

## Alternatives to Psychopathic Organizations

*Presents the kinds of organization and its characteristics and it suggests ways to avoid a psychopathic environment to work.*

**David Creelman**

The book and film, *The Corporation* by Joel Bakan asks, "If the corporation were a person, what kind of person would it be?" This question is not mere fancy for the corporation is a person in law with the same rights as a living man or woman. Bakan answers the question in no uncertain terms, the corporation is a psychopath, singularly self-interested, irresponsible, grandiose, manipulative and lacking in empathy. Psychopathic behaviour arises not because managers are bad people but because the form itself corrupts.

*The Corporation* has received wide acclaim with even *The Economist* not disputing the diagnosis. What is interesting is what *The Economist* did say, which was, "The film has nothing to say about the immense damage that can also flow from state ownership...[as in] North Korea." The idea that there are only two forms of enterprise, state ownership and corporations, has been widely spread—so much so that even the venerable *Economist* failed to see beyond it—but, it is not true.

### Corporations and Organizations

As great management thinkers like Henry Mintzberg and Peter Drucker have pointed out we live in the age of organizations. Organizations do great things. They amplify human effort. The elimination of smallpox, the invention of the Internet, the building of pyramids and the discovery of DNA were all achieved by organizations. However, none of these accomplishments arose from the particular form of organization called a corporation. The corporation is a particular legal device for enabling organization, and, if you believe *The Corporation*, not a particularly good one.

### Alternatives to Corporations

There are a number of important alternatives to corporations. One of course is government, which is a simplification because there many different kinds of legal structures around the world that guide and constrain government.

There are also the not-for-profit organizations such as Medicins San Frontieres, Oxfam, The Red Crescent, and Toastmasters. Drucker estimates

there are over a million of these organizations in the US alone.

There are partnerships such as traditionally exist in law firms, consultancies, accounting firms, and some medical practices. Partnerships are usually the best form of organization where the most important asset is the talent of individuals.

Another important form of organization is the cooperative or mutual. One of the most successful for-profit organizations in Spain is Mondragón, a cooperative that is outperforming its corporate competitors.

Private firms play a huge role in the economy and allow the owners to do

organization better suited to delivering the individual services consumers want. She believes new legal structures will be required to support the evolution of these new for-profit entities.

The differences between corporations and other types of organizations are not trivial. Consultants from Hewitt Associates have told me that when the firm went public (moved from the legal structure of partnership to that of a corporation) everything changed. This is a comment I've heard time and again from people who have suffered the transition from one structure to that of a corporation. As one manager said, "All the fun goes out of the business."

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what they think is right, not what Wall Street analysts think will boost short term earnings. Google, which has recently gone public, has tried to avoid the pitfalls of the corporate form through an odd set of statements committing it to maintaining its current culture. It's a brave attempt, but is unlikely to succeed.

Dan Pink, author of *Free Agent Nation*, discusses confederations, which are not legal structures at all. Confederations are the informal networks of partners that free agents build to amplify their effectiveness.

In *The Support Economy*, Harvard professor Shoshanna Zuboff predicts that in the next decade we will see the emergence of a different form of

### **Altering the Corporation Form**

No one denies corporations are very useful, but the legal rules that govern them are man-made inventions and can be improved. In his wonderful book *Organizing America* Yale professor Charles Perrow points out that it was only in the 19<sup>th</sup> century that U.S. lawmakers, who were likely bribed by business interests, gave corporations the right to own other firms. This set the stage for a century of mergers and acquisitions that would have horrified Adam Smith.

The impact of changing laws is always hard to assess, but there is reason to believe the current laws governing corporations do not best serve the economy.

### What Should We Do?

As people running organizations we have to ask ourselves which form of legal structure is in our best interest. Private ownership, partnerships and cooperatives all have advantages—and disadvantages too.

As citizens we should ask government to encourage different forms of organization, in particular different types of for-profit firms. An economy driven by a mix of different organizational types will be more efficient than one dominated by large corporations. For example, the Canadian health care system, one of the best in the world, works through a complex mixture of government, not-for-profit and private organizations. It is routinely misunderstood as being government health care. Neither a fully public sector nor fully corporate system would work as well as the complex mixture of forms.

### The Missing Soul

What makes the corporation unique as a form of organization is that it has no purpose other than making money. All other organizations—potentially, and commonly in practice—have other broader and more human purposes. The privately-held pump manufacture S.A. Armstrong wants to build capability in its employees, organization and customers. That admirable mission would actually be illegal if they were a corporation. Yet it is a mission which will likely enhance profitability. USC professor Ian Mitroff says indications are that organizations which have a spiritual focus, which I'll take to

mean a goal beyond profits, outperform those that don't.

It is simply a mistake to think that corporations are equivalent with capitalism. There are a number of legal structures in existence and an unlimited number that can be imagined that provide the basis for organizations. Entrepreneurs should consider what form of organization will create the kind of legacy they really want. Governments should be thoughtful in legislation. Finally, investment banks should consider how to provide access to capital to firms others than corporations which seems to be the chief thing holding them back.

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