

Kinetic Corporation: an Ethos for the New Realities in Business Environment

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Abstract

We can say that today the world is more interconnected and more interdependent than ever in the past. This idea is covering for all levels of analysis, beginning with the individual and organizational levels and up to the regional and global levels. It is most likely that the globalization, although it has become quite a truism, has not yet depleted its generating phenomena and its patterns of expression. The developments in the sphere of technology have changed the logic of the economy and fused the fragility and the volatility of the business environment. In this new economic habitat, which has been anticipated by the authors who have shaped decades of reflection with their authority and the depth of their thoughts, companies are faced with an avalanche of challenges and especially with the deep crisis of identity born from the complexity and the impermanence of a globalized economy. How will they behave? How will they defend against the vulnerability? How will they exploit the opportunities?

Keywords: turbulence, normality, dynamics, organization

J.E.L. Classification: F23, M16

1. Introduction

The environment in which the various categories of companies perform has become wavy and even more difficult to manage; this trend characterized both the business environment of small and medium enterprises, as well as the corporate business environment. Equally, certain features which have marked the business environment before the beginning of the global crisis have maintained during the postcrisis years. In essence, it is obvious that the international business environment is relatively more complex than national and regional business environment, complexity being related directly to the political risk, the existence of different legal systems, different cultures, different currencies etc.. Beyond these special peculiarities, chaotic has become a feature of the business environment both at local /national level and at the global level.

2. Toward a new status of normality?

In the economic system of the first decades of the twentieth century, usually good times for business alternated more or less regularly with bad periods for business (Mises, 2006); the decline followed the economic boom, ascension followed the decline, and so forth. In economic literature, the interest has been strongly stimulated by the problem of cyclical changes which were shaping the business environment. But today the intensity of the interdependencies which characterize the world economy is more than ever; globalization and technology are mainsprings of some kind of synchronized fragility which, according to Kotler & Caslione (2009), could generate changes at any time. This thesis continues an idea which has gained a contour for the first time in the '60s in the works of Peter Drucker. Thus, in *The Age of Discontinuity*, Drucker (1969) outlined the vision

of an era of discontinuity at the world level, shaped by transformations in technology, economic policies, industrial structures, economic theory, in the knowledge needed to govern and to manage, as well as in the economic topics. In his best known work, the *New Realities*, Drucker (1999) describes a new economic habitat, like a transnational world economy, with a concrete existence but very different from that of the national economies, and at the same time with a significant influence on them (which sometimes go up to controlling them). In this new habitat, built on a tight network, the borders have been torn apart, the pace of change was considerably accelerated and the effects irradiate almost instantly (Toffler, 1973). In a metaphoric way of speaking, the dynamics of changes threw economies, and especially the most technologically advanced ones, in a state of progeria, and at the same time, give birth to an economy of impermanence and transience, as it was described by Alvin Toffler (1973). "...The change is accelerated and the complexities are multiplied", Toffler (1973, p. 68) notes, anticipating a profound reconfiguration of the economic system. In this economic system foreseen by Alvin Toffler, i.e. the economic system of the third wave, corporations are forced to perform in a volatile and confusing environment, full of risks and pressures, shaken with spasms and convulsions, chaotic penuries and surpluses of energies and resources, fast-changing attitude of consumers, workers and managers, trade imbalances and other (Toffler, 1983).

Drucker's and Toffler's foresights and interrogations have proved to be built. Beginning with the '80s, phrases like *chaos* and *turbulent environment* have been used more and more frequently to describe the business environment (Drucker, 1980; Drucker, 1986; Dauphinais et al., 1996; Sanders, 1998, etc.). Today, a growing body of literature embraces the conviction that the turbulence, with its obvious consequences in chaos, risk and uncertainty, has become a new normality in the global business environment (Kotler & Caslione, 2009). The industries, markets and companies are confronted with an increased vulnerability, but also with an avalanche of opportunities arising from this new normality. Turbulence, as Kotler & Caslione (2009) emphasize, is the new normality, interrupted by periodic and intermittent outbursts of prosperity and decline, and even by long periods of depression.

In today's more interconnected and interdependent world any company is exposed to a number of risks and sources of pressure; the main factors which may cause chaos in the markets and in the business environment of the firms are (Kotler & Caslione, 2009):

- *Technological development and informational revolution* remain a veritable engine of globalization and at the same time it creates interdependencies among all markets from different areas of the world.
- *Technologies and disruptive innovations* lead to the spectacular changes in some markets because it happens frequently that a current technology wears off faster; the users of such technologies face with an essential choice: either they adapt quickly and anticipate the following wave of technology, or they are overcome. The idea of "disruptive innovation" is linked to *creative destruction*, a thesis developed by Schumpeter, and it refers to a major innovation, that changes dramatically a sector or an industry (Schumpeter, 2011).
- *The ascension of the "the rest of the world"* refers to the reconfiguration of the centers of global economic power from the USA and Europe to emerging economies such as Brazil, Russia, India, China or South Africa; more often lately the *Global 500 Fortune* ranks an increasing number of companies from India, Russia or other emerging economies.
- A factor arisen from globalisation is *hipercompetitiveness*, meaning that the competitive advantage of companies erodes and it must be regained constantly through new strategy and decisions adopted quickly.
- Environmental restrictions, protection of natural resources, the phenomenon of global warming and other issues regarding the "eco" technologies, "eco" products or services etc., have become a further source of pressure on the companies from all over the world.
- *The influence of customers and of other interest groups* with regard to the activity of business companies is a distinct source of pressure and turbulence in today's business environment.

