producing village
- 3. Commercialization of economic life
- 4. The entrepreneurial corporation
- 5. The mechanistic corporation
- 6. The dynamic corporation

Next, Corporate Darwinism identifies the methods of thinking and operating in each of the last three evolutionary stages. Each of these last three stages, incidentally, can be identified in industry today. This, then, makes it possible to pinpoint any corporation's stage of evolution. Finally, Corporate Darwinism demonstrates how these forces can cause a corporation to shift forward or backward from one evolutionary stage to another.

Corporate Darwinism should be regarded as an hypothesis—an hypothesis which provides a useful framework for comprehending evolution and change. Known facts about precorporate and corporate life appear to square with it. For this reason, it should be read as a theory—a theory which provides a way of seeing and opening possibilities for change and development. More research will be required to verify, refine, and correct it. However, enough evidence is now available to suggest that its broad outlines are valid.

Now, let's consider in brief detail each of the six stages.

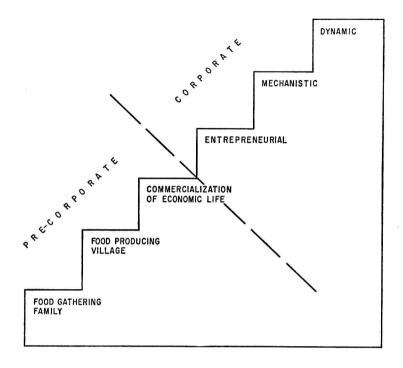


Figure 1. Stages of corporate evolution.

#### The Food Gathering Family

The earliest solutions in man's struggle for survival—dating from perhaps a million and continuing up to perhaps 7000 years ago—were pre-corporate in nature. Actually, all they amounted to were primitive men acting in a pre-literate way with minimum understanding and minimum coordination of effort. Such men took food and shelter whenever and wherever they could find it. They were not masters of nature. They were its victims. The degree of their organization was limited to gathering or hunting.