

Pressure to expand is crucial key to firms' success

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Whole Foods Market encourages its employees to connect with the supermarket's "core values" on a personal level and make them "come to life" every day in their work.

Whether it's at the organic foods supermarket or [firms](#) such as Google or Apple or even Southwest Airlines, cohesive [corporate culture](#) is a strong buzzword among some of the world's most successful companies.

However, a University of Kansas researcher who studies the intersection of economics, [evolutionary theory](#) and philosophy has found that strong culture among a business' employees is only important if the business itself faces strong pressure from the outside to be successful.

"Firm culture is important, but it's more important that there's a lot of pressure in the market to expand," said Armin Schulz, a KU assistant professor of philosophy. "The relationship seems to be like this: It's more likely that you have firms that are highly cooperative with a gung-ho firm culture where people are excited about going to work if you are in a market that has a lot of pressure towards expansion."

The *Journal of Economic Methodology* recently published his article "Firms, agency, and evolution" in which he presented a model based on calculations and scenarios to demonstrate how firms and companies could survive in the market place. In the article, Schulz was addressing a debate in economics about whether evolutionary ideas can help determine how firms survive and whether firms should be considered

agents themselves.

Conservative economist Milton Friedman, for example, argued that competitive natural selection - a principle taken from Darwin's theory of biological evolution—is bound to ensure that most if not all surviving firms are ones that maximize profit. The market takes care of the rest.

Schulz's model took into account various parameters, including what percentage of employees acted as "clock-punchers," who provide the minimum level of effort or "expectation-exceeders" who go above and beyond what is minimally required for the job.

The results somewhat surprised Schulz because he found in the model that if firms had no pressure from the outside to expand, they couldn't survive over time even if their employees mostly exceeded expectations.

"Firms will still fall apart because sooner or later you have this mission-creep coming in," he said. "Then people get bored. That's when you fall apart."

He said the results of the models helped determine that firms like Whole Foods or Apple, ultimately thrived on the competition they faced from the outside, and because of their success, their strong corporate culture is celebrated from the outside.

"Therefore, it is more plausible to see them as genuine agents of their own," Schulz said. "They have a very distinctive feel to them because that's how they can survive. They survive by expanding in the market."

Whereas, companies with large employee turnover and less immediate [market](#) expansion pressures, like discount stores or fast-food restaurants, are often less seen as their own agents.

"Here [employees](#) go in, show up and leave. That's all right," he said. "There's just less reason to see these as agents of their own."

He said having a philosopher conduct interdisciplinary approach to the economic research could help bring a new perspective to a debate.

"This makes it much clearer what the benefits are of using tools from evolutionary biology in economics," Schulz said. "But it also demonstrates what the challenges are and the tools we can use on how we can overcome this challenge to make the field stronger."

Provided by University of Kansas

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