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A Study of Factors That Support Longevity of Business Enterprises

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Abstract: *The high mortality of business enterprises has been a frequent development particularly following major economic events such as the 2008 global financial crisis. Various enterprises like Enron, Lehman Brothers, Arthur Anderson and many more alike were functioning enterprises until their sudden fold-up which left the business world surprised. Many companies since than are currently planning, and strategizing towards survival and finally longevity of their corporations. However, very few firms have succeeded to survive for at least a century and remain important in the present market. Business firms such as Nokia, Samsung and IBM etc have survived the ever changing business environment in their industries and also diversified so as not to become outdated or collapsed. So many factors may be linked to the success of these business firms in achieving their longevity and remain some of the top business firms globally. Thus, this study focuses on producing a framework which shows the main factors that are vital for any business firms to survive for lengthy duration.*

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I. Introduction

Business Longevity can be defined as the sustained existence of companies even after the dead of the founder (Haugh&Talwar, 2010). According to Sharma and Salvato's (2013) business firm longevity is the continuity of the firm beyond the career span of its founders. The increase of mortality of firms has been a re-occurring happening especially following serious financial and economic events globally (Alayo, Iturralde, Maseda, &Arzubiaga, 2016; Iwasaki, 2014; Gallo, 2004; Chandler, & Hanks, 1993; Cochran, 1981). Many businesses were seen as functional businesses until their sudden failure that left the business world astonished due to fall of companies which once stood for power and stability (Balcaen, &Ooghe, 2006; Gargeya, & Brady, 2005). This happening can be linked to the fact that businesses most times do not understand that change in an organization and learning are unavoidable for achieving success and to demonstrate serious degree of reluctance for change (Lozano, 2014; Jacobs, van Witteloostuijn, &Christe-Zeyse, 2013). The longevity of an organization can be attributed to enhancement of the firm's self-renewal process which raises measures to initiate changes in order to address recent problems ((Riviezzo, Skippari, &Garofano, 2015; Khan, 2015; Montouri, 2000). Krell (2000) defines firm's longevity in two facets; firstly, firms are like living things and therefore human life theories are applicable across firms. Secondly, firms need to pinpoint the traits which can ensure sustainability and longevity.

It has become frequent to see a lot of businesses last only for few years. In order to survive the unpredictable dynamic business climate, it is vital for firms to invest in attaining business success in the area of managerial processes (Jeston, &Nelis, 2014; Mir, &Pinnington, 2014). This involves innovation and technology, process systems, project management, communication systems, management of change and resource management successfully (Harrington, 2006). Working with plans and strategies, firms tend to follow the current strategic models which reign instead of selecting strategic tools on the ground of utility and applicability (Kisfalvi, 2002; Scott, 2001). On the other hand, it is not all concepts that deliver results and when not delivered, the concepts should be stopped or minimally used. This paper would review the literature on the idea of business longevity so as to determine the factors which contributes towards it.

