

CREATIVE DESTRUCTION PROVIDES „A LIFE AFTER DEATH”

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Abstract: *Commercial business in the last two decades of the last century can be summed up in a few words, namely: to anticipate, to order and to control. This was possible in terms of the relative stability of the environment that largely could be controlled, and uncertainties predicted. However, this is no longer and never will be again.*

21st century began with the dramatic changes that will be even more dramatic and uncertain. This is related to climate, social, economic, technological, organizational, and other changes. To respond to these changes, organizations will have to change the postulates of classical economics and the organization and to function according to the principles of “the creative chaos”. Changes and management will be one of the major challenges for the leaders of twenty-first century. Leaders of the future will need to constantly invent and redesign the organization and leadership, and to use the so-called “creative destruction” as a concept to solve increasingly complex problems.

The paper deals with the problem of reviving the companies that are in the stage of maturity and decline, seeking an answer to the question “can we live after death.”

Keywords: *creative destruction, creativity*

1. INTRODUCTION

Medical science has established there is no life after death. However, Ichak Adizes says that wherever there is a change, there is a life. After death, after a few hours corpse starts to change, which means there are microbes that destroy it, thus confirming that wherever there is change, there is movement, and that movement i.e. changes in lifestyle. Is it possible to transfer these findings to social and organizational systems, and whether the organization can survive clinical death and be brought to life again, and to be successful in relation to the phase of development and maturity?

Famous American lecturer and consultant at the Richard Ivey School of Business wrote a treatise named “Crisis and Recovery” and elaborated the concept of organizational changes, which is more or less applicable to all organizations and societies, regardless of socio-economic, cultural, social, religious, customary and other characteristics. This is the concept of conditional destruction of the existing organizational structure and manage-

ment processes and re-restoration of the companies. It turns out there is an excess capacity and general saturation in terms of products, services, etc. at the global level that limits development, given that the purpose of any production is to find payable demand. If not, then it does not make economic sense to produce.

In the next period, this saturation will be even bigger, as long as the third world countries are not developing, and countries such as Brazil, Mexico and Argentina do not develop sufficiently powerful middle class in order to be able to purchase products and services and thus balance the supply and demand.

In terms of radical and fundamental changes, it is necessary to respond to quickly and efficiently certain challenges and problems, which are generally unique and unrepeatable. It turns out that the rapid and radical change threatens life and reduces the life cycle of the company, which requires that companies must change at least as fast as the environment changes. If this doesn't happen, the organizations are lagging behind, and ultimately will disappear. This will happen with living beings too, and even a man as conscious and rational living being, which impose a necessity to live and work with the changes, according to the principle that everything is changing, and that the changes are the only permanent thing. In other words, today we live by the principle that nothing is more permanent than temporary solutions, that is, in contrast to the past, looking for an organization that will continuously change and adapt to environment changes. Instead of continuity and longevity that characterized the organization of the twentieth century, in the twenty-first century is expected that discontinuity of businesses and organizations is going to be one of the main characteristics, which will inevitably affect the lifespan of products and services, i.e. organizations.¹

However, any company can extend its life, if live with permanent changes. That happened to Ford, as well as with other companies. Therefore, Ford lives over a hundred years. However, today's Ford does not look at all t Ford from fifty years ago. Ford survived and lived another companies, thanks to their permanent adjustments to customers and market. If this company has not changed and adapted to the market and its demands, Ford would not exist today. Long-lived companies have applied the concept of "creative destruction" and thus successfully completed a high level of turbulences.

2. "CREATIVE DESTRUCTION", A THREAT OR AN OPPORTUNITY

The starting point for drawing conclusions about the essence of creative destruction is an ecological system, i.e. the natural order and the natural laws of the universe. It is shown that the universe operates on the principles of natural laws, which are objective and act independently of our will, and regardless of whether they know the person or not, or whether they are granted, or denied. Therefore, there is creative destruction in the natural system, and can be relatively easily represented through a lumber camp.

The managers of lumber camps and workers are destroying mature forest trees and low vegetation, including burning, in order to enable its restoration and to create conditions to develop tentatively promising tree. Therefore, the management of lumber camp creates the idea on the reconstruction through an idea that can be seen as the concept of "creative destruction."

