THE LONGEVITY OF LARGE ENTERPRISES: A STUDY OF THE FACTORS THAT SUSTAIN ENTERPRISES OVER AN EXTENDED PERIOD OF TIME

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ABSTRACT

The high mortality of companies has been a common trend especially following major economic events such as the 2008 global finance crisis. Many companies such as Lehman Brothers, Enron and Arthur Anderson were seemingly performing companies until their abrupt collapse which left the business world shocked. Many organisations currently are strategizing towards sustainability and ultimately longevity. However, not many companies have managed to survive for at least a century and remain relevant in the current market. Companies like IBM and Nokia have survived the dynamic business climates in their specific industries and diversified in order to avoid being obsolete or collapsing. An array of factors may be attributed to the success of such companies in attaining that long life span and still remaining top companies globally. The study therefore focuses on creating a framework which illustrates the main factors that are an imperative for any company to survive for a long period of time.

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INTRODUCTION

Organizational Longevity can be defined as the continued existence of organisations even after the founding members leave (Haugh and Talwar, 2010, p. 485). The high mortality of companies has been a common trend especially following major economic events such as the 2008 global finance crisis. Many companies such as Lehman Brothers, Enron and Arthur Anderson were seemingly performing companies until their abrupt collapse which left the business world shocked following the crumble of companies which once symbolized power and stability. This trend can be attributed to the fact that companies many a times fail to understand that organizational change and learning are inevitable for accomplishing success and show high degree of reluctance for change. Organisational longevity can be accredited to enhancement of the company’s self-renewal process which fosters a prompt measure to instigate changes which address the recently emerged problems including proactive thinking and planning (Montouri, 2000). Krell (2000, p.8) defines two aspects of organizational longevity firstly, organizations are like living things and thus theories of human life are applicable across organisations as well, secondly, organizations need to identify the traits which can ensure longer life or better sustainability.

It has become common to witness many large companies last only an average of 12.5 years. In order to survive the dynamic and unpredictable business climate, it is imperative for organisations to invest in achieving business excellence in all aspects of organisational processes. This entails process systems, innovation and technology, communication systems, project management, resource management and management of change successfully (Harrington, 2006, p. 43). Working upon the strategies, companies tend to follow the latest strategic models which are in fashion rather than selecting strategic tools on the basis of their utility and applicability. However, not all concepts deliver results and when not deliver desired results does, they are promptly discontinued or put to minimal usage. This paper would review the literature on the concept of organisational longevity in order to determine the factors which contribute towards it.

RESEARCH AIM AND OBJECTIVES

Aim

The importance of sustaining organisations over extended period of time is widely acknowledged in the management literature (references). The purpose of this inquiry is to seek to answer the question as to what are the vital factors which contribute to organisational longevity.

Objectives

1. Reviewing the literature to develop the theoretical frame which identifies the factors thought to be vital in sustaining organisations over extended period of time.
2. Providing interpretation and explanation of the findings with reasoned arguments drawn from the empirical and literature evidence to develop a framework of critical factors essential for organisational longevity.

LITERATURE REVIEW

Organisational longevity is essentially one of the aspects that can categorize the sustainability of a company or enterprise. According to Pawlowski (1999) in order for an organisation to sustain itself, it must be stable, continuous and long lived. Most organisations live in the now and wish to solve the problems and address the needs of today and make money whilst they are at it. This shows need of stability and continuity among organizations. However the question that haunts an organisation is whether what they have to offer today will still be relevant in the future. The concept of longevity gained relevance only in late 1990s. However, it became popular after the latest global financial crises.