II. Research Aim And Objectives

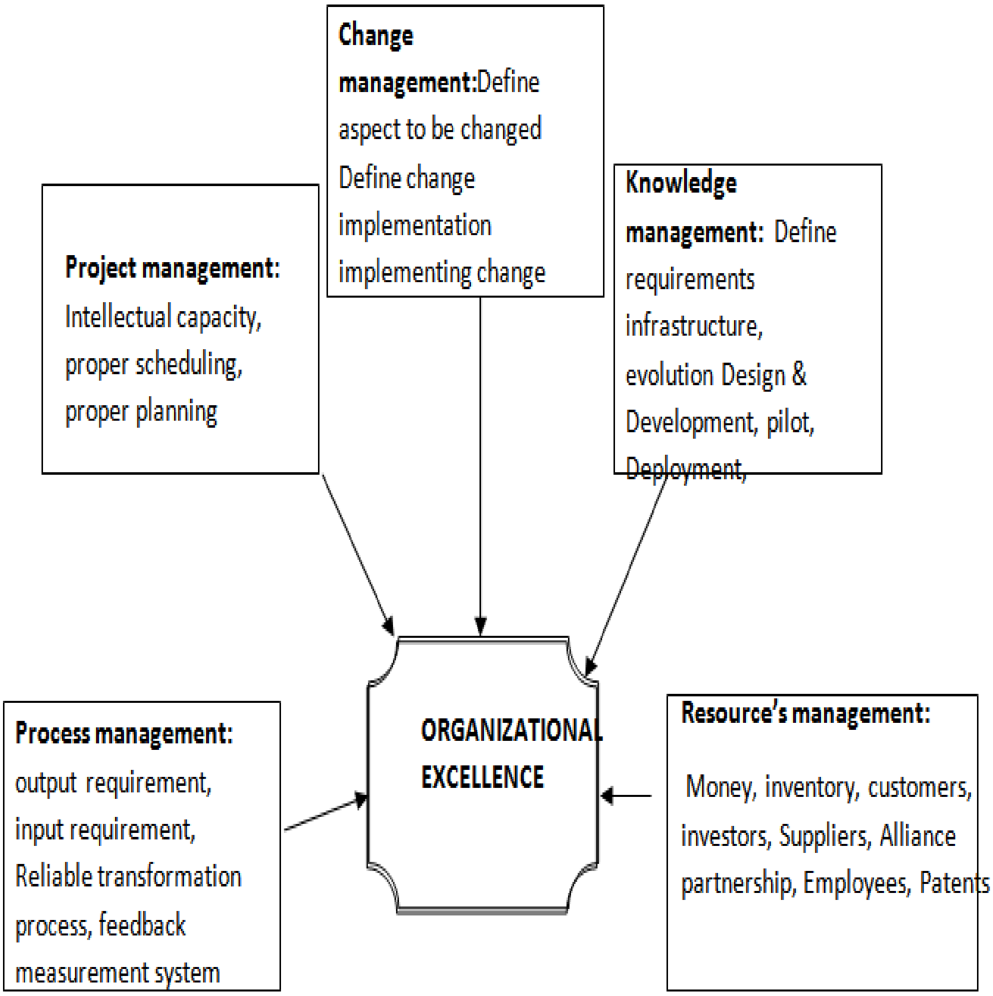
The significance of sustaining businesses over a long period of time obviously acknowledged in the management literature. The aim of this inquiry is to find the answer to the question as to what are the important factors that lead to business longevity. The objective is to review the literature in order to improve upon the theoretical frame which points out the factors expected to be very important in sustaining businesses over extended duration. Also to provide clarification and explanation of the findings with logical arguments gotten from the empirical and literature proof to develop a framework of critical factors crucial for business longevity.

III. Literature Review

The longevity of an organization is basically one of the areas that can classify the sustainability of an enterprise. For any business to sustain itself, it must be continuous, stable and durable (Pawlowski2000). Most firms live and need to address current problems with the anticipation of future again which demonstrate the need for stability and continuity among businesses. Though the question that bothers an enterprise is will what they produce today still be important in the future. The concept of longevity gained importance only in late 1990s. However its popularity was after economic and financial crises.

The 7s model proposed by Waterman et al. (1980) was among the ones that focused on company capabilities which are responsible for firm sustainability i.e. system, structure, strategy, style, shared values, staff and skills which focus on continuation and stability spectrum. Another model that focus on factors such as structure, culture, human capacity, systems and financial resources by Hubbard et al. (1996) also has no relevance to the idea of longevity. Nevertheless, Harrington (2006) suggested that it is vital that corporate excellence is made a priority for an organization to survive, sustain and continue in a dynamic business market for a longer period of time. There are five elements contributing towards corporate excellence which involves; project management, process management, knowledge management systems, successful management of change and resources management (see the figure below showing the model).

