25 Fixing the Enterprise

25.1 The Problems with Repairs

There are a couple of questions that one should carefully explore before touching anything. It does not matter whether our intention is to “repair” a camera, a complicated piece of electronic equipment, a personal relationship or a business process. Skipping the following checklist means accepting a high risk for things to get worse instead of better:

- Is there a pressing need to touch the thing?
- Do we understand enough about this?

Let us look at those questions in connection with our intent to “fix” the enterprise.

25.1.1 Is There a Pressing Need to Touch the Thing?

From all the previous criticism, one could have got the impression that things are so badly out of whack that some form of action appears mandatory. But let’s stay with the facts here. While certainly our enterprises are far from the theoretical optimal environment that we could wish for ourselves, we have to admit that they largely do their job. Modern enterprise has, at least in the industrial world, provided us with an unprecedented standard of living.

On the other hand, we see obvious deficits. Enormous amounts of energy are wasted on activities that add no value. I honestly believe that about 80% of everything we say, write and do in our huge corporate headquarters are a pure waste. That may be less of a problem than it seems to be. Those 80% also are the field of opportunity. That is where a competitive advantage can be found and gained. That is the fuel that can be used to drive the engine of capitalism: competition.

Evolution is generally not very frugal in its unstoppable progress. It seems to carry out countless apparently senseless experiments in order to find that one small improvement. For not being very efficient, evolution is extremely effective. This is partly achieved by the fact that everything it delivers has some kind of superbly engineered, fully integrated self-healing mechanism built in. The latter will more often than not be able to repair the consequences.
of the expected occasional mishap. Social mechanisms that spun out of control are repaired in ways that show a striking resemblance with the healing of a cut finger. In these days, and in the corporate environment, those self-healing mechanisms are losing their potency quite rapidly. That is a serious reason for concern. The danger is that, should the latter progress unchecked, we certainly would get into considerable trouble in the intermediate future.

More and more people seem to despair at the difficulties we meet when trying to bite into the mentioned 80%. We see our fantasy as well as our creativity dry up. We see our arsenal of tools dwindle. Very soon, there will be only one recognized method left to combat corporate overhead: ever-bigger mergers. Of course, at the same time modern technology spawns a lot of startups, by definition small. This is purely a question of kinetics. How fast do the big fish swallow the startups? What fraction of our economic activity takes place in what size enterprise? I am convinced that the center of gravity is shifting towards ever-bigger corporations. We even have a word to describe the phenomenon: globalization! Please also keep in mind that whatever negative aspects of enterprises we have described in other parts of this book will grow exponentially with their size. Precisely this is one of the reasons for our limited success in mining the 80% inefficiency that seems to sit there for us to grab. For the same reason, the mergers very seldom deliver what they promise. Apparently, the benefit of scale allows for savings. We can see and identify those. We will never forget to claim them when we formulate and sell the project. The increased inefficiency of the larger organization is much harder to see and quantify, and almost impossible to publicly admit. In the aftermath we will, more often than not, discover that the synergies we used to justify the project do not materialize. But our pipe dreams about the next merger are so much more attractive, so much more interesting and powerful than sterile analysis of the past that we never really get the point. It’s also much more fun to plan our future victories than to analyze our past defeats. And thus, with the eerie determination of a sleepwalker, we march towards the next merger.

The accelerating concentration of economic power in the hands of less and less people is, among all other concerns, also a serious challenge for democracy. We should never forget that we only had our relatively positive experience with capitalism in combination with democracy. What the former would do without the checks and balances offered by the latter is everybody’s guess, but I am not optimistic.

So while there certainly is no basis for radical measures, there is a lot of incentive to try cautious gradual but continuous improvement.