¹ John Naisbitt: From nation states to networks, Rethinking the World, pp. 222-225

Analogous to the above, the company management must learn to help businesses at mature age to disappear, and i.e. when organizations do not have anything new or useful to supply the market. In medicine, this is called euthanasia, i.e. trying to help the sick man dies, to avoid much pain and hard life. In some countries, euthanasia is allowed, whereas in others not, realizing that it is not humane that one person helps other person to die, which is largely transformed into Hippocratic Oath.

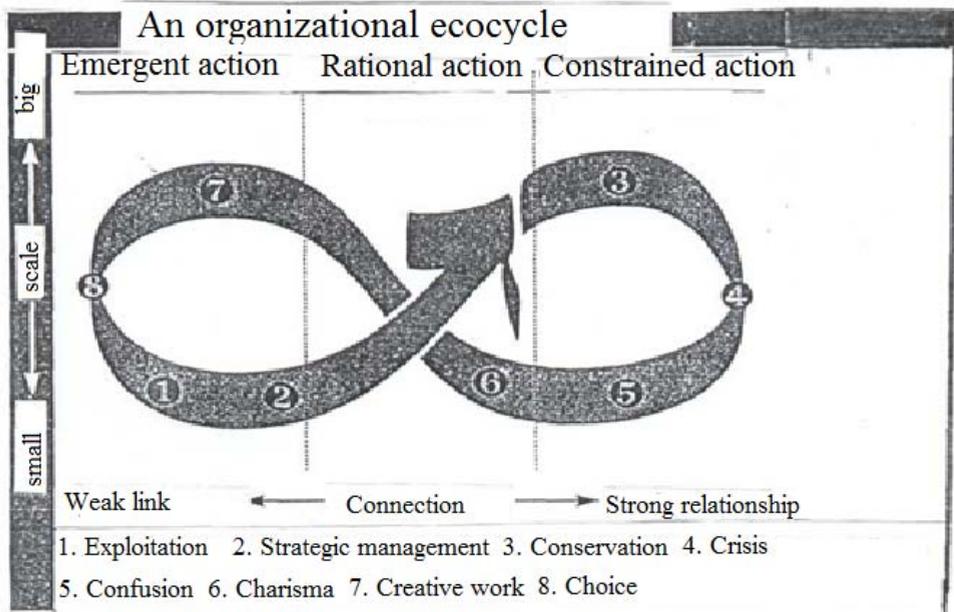
Thus, mature companies in terms of technology and organizational needs to destroy themselves, if they want to survive and continue their life after death. Restoration and destruction are inextricably linked, as is the case with birth and death. There is no death without birth or a birth without dying. Thus, mature trees and low vegetation must be burned, or be destroyed, in order to enable the restoration of the forest. Consequently, forest fires that occur in many cases can be regarded as a natural phenomenon in the balance of the environment, not only as a result of drought, high winds and lightning. Yes it's true, it was confirmed by researches, in cases with a large number of fires in the natural order when the cause of the fire is unknown, or when is determined that the fire was not caused by a specific act, or not-doing by a man. In other words, the nature itself is performing the healing of its sub-systems, or performs "creative destruction" in order to ensure the sustainability of the universe. Analogous to the above, self-ignition that objectively exists in the natural order is the controller that ensures that the organizations perform self-renovation and in the same model of change provides its longevity. That is why the universe lives a few hundred million years and will live as long as we are able to self-renew and to establish permanent changes.²

Organizations are artificial systems that connect people, technology and processes, and are similar to ecological systems. Both have their limitations in advanced lifetime. Over the last five decades, higher education management schools provided the professionals who were able to provide the stability of the organization and possible longer life, including the injection to mature organizations and unproductive technology could survive and function. At the end of the last century, we were witnesses of the management training to perform a smart disorganization of the organization, i.e. to wisely "burn" its organization, instead of taking measures to be "fire resistant." In other words, the right choice is that management plans and smartly destroys existing design, technology and other subsystems of the organization, according to the "ethical anarchy" principle. If management does not do so, they risk being destroyed by the competition, but that destruction would be a non-systematic, random, and as such less efficient. Of course, one thing is true, and that is the fact that the end is inevitable, and the only question is who will take part in the destruction of the organization.