Among the models that have focused on organizational capabilities, 7S model by Waterman et al (1980) focussed on 7 factors which were responsible for sustainability, i.e. strategy, structure, systems, shared values, style, staff and skills they primarily focus on the stability and continuation spectrum. However, longevity was not considered important for sustainability. Further, model proposed by Hubbard et al (1996) also focussed on factors like; culture, structure, systems, human resource capacity and financial resources, but didn’t gave importance to the concept of longevity. However, a decade later, Harrington (2006, p. 47) posits that in order to survive the dynamic business market and sustain an organisation for a long time, it is important that organisational excellence is made a priority. As per the Harrington (2006) there are five elements which contribute towards organizational excellence of which fundamental factors include; process management, knowledge management systems, project management, resource management and management of change successfully (See Figure 1).

FIGURE 1: ORGANISATIONAL EXCELLENCE MODEL

Although not many researchers have attempted to study the concept of longevity, however, the ones who have, have proposed several attributes related with longevity. Geus (2002, p.24) indicates that there are four attributes, the organisations; 1) were environment sensitive regardless of whether their fortunes were as a result of knowledge or other natural resources; 2) were cohesive and have a significant sense of identity among employees and suppliers; 3) companies that have survived for a long period of time are tolerant and accommodative of experiments, eccentricities and outliers that which eventually expanded their knowledge of their capabilities as an organisation and 4) conservative financing, in which capital is not utilized in risky ventures but rather money is used to grant the organisation financial flexibility (See Figure 2).
FIGURE 2: MODEL FOR CORPORATE SUSTAINABILITY AND LONGEVITY

Cohesion and identity: Ability to build a community and a persona for itself
Tolerance and Flexibility: Ability to build constructive relationships with other entities, within and outside
Sensitivity to the environment: Ability to Learn and adapt
Conservative Financing: Ability to govern its own growth and evolution effectively.

CORPORATE SUSTAINABILITY AND LONGEVITY

Source: Geus (2002)

Model Building for Organizational Longevity

Based on the models developed towards longevity (Geus, 2002) and organizational excellence (Harrington, 2006), the researcher proposes model and identifies five factors which contribute towards organizational longevity (See Figure 3). These five factors are; resources, organisational culture, organisational system, innovative capability and strategy. In terms of resources, Allocation of resources, including human resources and money to strategic plans within a company helps enhance sustainability of various projects. The challenge is ensuring that too much capital is not spent on risky ventures that might not be profitable or stimulate growth and development. Finances should be used strategically in innovative projects that will generate more income and continue achieving increased financial performance.

The practices and routines within the organization is determinant of the organizational culture. It is the organizational culture which inculcates values among the employees. Further organizational systems comprise of production systems, quality management systems and communication systems among others. The establishment of a comprehensive assembly of systems is because it is easier to relay information and monitor smooth undertaking of events.

The innovative capability of an organisation is responsible for new creations and better ways to survive the economic climate that is constantly changing. The dynamism witnessed among long lived companies is a clear indication that in order to achieve longevity, flexibility, creativeness and innovativeness are paramount to achieving survival. It is very important for organisations to engage in open minded possibilities, be flexible and willing to diversify or perfect their niche in order to survive the tides of different economic climates.

Strategy on the other hand relates to planning in such a way that an advantage over competing companies is achieved. This can be through creation of core competencies, marketing strategies and growth strategies. Because strategies are set in alignment with organisational objectives, sustained good performance and excellence is usually the intended outcome; all of which are precursors to an organisation’s extended lifespan. It is essential that companies keep on strategizing, assessing progress and re-strategizing in order to maintain a competitive advantage and sustain a core competence. This sets a company apart from the rest leading to organisational excellence which is an essential pre-requisite to business longevity.

FIGURE 3: MODEL FOR ORGANISATIONAL LONGEVITY
By and large, organisational longevity is a complex aspect owing to the fact that it takes companies years to build an organisation, yet a period of bad strategies or decision making may result in the mortality of a stable company abruptly. Numerous factors contribute to organisational extended lifespan and they are based on excellence models and strategic elements. The factors that prominently stood out have been analysed below in detail.

