Chapter 9
Business Policy:
A Systems Approach to Corporate Governing

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ABSTRACT

The purpose of this chapter is to explore improvements in existing corporate governing practices that are currently being implemented through methods that lag behind most of the recent developments taking place in the field of computer science. The authors suggest taking on board systems modeling by adopting a computer-assisted policy design based on system dynamics simulators. Implementing a system thinking approach to business organizations allows the designing of virtuous strategies by simulating organizational behavior. In addition, this approach may also help to mitigate unintended consequences, like risks and outcomes which may surprise the firm, particularly from the board-level perspective. The originality of the present work arrives from merging several approaches that have been around for many years, however not combined in the context of the business policy conceptual framework. Therefore, it brings together recent developments in the fields of business policy, systems thinking, and computer-assisted policy design.

INTRODUCTION

The purpose of this conceptual chapter is to explore the improvement of existing corporate governing practices and policies. These practices and policies are critical for the competitiveness and sustainability of business organizations. However, the present design of such policies is done through methods that lag behind most of the recent developments taking place in the field of computer science. Data modeling and simulation have been developed to such an extent that leverages the sophistication and usefulness of management simulators. The authors of this chapter suggest taking on board such approaches to enhance the adoption of computer-assisted policy design based on system-dynamics simulators.

Organizations share the same nature of complex systems and, most often, top management is not able to find analytical mathematical solutions to solve governing problems. One of the possible ways to deal with these kinds of issues and themes is through the building of 'what if scenarios', that is to say, by testing what would happen to critical variables when changing system parameters. Such may be accomplished through a business simulation.

Implementing a system thinking approach (Checkland, 1981; Forrester, 1961) to business organizations allows the design of virtuous strategies by simulating the organizational behavior (Senge, 1990). Also, this approach may help to mitigate unintended consequences, like different sorts of risks and outcomes, which may surprise the organization from the board-level perspective.

The adopted theoretical framework departs from the business policy body of literature, a seminal approach to corporate strategy, before being replaced by other more practical, but perhaps less comprehensive and robust streams of thought (Warren, 2012). The field of business policy has early contributions from scholars belonging to Harvard Business School (Andrews, 1981; Andrews & David, 1971; Christensen, Andrews, Bower, Hamermesh & Porter, 1973). Later on, some European authors (Valero & Lucas, 1991; Valero & Figueroa, 2011) contributed to the development and evolution of such a conceptual model which conceives organizations as political entities, claiming that the adequate approach for governing organizations should include a comprehensive political approach. The authors argue that such dynamics can be modeled through complex systems simulation.

The focus of this chapter is governing, an action verb, as opposed to governance, a noun or substantive. The former is closer to the practitioner, the later to regulations and compliance. While compliance aspires to the minimum requirements, the practitioner must actively engage in the process of governing as a daily activity. Despite the offered contribution to increasing the competitiveness of the firm, the authors also intend to contribute to reducing the gap between practitioners and academics.

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