Transforming Corporations into Business Ecosystems: The Path to Customer Fulfillment

Ever since the Industrial Revolution, Western society has tended to view the world as a machine, composed of components that functioned like cogs, wheels, and springs.

Newton formalized this approach in science. However, it worked only within the range of Newton’s instruments. Later discoveries by Einstein (relativity) and quantum physicists caused the Newtonian concept of the world to fall to pieces!

Business also picked up on this metaphor in the Industrial Revolution. The automobile assembly line of Henry Ford was viewed as the paragon of efficiency.

As long as the product was relatively simple in organization, this metaphor appeared to work. An efficient business became defined in terms of

- A “well-oiled machine”
- “Having momentum”
- “Gaining steam”
- “Firing on all eight cylinders”

The primary business unit became the corporation. The prevailing attitude was “Us against Them.” Only the strong competitors survived. For these corporations, the primary business activity was production. It was expected that revenue would be maximized as production was optimized. Generations of operations research practitioners sought to optimize processes that would maximize business revenue.

With the advent of fast computers, flexible communications, and the Internet, a new business paradigm has emerged: the business ecosystem (Inmon et al., 1998). Moore (1996) maintains that real competition in these business ecosystems is not dead (actually, it is intensifying); it has just changed its expression. The old expression of competition pitted offers and markets against each other. The products improved as companies listened to customers and made the products fit their desires. The problem with this approach is that it ignores the environment and the system in which those offers and markets are embedded. It also ignores the great benefit that can come with co-evolution with other “competitors” to satisfy customers more than if they operated separately. Moore stresses the importance of the environment and the system in which our businesses are enmeshed. This emphasis points also to the need to consider systems’ effects in our analyses of customer behavior.

As businesses became more complex, the machine metaphor began to break down. In both science and business, it became increasingly obvious by the 1980s that we had to begin to look at the world in a different way. In these increasingly complex systems, there seemed to be important properties that did not emerge until the system was complete and operating as a whole. These emergent properties often controlled the major responses of the system. These influences are causing a profound shift in science and business toward viewing the world as organism!

Petzinger (1999) remarks that the key characteristic of modern civilization is that of economizing, and that our genes are programmed for business.

This view of business as “organism” flowed out of the central concept proposed by Rothschild (1990):