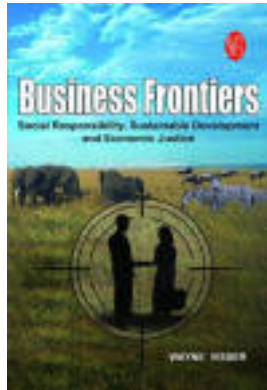


## **Business Frontiers:**

### **Social Responsibility, Sustainable Development and Economic Justice**

*By Wayne Visser (ICFAI Books, 2005)*



### **~ 3 HOLISTIC BUSINESS ~**

#### **Holistic Business: In Search of Synergy**

##### ***The Phoenix of Business***

For me, the image of the phoenix from Native American Indian mythology rising up from the ashes of its dead body symbolises our potential to transform the dying metaphor of business as a 'rational machine' into a new metaphor: business as a 'living whole'.

This idea arose out of one of my business lectures at university some years ago in which Peters and Waterman's famed bestseller, *In Search of Excellence* (1982), was under discussion. As it happened, I was concurrently reading Jan Smuts' scientific and philosophic treatise, *Holism and Evolution* (1926) and was struck by the conceptual parallels between the 'rational mode' of business which Peters and Waterman were criticising and the restrictive 'mechanism' which Smuts attributed to the scientific community of the 1920s. Since Smuts regarded his theory of holism as the "necessary antidote to the analytical methods which prevailed", I began to wonder about its remedial potential for the ailing business theory of the present day.

This article is the fruit of my contemplation along those lines – namely, how holism might be applied as a new framework for thinking about business.

##### ***Mechanism in Science in the 1920s***

Smuts' starting point in the 1920s was his conviction that the prevailing view of science was both outdated and limiting. He was referring, of course, to the commonly-held believe that the universe was "a system or combination whose action can be mathematically

calculated from those of its component parts". In more simple terms, it was Newton's concept of the clockwork universe where, "when isolated elements or factors of the complex situation have been separately studied, they are recombined in order to reconstitute the original situation".

Smuts' main criticism of this reductionistic view of reality, which he called 'mechanism', centred on its failure to recognise the countless synergies which exist in the world around and within us, as well as its inability to account for the process of creative evolution. In his own words, it was "a fixed dogma, that there could be no more in the effect than there was in the cause; hence creativity and real progress became impossible ... In its analytical pursuit of the part", therefore, "science had missed the whole, and thus tended to reduce the world to dead aggregations rather than to the real living wholes which make up nature."

Smuts' belief was that "in studying and interpreting Nature, we need to be faithful to our experience of her", and that, "our experience is largely fluid and plastic, with little that is rigid and much that is indefinite about it". His recommendation was that "we should as far as possible withstand the temptation to pour this plastic experience into the moulds of our hard and narrow preconceived notions."

### ***Rationalism in Business in the 1980s***

This diagnosis by Smuts of the malaise infecting science of the 1920s bears striking resemblance, we find, to the critique by Peters and Waterman of the 'rationalist view' which was dominating business thinking in the 1980s. In a sense, this is not surprising, given that both stem from what management authority Peter Drucker called 'the Cartesian world-view', after Rene Descartes' early seventeenth century vision of the universe as a grand machine, which Drucker discusses in his 1959 book, *The Landmarks of Tomorrow*.

The application of this concept to business owes its theoretical foundations to American engineer, Frederick Taylor, and German sociologist, Max Weber, who, towards the end of the 1800s, introduced their ideas of scientific management and bureaucratic organisation respectively. These were subsequently enshrined by the likes of Ford Motor Company and others in the twentieth century, and in many cases taken to an extreme following the explosive growth of the hi-tech industry. The classic production line is a case in point.

We find, therefore, a dominant philosophy of business in the eighties (largely still present today) which could be described as 'management by numbers' and which includes the following popular notions: success in terms of short-term profitability, growth, and return to financial shareholders; rational decision-making supported by quantitative analysis; increased productivity through measurements, controls and monetary incentives; and organisations and communication in the form of hierarchies.