Viewed from this angle, change management challenging the traditional life cycle of technology and approaching it to the ecological cycle in which its individual parts live and go, but the forest as a dynamic eco-system survives through a continuous cycle that occurs in the same system of changes through planting, growth, development, destruction and renewal. It can be called an eco-cycle in contrast to the known life cycle, which is usually attributed to individual organisms.

The life cycle is usually described as a curve in the shape of the letter "S" while the eco-cycle consists of two such curves that intersect to form a continuous loop, which can be presented in the following way:

² Warren Bennis, „Becoming a leader of leaders”, *Rathinking Leadership*, p. 150-151.



The front part of the loop is known in the conventional life cycle. It monitors the system from birth through maturity and up to decay and dissolution. The second loop is less well-known cycle of renewal of “dead” or the cycle of “re-conception” i.e. revival. It starts off as a result of confusing crisis that breaks limitations that links the system and fragments higher hierarchical structures that monopolize resources. It ends up creating the context in which new organisms in their natural or organizations in the social order can flourish. Therefore, it is the emergence of a whole new cycle of birth and growth.

The change in the eco-cycle is permanent. Sometimes it is painless and almost linear, but sometimes it is rapid and nonlinear. It is clear that reconstruction requires destruction. The only way to create a new space in the forest is to creatively destroy the large-scale structures that monopolize its resources. Consequently, the only way to introduce new technology in organizations is to destroy or remove existing technologies that limit the potential of other resources, thereby reducing the competitive ability.

3. THE PRACTICE OF “CREATIVE DESTRUCTION”

Practice shows that a large number of successful companies perform creative destruction and that were successful in bringing their companies to the top after major stumbling thanks to creative destruction. The most important thing is that tomorrow’s leaders will have to learn how to create an environment that accepts change and that change is not perceived as a threat but as an opportunity and a chance. This is the only way to successfully manage organizations in turbulent conditions.

Jack in the Box Company is the world famous fast-food chain, which has come into a mega crisis in 1993, when 600 people were infected eating meat and hamburgers, while 3

consumers died. After this case, and with a series of statements and shifting responsibility to the suppliers of meat, this restaurant chain has come into a major crisis, whose epilogue was a reduced energy and confidence in the quality and safety of fast food that is prepared in this system.³

In 1994, management of the company took the series of actions to restore the confidence of customers in terms of food security and thus turn the crisis into opportunities and chances. The first innovation was the introduction of a system of total control of food from production to consumption known as HASSP, and the introduction of microbiological control of meat and meat products. A control of all segments of the restaurant where the food is prepared and served, including the control of health staff was also introduced, as the new method of promotion. In addition, training of the staff was also provided in order to realize the program.⁴ Thus, this system for fast food saved itself of crisis in order to achieve innovation through leadership positions in the food industry. According to many estimates, if the crisis did not happen, the system would remain at much lower level.

“Intel” company is one of the companies that is continually updated on “parts of open space” created by the constant changes in technology. In the eighties, the crisis has played a major role in how to get them to leave the production of memory chips (which was the basis of their previous success) and facilitate their transition to the production of micro-processors, which then was in its infancy. When the memory chips have become commodities for the market, “Intel” was not able to sustain in the market that Japanese were increasingly taking. The catalyst for the decision to abandon the technology, even though it was the root of their successful business, was a crisis that has led the company in a difficult situation.

In the mid seventies, “Pentium Flaw” crisis, started due to a seemingly small error in the new micro-processor chips, promoted “Intel” and paved the way for a radical revision of quality standards of the “Intel” (the whole branch of production) both in the field of “hardware” and in the area of “software”.

