THE FLEXIBILITY OF CORPORATIONS TO MEET
THE CHALLENGES OF CHANGE

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The large modern corporation is the subject of criticism on a wide variety of issues and from several directions. One dimension of criticism contains allegations that their behavior has lead to environmental decay, super-materialism, and enormous natural resource depletion which will prove to have been highly wasteful. This line of argument typically includes a motivational hypothesis to the effect that a "growth drive" of corporations (growth in size, in profits, in power, or in some combination of these attributes), relatively unfettered by societal regulations or other constraints on their behavior, has led to their activities being undertaken in a fashion which has yielded undesirable outcomes along with the desirable ones. To some, the growth driven large industrial corporation, if it continues along its behavioral paths of the past, poses a threat to humanity in an era in which industrial growth "must be limited."

The purpose here is not to address those issues. Instead, it is to call attention to some neglected characteristics of large corporations which provide them with some capacity to adapt their activities in a desirable fashion to the changing economic conditions confronting mankind. This potential flexibility may permit a greater degree of latitude for activity modification than is assumed or presumed in many critical analyses of the impacts of corporations. The sources of that capacity lie in some of the same characteristics and capabilities which permit the activities which give rise to many of the criticisms.

In a dynamic modern economy the population of particular goods and services produced is great and enormously varied--and it is constantly changing. With change in technologies, circumstances, and the configuration of wants, new products come
into being and old ones expire. Existing types of products change in form and function. The population of goods and services is produced by the population of social organizations devoted to their production, business firms. In an economy such as ours, much of that production is carried out by large industrial firms. The population of large industrial corporations, however, is much less unstable than that of the population of products.

Although it is true that some of those corporations may fail (exit the population), it is a comparatively rare occurrence. For large industrial firms changes in the boundaries of individual corporate entities, changes in the membership of conglomerate families, changes in the population of "sub-divisions" within a corporation--reorganizations, sell-offs, mergers, and so on--are more frequent. As a general rule, large industrial corporations do not die, even when not the recipient of a governmental bail out effort. They adapt or some of their component activities either atrophy or are amputated. Although large industrial corporations have much influence on the environment in which they exist, they have also been highly adaptive to changes in their environment through the introduction of new activities and lines of endeavor and through terminating or reducing their efforts in existing lines.

The point to be made here is that the much greater fluctuation in the characteristics of the population of economic goods and services than in the number of large industrial corporations which produce a large portion of those goods indicates an organizational adaptability--a capacity for "creative" response to changes in milieu--of significant magnitude. This general capacity appears to derive from the same sources crucial to the ability of the system of industrial corporations to change the characteristics of the population of goods: potential for organizational metamorphosis, possession of varied organizational technologies, and a highly diverse inventory of role and ability specialized employees whose efforts can be directed toward production of a wide variety of outputs.