THE COMPANY: A SHORT HISTORY OF A REVOLUTIONARY IDEA
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The company is the most important organization in the world. It has created more prosperity than any other organization (including governments). It is the main explanation for the West's dominance of the rest of the world. Other countries (such as Japan, Singapore and China) have grown wealthy through copying the western company.

The company has the benefits of law and avoids the disadvantages of biology. Like a human being, it has a legal personality but – unlike a human – it is not necessarily condemned to die of old age. Europe's oldest company is probably Stora Enso of Sweden, which was created in 1288. It began as a copper mine and is now, among other things, a provider of paper for Australia.

The immortal status of the companies was an early problem for rulers. They avoided royal fees by never marrying or dying. In 1279 England's Edward I issued an early form of company legislation: a ban on a company acquiring land without royal permission (and taxation).

Corporate scandals are now big news. But the earlier history of the company was even more controversial. Companies have been obliged to become more respectable in recent decades.

In 1595 some Dutch businesspeople recruited Cornelius de Houtman to travel to present day Indonesia for spices. He attacked a Javanese port, executed a group of locals, poisoned one of his captains and returned home with only one-third of the original crew. The Dutch East India Company, created in 1602, instructed its captains: "Attack the Spanish and Portuguese wherever you find them".

The British East India Company was formed on September 24 1599. It grew rapidly in the 17th Century. It accounted for nearly half of Britain's overseas trade. It acquired territory (notably India) and it ran its own private army. It was an empire within an empire. Its size and influence were a great worry to the British Government, including its poor behaviour which provoked the 1857 Indian Mutiny. The Government took over most of its assets (including the private army) and the company was wound up in 1874.

But the British failed to follow up on their early lead. Americans companies overtook them by the late 19th Century. In 1902, America's manufacturing workforce was only slightly bigger than Britain's but there were few British companies to rival the big Americans ones.

The British preferred to stay with family owned firms. They relied on personal relations and family traditions – rather than detailed procedure manuals.

Additionally, there was a British snobbery against business. The elite private schools steered their most talented students into subjects like Greek and Latin, rather than practical subjects like commerce and science. The proportion of British students studying science actually declined from 19 per cent in 1922 to 16 per cent in 1938.

Americans also pioneered the next trend in companies: "managerial capitalism". Alfred Sloan (1875-1966) reorganized General Motors in 1923. He recognized that the struggling car company was too big and too diverse to be managed centrally. He treated the various units as separate divisions.

Each division was defined by the market it served. The Cadillac was for the rich, Oldsmobile for the comfortable but discreet, Buick for the striving, Pontiac for the poor but proud, and Chevrolet for the battlers. By providing a car for "every purse and purpose", GM retained customers for their entire life as they moved up and down the wealth ladder.

The new corporation required a new style of managers. The Company Man was defined by his qualifications - rather than his lineage (like the upper classes) and muscle power (like the workers). Loyalty to the company was important.

A Company Man was distinctive. IMB Men wore a uniform of dark suit and white shirt, they refrained from strong drink, sang the company song, and competed for sales to get into the company's private club.

In return for his loyalty, the Company Man received security and predictability. He gradually moved up through the layers of the organization, receiving a better corporate rank, more pay, office space and parking spot.

But that era has ended. The large comfortable corporations have been assaulted by the wave of government deregulation, increased competition, free trade and computers.

The big corporations have been too big to move quickly. Small nimble companies have been too fast for them. IBM, a company that was so stable that it rarely laid off any workers (even during the Depression), had to sack a quarter of its workforce in the early 1990s to survive.

In the 1950s a young Briton wanting a motorbike would have automatically bought British: a Vincent Black Shadow, Triumph Thunderbird or a Norton Dominator. Harley-Davidson had similar loyalty from Americans.

But from the 1960s the Japanese entered the market with Honda, Yamaha, Kawasaki and Suzuki. They first competed on price but then won on quality. By 1981, Harley-Davidson had been forced to seek government protection and the British motorcycle industry was practically dead.

Meanwhile, there has been the Siliconization of commerce. Silicon Valley – previously known as the Valley of Heart's Delight – is a thin sliver of land between San Jose and San Francisco, California. The term "Silicon Valley": was coined in 1971 by a local journalist to describe the blossoming industry of making computer chips.

Computers thrust ever more power down the corporate hierarchy from head office to the desks of workers. Decisions could be made quicker and better at the local level. Workers did not need so many managers to tell them what to do. They could so better without them.

Computers also changed corporate life. Companies rise and fall. The British East India Company lasted for over 250 years. It is hard to imagine any computer company lasting even half of that. Money is made or lost quickly. Small companies move in and out of corporate alliances, partnerships and joint ventures.

Additionally, suits, ties and formality are out. The emphasis is on creativity rather than appearance. People look for life-time employability – rather than life-time employment.

In general, companies have become more ethical and more socially responsible over the centuries. As public opinion, media and politicians have expected a higher standard of behaviour, so the companies have had to adapt to changing social expectations.

American companies in the late 19th Century pioneered pension funds for their workers. US Steel (which accounted for two-thirds of American steel production and employed a quarter of a million people) created welfare programmes for its workers. Company towns sprung up across America, where workers were well-housed and well-educated – and so were more efficient workers.

A visiting British journalist called Pullman City, Chicago (built by railway tycoon George Pullman, 1831-1897) "the most perfect city in the world". Some of the workers were not so sure because he made the city teetotal.

Procter & Gamble pioneered disability and retirement pensions (1915), the eight-hour day (1918), and guaranteed work for at least 48 weeks a year (in the 1920s). During the Depression in the 1930s, the company kept redundancies to a minimum.

Throughout its history, the company has shown a great ability to evolve. Indeed, this has been the secret of success. It remains to be seen how today's companies will respond to the challenges of increased competition, computers and increased demand for social responsibility.

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