

Changing Forms of Organizations
From Corps to Corporation
Dennis P. German

If there is no organization that performs a necessary task or produces a required product then into that vacuum one will come into being. Of course this is not magic nor does the process come close to being easy. But going from not existing to an existing organization is in itself an "organizational change". The process is essentially the same in that basic requirements are documented and then tools, skills and processes are defined to satisfy those requirements.

When an organization exists for some purpose but the requirements of its product or service change the process must be defined to take it from the now state to the then state. Some might say "end state" but this is a misnomer at best since things rarely reach a state where there are never any other changes. It would seem that an organization in such a state is about to be in a state of non-existence.

Thus a dynamic state is that of any organization in existence. Just as the constitution and context of organizations has changed over the centuries so must contemporary entities to engage the present environment.

Those changes from centuries past until this new millennium portend a future set of circumstances which will likely alter the condition of organizational structure in some revolutionary way. It could be argued that knowledge level and understanding of the average citizen might radically impact basic cultural aspects to the extent that engaging the evolving generation in the marketplace and business world will require a shift in the commerce paradigm of cataclysmic proportions.

The state of the business world described by Scott and Davis (2003, p. 344) in the Middle Ages held the average employee as a virtual indentured servant to the master craftsman. Since most of the people of that day were uneducated peasants they

had little recourse but to follow this career path of an apprentice. The individual gave himself over to the master to do his bidding and to be at his beck and call. In exchange for this subjection the apprentice received valuable training in the trade of the master. Eventually he would reach journeyman status and perhaps one day mastery. For his particular field of expertise he was then sworn into a covenant with the order of like craftsman, such as a goldsmith's guild. The commitment to each other within a guild might guarantee life-long employment and perhaps care in old age.

For the illiterate commoner of that day this was a favored pursuit compared to the prospect of begging on the streets or laboring in the fields many long hours.

However, when the reformation and renaissance came to pass literacy began to be the norm (Mignolo, 2003). Add to these the invention of movable type printing and knowledge began to spread like wild fire. The commoner might have the opportunity to expand his horizons due to having greater knowledge of the world beyond the pale of his forebears. This gave rise to increased entrepreneurial endeavors undertaken by more and different individuals and groups of like minded individuals which introduced greater competition into the marketplace.

With the increase in the number of individuals and groups providing the various goods and services, competition compelled providers to develop new arrangements to maintain and/or maximize business and therefore cash-flow. At the same time the seeds of the agricultural and industrial revolution were beginning to germinate. These brought about increases in farming yields with significantly less human effort. Textiles manufacturing produced goods in hours which had been made by hand over a period of days. With a more consistent food supply the population grew at an increased rate

necessitating urban expansion creating opportunities for further growth in the marketplace. This was mostly visible at the micro level with the guilds of each particular trade managing their area of specialization.

At the macro level we see the assignment of privileges to a group for commerce in a specific geographical area (Scott and Davis, 2006, p. 346). Colonialism was not about seeking out new lands and new people and go boldly where no man has gone. It was primarily a means to building an empire. Of course no empire is build without adequate goods to feed cloth and house its subjects. Thus the European powers of the fifteenth through nineteenth centuries mounted many an expedition to find somebody to conquer and take their goods while enslaving their services. The groups which received these privileges were known as "chartered companies".

The chartered company was an early iteration of today's corporation requiring an individual act of the respective state sovereign or legislative body to bring it into being. At the time there were few who could muster the financial backing much less the political power to attain such a credential. This severely limited the possibility that an individual or group could secure the right to perform a service or provide goods in a particular area of the respective empire. This is juxtaposed to our present day state of readily available government forms to fill out and submit to a county clerk or state corporation commission. Then with some filing fee of minimal value just about anybody can establish a corporation in the US.

Thus the organizational paradigm of commerce morphed from the guild system where either an accident of birth or a life of indentured servitude was necessary to engage in some trade of skilled labor -- through the chartered company controlling a

geographic area in the name of king and/or country -- to open season for anybody to pursue an avenue of commerce according to their whim. I would posit that the ingredient which was the catalyst of this cataclysmic change was knowledge; that of the individual. Since the nobles and clerics no longer held a monopoly on knowledge any individual could develop ideas for a product or service, based upon known market demands, and bring into being a business to satisfy that demand.

It is my personal conviction that whenever you have two or more people in a given venue one will attempt to dominate the other. Hence family splits because there are at least two personalities which strive for the upper hand, religious organizations divide due to doctrinal differences of two or more leaders or sects and corporations arise to control assets of various companies. As the guilds, nobles and clerics realized they had lost their dominance of commerce and therefore revenue, new and different methods were developed to regain control.

The concept of a corporation has elements that are particularly attractive; the corporation is not legally or directly entangled with the employees of a company nor its shareholders. In fact it is actually treated as a "legal person" and can exercise human rights against real individuals. This relationship allows the corporation to reap the benefits of the company's commercial cash-flow while having little or no liability for the potential losses it might incur.

Generally speaking, the governing body of a corporation, known as the board of directors, will elect executive leadership which has some stake in the company, such that their fortunes depend upon its success or failure. A part of compensation for corporate leadership is usually a very large number of shares of preferred stock.

This paradigm has made numerous millionaires and several billionaires of upper corporate management. And to a certain extent it is possible to draw an analogy to the aforementioned paradigm of the Middle Ages. We now have an elite group of people which constitutes a very small percentage of the population but garners to itself the lion's share of the profits realized from the company's commercial efforts. It is not much different than the lord/lady living in the obscene opulence of his/her castle while the serfs exist in the squalor of its shadow. But of course these adjectives are relative; in the US the employees have it pretty good. But in developing (AKA 3rd World) countries the analogy of the Middle Ages is very much a reality. Corporate leadership lives in mansions while the employees may live in a shanty town next to the factory.

But the little people now have an even greater source of knowledge than their predecessors. Whereas the peasants of the renaissance and reformation had the product of Guttenberg's invention. We have the internet; a virtual infinite source of information. Not that it has no end but that it is constantly growing.

This begs the question of how organizations might change as a result of this treasure trove of data. Those who populate the bottom rungs of the corporate ladder are not ignorant serfs. With corporate leadership compensation posted publicly on the internet it is possible that there will one day be a backlash as a result of this knowledge; perhaps a "peasant rebellion"? Maybe not, but with events such as "Occupy Wall Street" it is evident that the disparity between the bottom and the top is not going unnoticed.

What could be in the offing is a transition to a flatter management structure. Already the culture within many corporations has changed to an almost familial

relationship. At the same time even larger corporations are beginning to allow more freedom of the employee for decision making even at the lowest levels of an operation. Tools based upon the various systems, such as Six Sigma or Lean, allow for and expect greater autonomy of the employees directly involved with a process. This bottom-up mentality fits well with the up and coming generations. Shafritz, Ott & Jang (2011) indicate that organizational reforms cannot occur without an accompanying change in organizational culture. It stands to reason, then that the developing culture of the generation known as the millennials will impact the organizational systems that will one day come into being in as drastic a manner as the impact of the reformation and renaissance expansion of literacy.

References:

Scott, W. Richard, Gerald Davis. 2006. Organizations and Organizing: Rational, Natural and Open Systems Perspectives. 1st Edition. Pearson

Mignolo, W. (2003). The darker side of the renaissance: Literacy, territoriality, and colonization. (2nd ed.). Ann Arbor, MI: University of Michigan Press.

Shafritz, J., Ott, J., & Jang, Y. (2011). Classics of organizational theory. Boston, MA: Wadsworth.