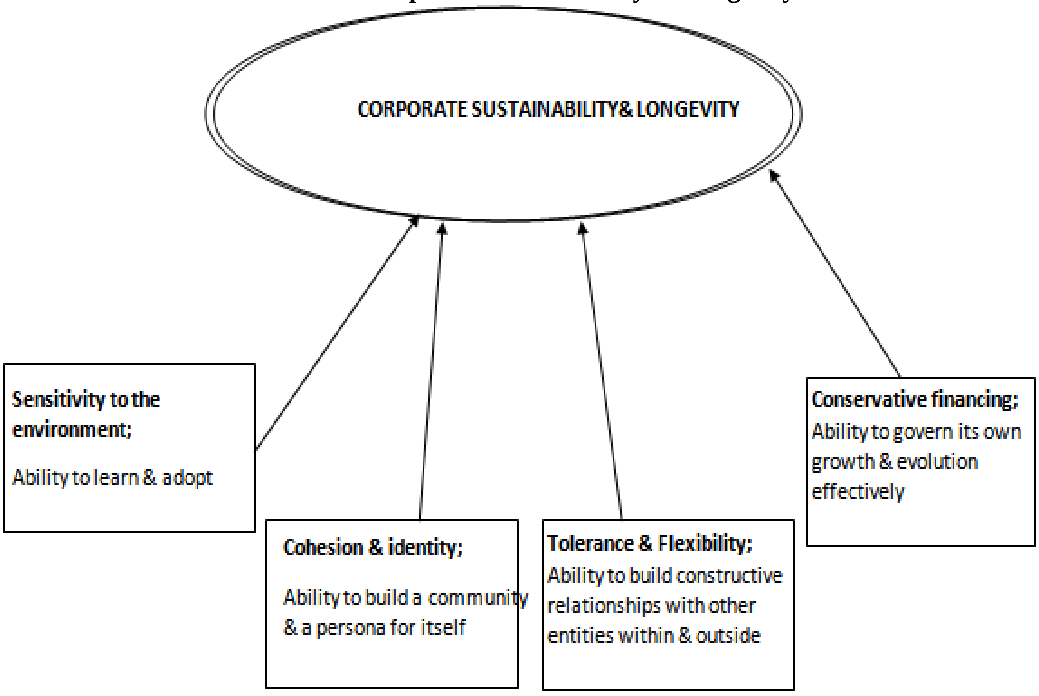
IV. Organizational Excellence Model



Source: Harring ton (2006)

There are few researchers attempted to study the concept of longevity ((Kim, &Gao, 2013; Zellweger, Nason, &Nordqvist, 2012; Knaup, & Piazza, 2007; Solomon, 2006; Knaup, 2005) and also others that have proposed many attributes related to the concept of longevity (Sharma, Iyer, Mehrotra, & Krishnan, 2010; Werbach, 2009; Stubbs, &Cocklin, 2008). According to Geus (2002) suggested four attributes related to organizations which includes, organizations; 1) where cohesive and have relevance sense of identity from among suppliers and employees; 2) were environment sensitive irrespective of whether their fortunes where as a result of knowledge or other natural resources; 3) businesses that have survived for durations are experiments accommodative, tolerance, eccentricities and outliers which expanded their knowledge of capabilities as company; 4) conservative financing were capital is not utilized in risky projects butk money is used to grant the company financial flexibility. The figure below shows the model for corporate sustainability and longevity.

Model for Corporate Sustainability & Longevity



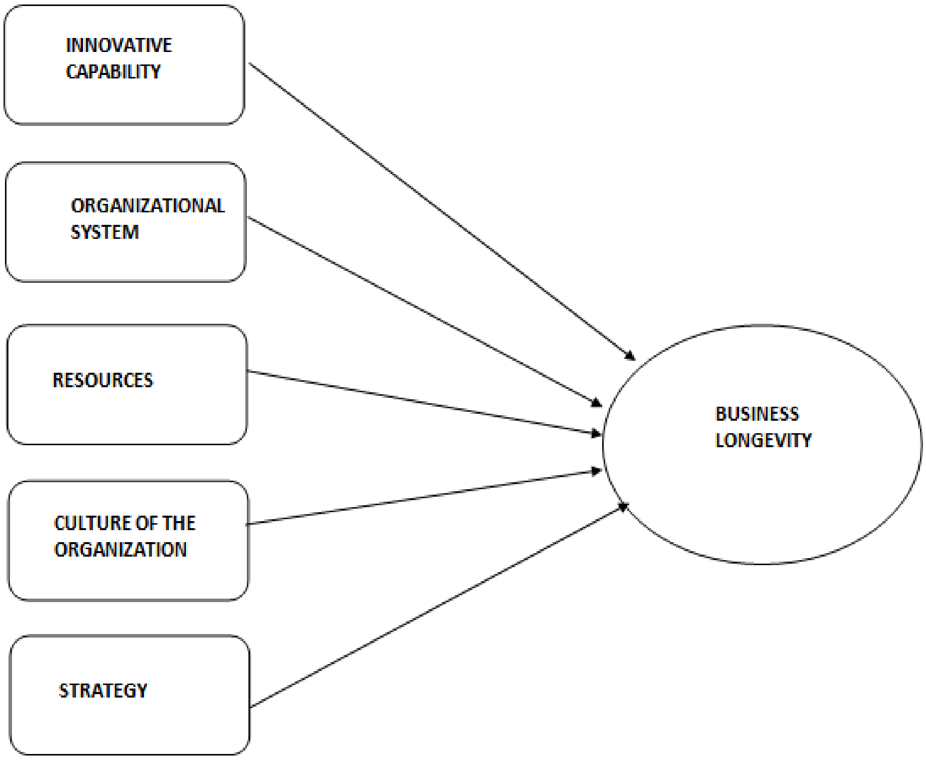
Source: Geus (2002)