Peters and Waterman's criticism of this rationalistic view of business concerns its lack of appreciation for the qualitative dimensions of management, as well as its limited understanding of the complexity of the human being. "The problem with the rationalist view of organizing people," they say, "is that people are not very rational. To fit Taylor's old model, or today's organizational charts, man is simply designed wrong (or of course, vice versa, according to our argument here). In fact, if our understanding of the current state of psychology is even close to correct, man is the ultimate study in conflict and paradox."

### ***Smuts' Integrative Theory of Holism***

Given the similarity between the old 'models' described above, it is my conviction that Smuts has some important insights to offer in the search for a new vision of business. These are to be found in his theory of holism which I shall attempt to summarise.

In essence, holism (from the Greek *holos*, meaning 'whole') involved a synthesis between Darwin's theory of evolution (1856), Einstein's theory of relativity (1905) and Smuts' own reflections on the evolution of matter, life and mind. The result was a revolutionary concept with far-reaching implications. What Smuts claimed to have identified was nothing less than 'the ultimate synthetic, ordering, organizing, regulative activity in the universe, which accounts for all the structural groupings and syntheses in it.'

At the heart of this idea is Smuts' concept of 'wholes' which he believed to be "the real units of nature". He describes their character as "a unity of parts which is so close and intense as to become more than the sum of its parts" (that is, they are synergistic). He goes on to say that "every organism, every plant or animal, is a whole, with a certain internal organisation and measure of self direction, and an individual specific character of its own. This is true of the lowest micro-organism no less than the most highly developed and complex human personality."

Implicit in this concept of wholes, Smuts argues, is also the principle of evolution: "There is a creative activity, progress and development of wholes, and the successive phases of this creative Evolution are marked by the development of ever more complex and significant wholes."

Describing the process in more detail, he says "At the start the fact of the structure is all-important in wholes, but as we ascend the scale of wholes, we see structure becoming secondary to function, we see function becoming the dominant feature of the whole, we see it as a correlation of all the activities of the structure and affecting new syntheses which are more and more of a creative character." It is in this sense that he refers to mechanism as simply "an earlier, cruder form of holism".

The question is: can these concepts be applied to business?

Well, as it happens, Smuts repeatedly implied that such an application would not be inappropriate "What is not generally recognized," he wrote, "is that the conception of wholes applies in a sense to human associations like the State, and to the creations of the human spirit in all its greatest and most significant activities."

It is to business as a specific form of "human association" that I now turn in order to attempt to apply holism as a new paradigm.

### ***The Holistic Individual***

The first level of business to which a holistic view needs to be applied is that of the individual. As previously implied, the old view of business regards employees as rational entities which are expected to perform in mechanical ways to further the materialistic goals of the company. In contrast, Smuts' views of the human being, as expressed through personality, was as "the highest and completest of all wholes". It is interesting now to note that, while this idea has yet to be fully applied in business, the idea itself is not new to the discipline.

In fact, thinking along these lines began to emerge in the 1930s, following Elton Mayo's now famed Hawthorne experiments which showed the importance of psychological factors in employee behaviour. Building on this, Douglas McGregor, in his *The Human Side of Enterprise*, challenged the idea that "authority is the central, indispensable means of managerial control" by introducing his Theory Y of motivation. Then, in 1954, Abraham Maslow, in *Motivation and Personality*, made his invaluable contribution in the form of his hierarchy of needs, which, incidentally, later led him to the concept of *Eupsychian Management* (1965), in which the "being values" of his hierarchy of needs (such as self-actualisation) were more explicitly recognised.

Another significant development which should have advanced the recognition of the whole individual occurred in the 1960s and 1970s which twenty-five patients around the world underwent 'split-brain' surgery for the treatment of severe epilepsy. The unexpected results showed that the brain's right and left hemispheres can operate independently and display significantly different characteristics, the left-brain controlling essentially rational and reductionistic activity, and the right-brain performing more of an integrative and creative function. Canadian business researcher, Henry Mintzberg, was the first to spot the business application and explained its significance in his 1976 article in *Harvard Business Review* called "Planning on the Left Side and Managing the Right".