- Finally, it can be said that other factors linked closely to the process of globalisation in the contemporary world (i.e. the influence of some integration schemes such as the EU; an influence of certain sovereign investment funds on the financial markets; the amplification of the international terrorism, etc.) are sources of pressure in the socio-economic environment and consequently in the businesses around the world.

3. MNCs facing with themselves

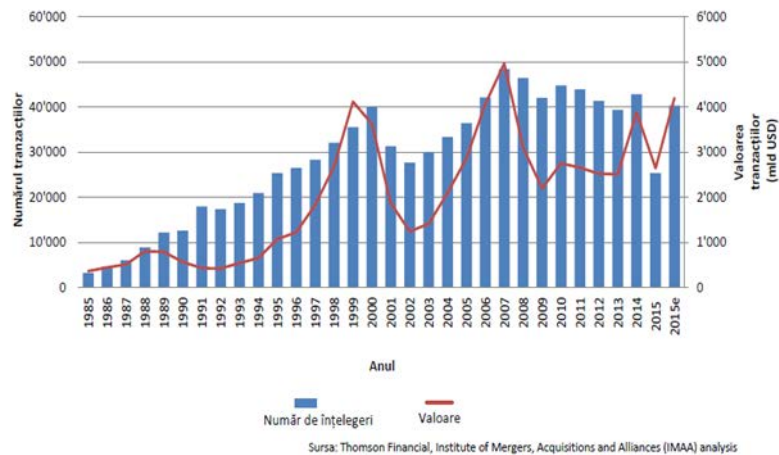
During the postwar decades, capitalist economies were in a period of prosperity and technical, economic and social development; at the roots of this progress were companies in the sector of the small business and especially those in the corporate sector. Despite that is rather difficult to quantify completely accurate the contribution of each type of companies to the creation of prosperity, the Western World would certainly look like different without multinational corporations (even if the wealth created by them shall not be distributed fairly among the social groups). In a certain respect, MNCs contribution to the welfare of the modern economies derived from the principles and practices of management setted by these economic "actors" as a "model" for other types of organizations, including for public institutions. About seven decades ago, Peter Drucker (2008, romanian edition) described the principles of management developed by General Motors as a "model", a prototype of the modern company; inspired by these principles, many companies in Europe and Asia have reconfigured themselves up to what we now call the modern corporation.

The complexity and the dynamics of an increasingly integrated world economy have born challenges and have reshaped not only the environment in which these MNCs operate and flourish but their position in the world arena too. The statute of "the power behind the throne", the influence which they carries on not only upon the decisions of the governments, but also in the international organizations, and the relations with civil society have become important topics in the horizon of scientific reflection (Strange, 1997; Strange, 2002; Korten, 1995; Korten, 1999; Löpfe & Vontobel, 2012). The thesis according to which the MNCs compete directly with the power held by a democratically-elected government has shaped a real niche in the economic literature in the '50s and in the next decades. How will the balance of power be reconfigured? Which will the shaping forces be?

The manifest relationship between globalization and strengthening the position of the MNCs is ambivalent; *on the one hand*, globalization has made loose the ground for the expansion of the MNCs in the world economy and, *on the other hand*, this expansion has become an amplifier phenomenon of globalization and a form of its expression.

The ability and the responses of multinational corporations to the challenges born from the tumult and complexity of a globalized economy are extremely diverse; depending on their mission and objectives, the law, the common law practices governing the markets and not only, the strategies developed by MNCs could be significantly different; moreover, these strategies shall be amended and adjusted permanently. In a market that is always on the move, companies are now forced to adjust continuously their position; the trend observed by Toffler (1973) for 1970s has continued in the next decades too; companies tend to respond to the dynamics of market by waves of mergers and acquisitions, but also by disinvestments and remergers. Empirical evidences regarding the number of mergers and acquisitions at the global level reveals an high enough interest for such transactions, especially comparing with the situation in the 80s, 90s and the beginning of the 2000s (figure 1).