**Factors Affecting Organisational Longevity**

**Resources**

Material and human resources are both responsible for the longevity of the organization. Dunphy, Griffiths and Benn (2003, p. 57) posit that allocation of time as well as money to strategic plans within a company helps enhance sustainability of various projects. However, other than time and money, human resources also play a pivotal role, because they offer the required intellectual, planning, co-ordination and problem-solving skills in managing projects strategically (Roome, 2005, p. 240). Involving employees and empowering them with responsibilities gives them autonomy and intrinsically motivates them to contribute to the growth and sustainability of the organisation (Holton et al., 2010, p. 154). Moreover knowledge generated, built and shared by the employees acts as a strategic asset for the organization and boosts the organization’s competence for promotion of innovation (Bollinger and Smith, 2001, P. 11).

Similarly, allocation of resources to the project is also important to maintain the sustainability for the organization. However, finances should also be used strategically which in turn would promote growth and development of the organization (Siebenhuner and Arnold, 2007, p. 341; Doppelt, 2008, p. 54). Companies that have survived many years are known to have great financial muscle which is an advantage in case of a profitable capital intensive investment or financial crisis. Moreover, strong partnerships are also based on the financial capability of an organisation.

Strategies adopted for successful allocation and application of resources, should be designed based on the present availability of resources. Many researchers have studied the need of resource management from multiple angles. Grant (2001, P.114) have worked upon the resource-based theory of competitive advantage and advances that no strategy can work without a perfect match of organisational internal resources and skills with the opportunities and threats propelled by the external environment. Rose, Abdullah and Ismad (2010, P.487) supported the resource based view for companies to get competitive advantage in their work. Thus, it can be inferred that no firm can enjoy sustainability and organizational longevity without organizational resources.
Organisational Culture

Organisational culture refers to values, assumptions and expectations that define an organisation. Schein (1992, p. 51) proposes three cultural levels including the first level, second and third level. The first level comprises of visible elements such as facilities and dress code while the second level involves strategies, objectives, and philosophies and values a company has. The third level comprises feelings, attitudes and assumptions among organisational staff. According to Bart and Baetz (1998, p. 827), the mission statement and vision of the company significantly affects the organisational performance. Although sometimes ignored, aspects such as company values and other cultural aspects in a company are what shapes up current employees and newly oriented ones to either believe in achieving objectives or organisational mission. There are four main organisational cultures which support sustainability, clan, adhocracy, market and hierarchy cultures. While clan and adhocracy are used by businesses which operate in high risk and high volatility environment and therefore for them the concept of stability and longevity is not prioritized however, market and hierarchy cultures thrive on stability with low risk investments.

Martins and Terblanche (2003, p. 45) discusses the role of organizations culture towards innovation and creativity, which in turn stimulates a set of mutually shared values which ensures that every aspect of firm in totality is on the same track.

Organisational Systems

Organisational systems essentially refer to all the units of an organisation that define it including production or manufacturing systems, quality management systems and communications among others (Collins, 2001, p. 97). The process system involves definition and ensuring the set terms of inputs, outputs, feedback mechanisms and measurement systems are in check within an organisation (Harrington, 2006, p. 48). Quality systems on the other hand ensures that continuous improvement is constantly undertaken and that companies strive to sell and provide quality products and services. Golden and Powell (1999, P.169) discussed about the role of flexibility along with quality and cost-efficiency within the system as the minimal requisites for corporates to contest competition effectually.

More recently, Palmberg (2009, P. 483) discussed the role of information technology into organisational systems and have attributed improved connectivity, unambiguousness, employee empowerment, prompt transactions and optimized cost of information exchange. This helps the organisation tremendously to enhance organisational efficiency and blend it with flexibility and innovation. Present day organisations are highly complex in nature and thus need to have well-structured and maintained organisational sub-systems for ensuring that the deliverable expectancies are met and also the organisation is taken forward on the path of consistency and economic success. Understanding the organisational systems is thus necessary to ensure that the organisation in its entirety is heading towards business objectives and long-term sustenance is one of the key one.