"One fact recurs repeatedly in all of this (management) research: the key managerial processes are enormously complex and mysterious, drawing on the vaguest of information and using the least articulated of mental processes. These processes seem to be more relational and holistic than ordered and sequential, and more intuitive than intellectual; they seem to be most characteristic of right-hemispheric activity."

The point is that, despite all the evidence and frameworks supporting the notion of the holistic individual, business has yet to respond in a meaningful way. Employees are still regarded as inputs to production and expenses in business rather than creative beings and assets in business. People are still expected to leave their emotions, intuition, dreams, fears, family and community concerns, and a myriad other qualities characteristic of being fully human, outside of the workplace. And as workers, they are still expected to be motivated and inspired by monetary incentives, increased productivity and profit-making, as opposed to personal development, genuine service to others, and the search for meaning in their lives. The time is long overdue for business to being to serve humans rather than the other way around.

### ***The Whole Organisation***

The other level to which holistic thinking can be applied is that of the organisation. For instance, does Smuts' idea of mechanism being "an earlier, cruder form of Holism" not also apply to business? After all, it is indeed as a result of increasing complexity (as per its original meaning of an increase in interconnections or relationships) that the rational model of organisation is no longer working. This theme has, in fact, already been pursued by Dutch psychiatrist, Bernard Lievegoed, in *Developmental Management* (1969), in which he conceives of the development of organisations through three phases: the pioneering phase, the phase of differentiation (alias, the rational model), and, finally, the phase of integration (the holistic model).

Inherent in the new holistic organisation is the idea of flattening the hierarchy, and a move towards the network-type organisation which recognises its composite wholes more fully. The team-based culture, as well as organizing according to process (as opposed to functional silos), is also part of the move towards a more holistic structure which is more consistent with Smuts' notion of synergy than its mechanistic predecessor. This thinking needs to be extended beyond the internal organisation. For instance, Rosabeth Moss Kanter, professor of Business Administration at Harvard Business School, says in *When Giants learn to Dance* (1989) that, in order to survive in the global corporate Olympics of the future, companies will need to "pool their resources with others, ally to exploit an opportunity, or link systems in a partnership. In short, they can become better PALs with other organisations - from venture collaborators to suppliers, service contractors, customers, and even unions."

Another interesting derivative from Smuts' holism could be his concept of 'fields' of influence, which he describes as the "natural shading-off continuities" of wholes as opposed to "enclosing things or people in hard contours which are purely artificial". The latter is exactly what business has been guilty of in the past, both with regards to its people (as highlighted in the previous section) and its relationship to its external environment. Indeed, it is only recently that business is beginning to think in terms of its responsibility to all its stakeholders (customers, suppliers, employees, communities, future

generations), as opposed to simply its managers and financial shareholders. And even so, much of this remains superficial and inadequate, as in the case of the destruction of the natural environment.

Paul Hawken, author of *The Ecology of Commerce* (1993), makes this point with regard to the latter: "If every company on the planet were to adopt the best environmental practice of the 'leading' companies, the world would still be moving toward sure degradation and collapse." The reason, says Hawken, is that "rather than a management problem, we have a design problem, a flaw that runs through all business." And "to create an enduring society," business will be required to create a "system of commerce and production where every act is inherently sustainable and restorative."

Ryuzaburo Kaku, Japanese chairman of the Canon group of companies, is perhaps one of the few who has taken this holistic understanding to its natural conclusion in thinking about business. He explains that, in the highest stage of evolution of a corporation, "a global consciousness emerges, and the corporation sees itself contributing to the whole of mankind". This evolutionary perspective is important in applying Smuts' holism to business. It highlights the need for what Peter Senge, professor of Systems Thinking at MIT's Business School, calls, in his *Fifth Discipline* (1990), the creation of the "learning organisation". In fact, Senge's 'fifth discipline' - systems thinking - is nothing other than a subsequent iteration of the principles of holism.

In Smuts' terms, the message is the same, for while the tendency in the universe is towards higher and more complex wholes, degeneration also occurs when "there are wholes that are weak, inchoate, and these must be eliminated". Therefore, those organisations least able to transform themselves continually into more and more holistic entities will be those which have failed to adapt and will die. It is after all, according to Smuts, the fundamental law of the universe: survival of the 'wholest'.

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**Source:**

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