Figure no. 1. The number and value of mergers and acquisitions at the global level (1985-2015)

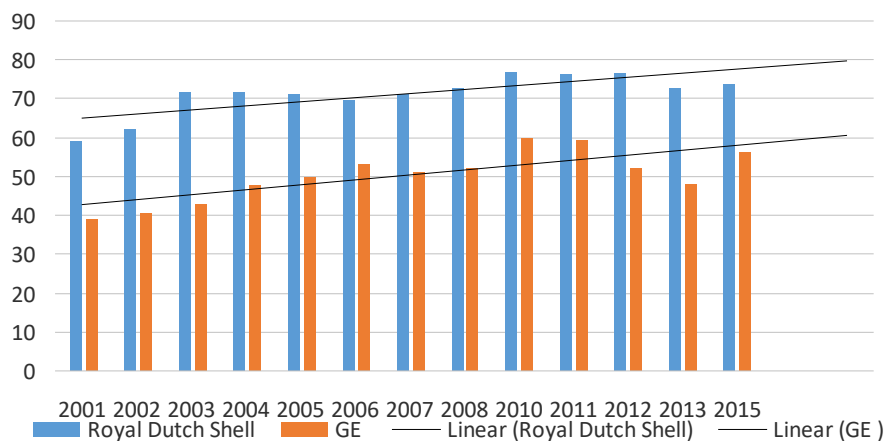


Source : (Institute for Mergers , Acquisitions and Alliances, 2016)

Hill (1997), Hill & Hult (2016) explain that globalization is also the one that shapes the corporate strategic decisions starting with the strategies of internationalisation up to the global ones. In the next decades, as the *Global Trends 2025* report suggests, we can expect to an increased turbulence around the world: rapid changes of the emerging markets governance; major twists of policies of different countries; the escalation of the armed conflicts; budget reductions at the level of the national /local administrations, etc.; gradually, the companies around the world are becoming aware of the fact that the new business environment normality requires new management strategies (National Intelligence Council, 2008).

Therefore, these closer integration of the markets has born the need to reconfigure the strategies; thus, companies have reoriented toward more comprehensive visions meant to change their roles as actors in the global economic area. Global strategies, developed for the world market as a whole, shall replace the local or regional strategies and fall under much more complex goals than traditional ones. Global actors from the "new style multinationals" class developed in the 80s and in the next decades (Dunning, 1988) will seek to meet the challenges launched by the globalization of the markets and at the same time to exploit the opportunities that born with it by an integrative vision of the market and competition. For example, the evolution of Transnationality Index (shown in figure no. 2.) for Royal Dutch and General Electric, two companies to which the magnitude of their transactions abroad has constantly ensured the top ranks in UNCTAD Top 100 non-financial TNCs/MNEs, allows us to accept the presumption that reconfiguring and expanding the "borders" of the business could be a form of adaptation to the new realities.

Figure no 2. The evolution of the degree of internationalisation for Royal Dutch and GE (TNI, %)



Source: Processed after (UNCTAD, 2001-2016)

The examples of the two companies aren't unique; empirical evidences attest an extensive presence of MNCs in the global market, either they look for cheaper or more performance factors of production, or pursue to gain new markets or to find and exploit new opportunities (UNCTAD, 2001-2016).

This new normality, and its obvious forms of manifestation, generate crises of identity for large corporations, as Toffler (1983, p. 307) noted, and at the same time they compel them to a shift of paradigm of the traditional role of the corporation that transcends the strictly economic specialized register. The prevailing economic vision seems to depleted most of its replies to the questions about corporations and their role. The environment in which the corporations perform forces them to reconfigure the approaches of their own ethos, their own objectives and their own responsibilities. The realities of our days confirm Toffler's anticipations from the 80s (Toffler, 1983); the corporations physiognomy has suffered radical transformation; from a manufacturer the corporation has become a producer of social effects, environmental effects, moral effects, political effects and, the last but not the least, it has become a producer of knowledge, this role being more important as the knowledge-based economy is in full development. Moreover, organizational culture, the core competencies of the organization, the distribution of power and other similar issues shall be adjusted during the time (Perman & Scouller, 1999).

4. Conclusions

Today, it is obvious that economic literature has almost fully embraced the idea that the turbulence and especially the heavy turbulence, with its manifest forms - chaos, risk and uncertainty - has now become the normal state of industries, markets and businesses. Since the 80s of the last century, instability and the development of features that are related to the chaos in the business environment have entered in the horizon of theoretical reflection. All the more the interdependence induced by the development of the information and telecommunications technology and by other technological factors have led to a much faster spreading of changes in the environment, market, demography or technology. From this point of view, we believe that the idea of *chaotics* catches a complex and dynamic reality in which the sources of pressure multiply and diversify continuously.

For multinational corporations as main players in the global market *chaotics* environment of global business is complex and difficult to manage. Due to the need to manage their businesses in an increasingly turbulent environment, these actors need a new conceptual framework and certain new principles and rules according to which they can develop their management strategies and their major decisions. The metaphor of the kinetic corporation profiles a new and objective state of affairs, corporations being in an almost perpetual process of reorganization, redesigning and redefinition under the shaping forces of circumstances.

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