Innovative Capability

The dynamism witnessed among long lived companies is a clear indication that in order to achieve longevity, flexibility, creativeness and innovativeness are paramount to achieving survival in harsh economic market (Mitleton, 2006, p. 226). For instance, companies that deal with finite resources must invent possible alternatives they can engage in years to come by creating a pool of resources or better still innovative new ways of doing things (Dopplet, 2008, p. 14). However, achievement of innovative capability within the organization is plagued with financial constraints. Hottenrott and Peters (2009) in their research paper discuss about the correlation between innovative capability of the organization and financial constraints. The researchers assert that although innovation promotes organisational level productivity, competitiveness and sustainable long term business growth and compliant market positioning however, there is a constant concern about financing the investments in innovative products or services or carrying out the relevant research and development for inventing a breakthrough product.

Innovation within the organization drives business growth and also improves sustainability within the organization. Pricewaterhouse Coopers (2012, P.2) in their report advocated that in order to be competitive in the international marketplace, companies must emphasis extensively on innovation not only in their products but also in functioning. Innovation must be done constantly but keeping the cost-optimization in mind.

Strategy
Business strategy is an integral part of maintaining an organisation at a certain advantage above other. The core business strategies are aimed at, core competencies within the organization, marketing, and growth. When strategies are aligned with organizational objectives, sustained good performance and excellence is usually the intended outcome; all of which are precursors to an organisation’s extended lifespan (Johnson and Scholes, 2002, p. 111). Also it is essential for the organizations to keep on strategizing, assessing progress and re-strategizing in order to maintain a competitive advantage and sustain a core competence as it is an important pre-requisite to business longevity (Friedman and Miles, 2006, p. 31). Importance of strategy for sustainable growth of the organization is cited by Porter (1996, p. 62), when he discussed the example of Japanese firms which are world renowned for their impeccable operational effectuality. It was this operational effectiveness which facilitated organisational longevity for Japanese enterprises and gave them an upper hand over the western world firms.

Gebauer, Gustafsson and Witell (2011, P. 1273) are of the opinion that companies can only attain sustainable competitive advantage when they attempt differentiation in offerings taking into considerations the strategic, financial and marketing opportunities. Companies need to develop strategies based on the intricacy of customer expectancies, customer centricty, innovative capability and economic performance of the business in order to identify and develop competitive advantage and organisational longevity.

CONCLUSION
Organisational longevity has over the years gained precedence following the high number of large and stable companies that have succumbed to the economic pressures of today’s harsh business climate. Following an analysis of literature about organisational sustainability and longevity, the findings indicate that many factors are indeed linked to organisational longevity although five main factors are an imperative in the survival of a company for many years. Firstly, allocation of resources, including human resources, money, to strategic plans within a company helps enhance sustainability of various projects. Secondly, the establishment of a comprehensive assembly of systems is because it is easier to relay information and monitor smooth undertaking of events. For instance, process systems will determine whether the output defines company excellence which in the long run determines the viability and lifespan of an organisation. Thirdly, the dynamism witnessed among long lived companies is a clear indication that in order to achieve longevity, flexibility, creativeness and innovativeness are paramount to achieving survival. It is very important for organisations to engage in open minded possibilities, be flexible and willing to diversify or perfect their niche in order to survive the tides of different economic climates. Fourthly, it is the culture of the organisation which develops the values required in employees to achieve the objectives of the organisation and its mission. Finally, because strategies are set in alignment with organisational objectives, sustained good performance and excellence is usually the intended outcome; all of which are precursors to an organisation’s extended lifespan. It is essential that companies keep on strategizing, assessing progress and re-strategizing in order to maintain a competitive advantage. It has been shown that these factors are stable, resilient and management fad free. The balance among the factors might change, but these factors are reliable. Delmar and Shane (2003) argue that strategies are important predecessors to action in developing areas.

ENDNOTES
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