Model Building for Organizational Longevity

By looking at the corporate or organizational excellence model and corporate sustainability and longevity model (Harrington, 2006; Geus, 2002), in this study, five factors are proposed and pinpoints for contributing to business longevity. The factors include the following: innovative capability, organizational system, resources, culture of the organization and lastly strategy. The innovative capability of a business results in to inventing new and better method to survive the climate that is frequently changing (Teece, 2010; Chesbrough, 2006). The experience witnessed within successful businesses is an obvious sign that in order to attain longevity, creativeness, flexibility, innovativeness are very important to achieving survival (Littunen 2000). It is sacrosanct for business to be involved in open minded possibilities, be willing and flexible to diversify in order to overcome the obstacles of various economic climates (Goldman & Gabriel, 2005).

Organizational systems consist of communication systems, quality management systems and production systems, among others. The formation of complete arrangement of business systems make relay of information's of information's flow smoothly and also make monitoring and control of events better(Lim, Morse, Mitchell, &Seawright, 2010). In addition, the determinant of organizational culture is the usual practices and routines within the organization (Martins &Terblanche, 2003). Business values within workers are inculcated by the organizational culture. On the other hand, strategy links to planning in order to gain competitive advantage over competing businesses. It can be through establishment of marketing strategies, growth strategies and core competencies (Noe, Hollenbeck, Gerhart, & Wright, 2003). Since strategies and business objectives are always aligned together, the outcomes usually be the continued good performance and excellences of the organization. It is necessary for business enterprise to assess it progress for strategizing and also keep on strategizing for maintaining competitive advantage and sustain core competences (Sabherwal, & Chan, 2001). This result to organizational excellence that is vital for business longevity. Lastly, resources allocation comprises of money and human resources to strategic plans in business helps improve sustainability of various projects(Baert, Meuleman, Debruyne, & Wright, 2016). In any business, the challenge is to make sure that capital is spent on profitable investment not risky ventures in order to stimulate growth and development. Strategically, finance should be on innovative projects for more income and growth in financial performance.

Model for Business Longevity



Business longevity is a composite aspect as it takes duration for company to build an organization, yet wrong strategy leads to its mortality shortly. Many factors contribute to business longevity and they are based on strategic elements and excellence. Below are detail explanations of the factors for business longevity.

Factors Affecting Longevity of business enterprises
Innovative Capability

The longevity of a successful business recently is an indication that for any business enterprises to achieve longevity therefore, creativeness, innovations and flexibility are crucial for survival in harsh economic market (Mitleton, 2006). Businesses that are dealing with final resources for example must invent substitutes possible for years to come by making pool of resources or new methods of doing things (Dopplet, 2008). However, business innovative capability is affected with business financial constraints. Hottenrott and Peters (2009) conduct a study on constraints between innovations and innovative capability, discussed about the relationship between business innovative capability and financial constraints. The scholars declared that though innovation encourages competitiveness, productivity, organizational level, complacent market positioning and sustainable long term business growth. Business growth is derived from innovation within an organization and also organizational sustainability(Carayannis, Sindakis, & Walter, 2015). For business enterprises to compete in a competitive market place, the companies must put emphasis on innovation extensively on product, services and its functionality minding the cost optimization(Prajogo, 2016).

Organizational Systems

Organizational systems refer to all the departments and units of an organization that describe it. The units comprises of quality management systems, manufacturing or production systems and information/communication system among others (Collins, 2017). In an organization, the quality systems department is responsible to ensure an improvement constantly on business products and services and also quality is maintained in an organization. The role of flexibility along with cost-efficiency and quality within the system are discussed by Golden and Powell (1999) as the minimal requisites for business enterprises to compete effectively in a competition. On the other hand, process systems includes making sure that the organization set terms of feedback mechanisms and measurement systems, inputs and outputs are in check in an organization (Harrington, 2006).