The concept of creative destruction that 3M Company has used creates new opportunities and prospects. This company seems to institutionalize systematic “burning” of its companies ready to be suspended with the help of internal methods. They insist that each department or business produces at least 30% of its sales on products created in the last four years. At the same time, the culture of the organization supports special activities - for example, they allow employees to work on personal projects up to 15% of their working time. The famous story of the Post-it™ and initial rejection by higher officials shows the more subtle cultural aspects of the 3M Company, which facilitate the mobilization of talents of their own people. In the case of 3M, not only there is no attempt to make the company “non-flammable”, on the contrary, it is as if it is already addicted to the fire. Exposing business to changes in the business environment and the characteristics of the business, allowing them to renew the company and thus prolong its lifespan.

Finally, destruction or crisis is the moment to start a business. To open a bank in the midst of the greatest crisis in late 2008 and early 2009 sounds amazing. However, Meredith Whitney, an old American banking analyst said, “Today is the best time to open a bank. Firstly, the new bank starts with a balance sheet and income statement that are clean as a whistle. Second, earnings are increased due to a healthy relationship between the ex-

³ <http://www.jackinthebox.com/pressroom/index.php?section=6>

⁴ “Safe Food Rapid Response Network”, Safe Food News 1, no. 3 (spring, 1997)

tended loans and deposits available. Third, there is a good relationship between the interest that bank gives on time deposits and deposit rates, i.e. interest rates that banks pay for loans. The best is to compete with banks that do not lend at this moment. They are more concerned about their balance sheets, and not for new loans.”⁵

Regarding this, there is a logical question, what allows a company to revive after death, and even to overcome its most successful period in the phase of “youth”?

Certainly, those are not the people or their property, nor are customers or suppliers. “It” is not a natural or legal structure, or the products and technology. All this can be changed quickly and easily. “It” may be only intangible “things” - common beliefs, stories, memories, visions and values. Only they can give meaning, inspire people - regenerate, and rejuvenate the organization. If all that changes, but not the awareness and attitude toward the technology, the organization is doomed to extinction. The main problem that arises in this context is to raise awareness of people that are constantly changing or destroying the unnecessary knowledge, and habits that have to constantly acquire new knowledge, skills, and new habits. It turns out that it is impossible to acquire new skills and habits, if not eliminate outdated and unnecessary ones. Therefore, in the present conditions the major problem is how to forget the old and to adopt new and more advanced.⁶

This is also true when we are talking about people who used to work for any organization for which they were emotionally attached. When everything else is gone, they still remember their vision, values, and social contexts that are sometimes inspired by the commitment of thousands of people to stay and work together. Wherever they are after that, these contexts can be recreated and knowledge about them can be transferred to the next generation. Thus, “the company” remains as a scheme of interactivity in the vast network that is far from the boundaries and possibilities of our understanding. However, through this network connection they have the potential to be reincarnated in a new, formal organization at any time, thanks to the introduction of new technologies and organizational forms. Perhaps, in the long run, this is the only way for organizations, which are artificial creations made by humans, to survive and continue to further implement its mission.

4. RESUME

“The creative destruction”, as a phenomenon results from the natural order and natural laws. As such, the analogy can be applied to social and organizational systems. “The creative destruction” as a concept overcomes the theoretical aspects and boils down to a practical course of survival, growth and development of every human being, even the organization as a group of people related to successful achievement of common goals. Example of abandoning Zelezara Smederevo by U.S. investors confirming the above statement, because the steel mill is for a long time in a state of unsustainability, which is why it wasn't worth keeping it while producing huge losses.

In other words, when organizations experience “a clinical death”, i.e. when they are not able to offer the products or services on the market to meet their demand, the management has to renew it or destroyed, in order to establish a new, sustainable and organization

⁵ Fortune, 25 May 2009., p. 58

⁶ Ž. Radosavljević: Menadžment znanja-od predvodništva do mastralnosti i dalje, FORKUP, Novi Sad, 2004.

that will pursue their interests through the production and marketing of quality products at the lower price.

For Serbian companies and management, it is necessary to diagnose the stage in which each organization is and that in accordance with established diagnosis prescribes treatment for its cure, and if that is impossible, to apply the principle of euthanasia according to the creative destruction to destroy it, in order to start a new organization that will emerge like a phoenix that is able to provide its own survival through competition on the market. Maintenance of failed companies in the state of "clinical death" in the long run slows or destroys other successful companies and organizations through metastasis.

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