

# A Wake-Up Call for the Business Nation

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Our general understanding of people and society is fairly limited and evolves slowly. As it is widely recognized, over the past two and a half centuries, we have had only three dominant economic worldviews. In consecutive order, our society was dominated by the views of Adam Smith, Karl Marx, and finally John Maynard Keynes, whose worldview reigned during the middle and late 20th century. And it is this last dominant economic worldview that has created a major problem for the business world.

To understand it, we need to look back at the decade following World War II. During those years, businesses were growing at unprecedented rates, fueled by a healthy demand for virtually anything. The entire business environment was increasingly dynamic, with intensifying competition being one of its most visible aspects. And while there was a good general understanding of how to successfully run processes and departments (Ford's assembly line was making headlines forty years earlier!), there was little knowledge of how to achieve enduring company-level success.

At the same time, the population of former and retiring military officers was swelling. Their training included dealing with enemies, as well as pulling an organization together toward the accomplishment of a mission. In short, they seemed to be a natural fit for the pain that the business world was experiencing. This, expectedly, led to a considerable infusion of former military officers within the business management ranks, which further led to the emergence of corporate strategy, a discipline heavily inspired by the body of military knowledge.

This new branch of knowledge was also in complete accord with the dominant economic worldview of the time. Keynes's basic idea that an economy can be manipulated from a macro level implicitly created a top-down perspective on the business world. It was a portrayal that metaphorically resembles a pond full of fish, with each fish representing a company. Nonetheless, since the success of an individual fish tends to be primarily determined by its dealings with the other fish in the pond, it was a view in which the concept of strategy seemed to fit perfectly. Additionally validated by a slew of literature developed at some of the top business schools, the new discipline quickly gained widespread acceptance.

Keynes's impact on the business world was even more profound. His view that an economy, as a whole, does not necessarily abide by the same laws as do individual transactions has created a lasting rift between business thought and economic thought. While the field of economics has continued to search for a more insightful economic worldview, generally focusing on a macro perspective, the business world has remained trapped in the post-war mindset. The apparent perfect fit of the discipline of corporate strategy, backed by Keynes's macro-micro divide, has gradually diminished the importance of an historical

perspective, ultimately leading to a business world in which few question the discipline's very existence, and even fewer see the Keynesian underpinnings.

As a society, we were simply advancing toward understanding how to successfully perform increasingly larger sets of activities over increasingly longer periods of time. Unfortunately, what should have been a natural progression of our general understanding of business was diverted by historical circumstances on a dead-end road of knowledge. The quest for a fundamental theory of business was replaced by the quest for a theory of "sustainable competitive advantage." Consequently, every effort to understand what it takes for a company to achieve enduring success was hampered by limitations inherent to the concept of strategy. Of the myriad of theories that have been put forth over the past several decades, there is not a single one that is not limited either by the necessity of a timeframe, or by the inability to bridge a company's top-down actions with its bottom-up actions.

Technically, this half-century diversion has prevented the business world from finding an enduring reference system, upon which a fundamental theory can be built. Typical reference systems like offerings and, thus, competition and industries have a limited lifetime. So too do a company's resources or capabilities, which are the other heavily-used reference systems. Nonetheless, it is only in the light of more recent trends that this limitation in the general understanding of business emerges as a significant problem. The growing number of personal and small businesses, combined with the ever-faster-changing business environment, makes the sound understanding of the business big picture a critical component of success for an increasing number of individuals.

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This is a wake-up call for all individuals involved in business. The problem identified here is most likely affecting you, whether you are an employee, a business owner, a member of academia, or even a student. It impacts your understanding of the business world and, thus, your quest for personal success. Moreover, it has an impact on the way business is generally being done, which is also a factor in your personal success. So, join the discussion! Post a comment, share the hyperlink to this site with a friend, or simply write about this matter. Raising awareness is but the first step...

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*Note: This article is excerpted from an essay that was part of a proposal sent to several potential investors in early 2008 in an attempt to raise capital for one of Cristian's business ventures. However, for the public at large, the article was first published at <http://www.bizbigpic.com/wakeupcall> in September 2008.*