However, in a recent studies information technology plays a vital role in shaping the sustainability of an organization. Palmberg (2009) deliberated on the role of information technology played on business systems which have contributed to improved employee empowerment, connectivity, and unambiguousness, optimized cost of information, exchange and prompt transactions. This assists the organization very greatly to increase organizational effectiveness and fit in with flexibility and innovation. Present day companies are complex in nature and therefore need to have well-structured and maintained company sub-systems to achieve company expectancies(Porter &Heppelmann, 2015). Therefore, it is necessary to understand organizational systems in its entirety towards business objectives and longevity of the enterprises.

V. Resources

Human and material resources are causes for the longevity of any business. According to Benn, Dunphy, and Griffiths (2014) suggest that proper allocation of money as well as time to strategic plans within business influences sustainability of numerous projects. However, apart from allocation of money and time, human resources play important role in offering required planning, intellectual, problem solving and coordinating skills in strategic management of projects (Roome, 2005). Employees involvement and empowerment with responsibilities gives them autonomy which motivates them support business growth and sustainability (Hottenrott, & Peters, 2012). Moreover, employee's knowledge generatedbuilds and shared among them served as strategic asset for the business and increase competence of the company for promoting innovation (Bollinger & Smith, 2001).

Similarly, resources allocation onk projects are vital for maintenance of business and finances should also be strategic for growth and development of the organization (Doppelt, 2008; Siebenhuner& Arnold, 2007). Business enterprises that have survived for duration have strong financial muscle which served as advantage to the business for profitable capital intensive investment and also in strong partnership. Strategies adopted for successful application and allocation of resources should be made according to the present resources availability. Numerous researchers have researched the need of resources management from various perspectives. According to Grant (2001) have studied upon resource based theory of competitive advantage, posits that no strategy works without aligning with business internal resources and skills with the threats and opportunities prevailed by external environment. Additionally, Rose, Abdullah and Ismad (2010) supported getting competitive advantage by business enterprises from the perspectives of resources based view theory. Therefore, conclusively no business enterprise can benefit sustainability and business longevity without business resources.

Organizational Culture

Organizational culture refers to assumptions, values and expectations that describe an organization(Campbell, &Göritz, 2014; Hogan, &Coote, 2014). Culture has three levels as proposed by Schein (1992), the first level includes visible elements such as dress code and facilities while the second level comprises values of the company, strategies, philosophies and business objectives. The third level involves assumptions, attitudes and feeling among employees of the company. According to the study conducted by Bart and Baetz (1998) it shows that business performances are significantly affected by company mission and vision statement. Though ignored sometimes, aspects such as business values and other aspect of the culture are what influence existing employees and new ones to either consider achieving business goals. There are four organizational cultures that aid sustainability which includes clan, adhocracy, market and hierarchy cultures. Clan and adhocracy culture are used by enterprises whose their investments are in high risk and high unpredictable environment and thus the concept of longevity and stability is not supported while hierarchy and market cultures focus on low risk investments for stability(Piaget, 2013). The role of organizational culture in creativity and innovation are deliberated by Martins and Terblanche (2003) which encourages a set of mutually shared values that ensures all aspect of the business enterprise are on the same track.

VI. Strategy

Business strategy is a crucial part of sustaining enterprises at a certain merits above others (Whittle, & Myrick, 2016). The main business strategies are aimed at core capabilities within the firms, marketing and growth (Schoemaker, 1992). Where strategies are aligned with business objectives, excellence and continual good performance is usually the outcomes which will lead to the longevity of the business enterprises Johnson and Scholes (2002). A pre-requisite of any business enterprises longevity is strategizing, assessing progress and strategizing to sustain competitive advantage and also maintain core capabilities (Friedman & Miles, 2006). According to the opinion of Gebauer, Gustafsson and Witell (2011), that firms can only achieve viable competitive advantage when they attempt differentiation bearing in mind the financial, strategic and marketing opportunities.

VII. Conclusion

Business longevity has over the years become priority due to the high number of large and stable businesses that have given in to the economic stress of today's unfriendly business environment. Following the review of literature on business sustainability and longevity, the results revealed that many factors are connected with the longevity of business enterprises but to the best of the researcher understanding the main important factors among them are innovative capability, organizational system, resources, organizational culture and strategy associated with the longevity of business enterprises around the world. It has been reveal that these factors are resilient, management vogue free and stable. The factors are reliable, but the balance among them might change.

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