

Charles darwin theory of evolution for international business studies



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The theory of evolution was controversial ever since it was formulated by Charles Darwin. It contradicted the view of animals and humans being created by God and replaced it by a notion that organisms evolved from one common predecessor into various species. Despite criticism and denial by some people, the theory was complimented over the years leading to Neo-Darwinism and the concepts of natural selection being applied in other areas. Social sciences applied their theories coining a term social Darwinism and economists have found links of evolutionism in business studies. The latter one is currently used more often in explaining economic behavior of human beings and companies run by them. In the essay we will define evolutionism, link it to International Business Studies by showing examples of theories and real life applications and conclude with what the findings mean for the philosophy of science.

To begin our inquiry into the topic of evolutionism applied in International Business as a science let us explain what those terms mean. Evolutionism or natural selection (those two terms will be used interchangeably) explains the evolutionary process by which new biological species arise as the outcome of competition between individual organisms for limited resources, popularly known as “ survival of the fittest”. Re-phrasing the above definition we applied the concept of evolutionism in nature to evolutionism in business replacing the natural forces with market forces. Market selection explains emergence of various types of companies in world, as the outcome of competition between individual companies, business models, ways of operating a business for limited resources such as customers, market share or geographical reach. Just as Darwin explained random genetic

modifications as a way of creation of new species, companies try out (almost randomly) new business models, new organizational structures. Some of the new “ mutations” succeed and some fail, and thus the process can be called market selection.

Theory of evolution was introduced 150 years ago. Over this time it has gained acceptance and in light of Popper’s science demarcation it can be considered as a science since it could be falsified by proving it wrong. What is more important, no one was able to falsify it yet. International Business and economics studies used to be based on models and mathematical formulas. Economists became fascinated by complex models trying to explain the reasons and predict outcomes in the real world. The more complex the models became the less usable they were. In recent years more emphasis on understanding economic processes was put in studying human nature. It has been understood that people do not always act rationally but are driven by instincts and other non-quantifiable forces. Humans are much closer to animals in that sense than many economists like to admit. We will use a short example to explain the above statement. An attempt to justify the amount of a product bought by a customer can be done in mathematical way or broader sense of understanding a human being. According to the first approach a customer will always buy a certain product as long as his marginal utility of consuming one more unit is higher than the price for it. In an approach focusing on psychological and sociological aspects of human behavior the amount of product bought by a customer can be explained by habits, culture or external factors such as season of the year.

Darwinism can be found at the base of basic theories of economics used in International Business Studies. One of those theories that we will examine is the law of supply and demand. In capitalism, where the the price of homogeneous products is determined by the market, demand is the determinant of supply. Further, demand is determined by the purchasing power and tastes of customers. A change in the environment of the latter, for example, a decrease in the purchasing power forces the supply to adjust to the new, lower level of demand. After the demand shock the companies will face new makret situation where fewer products will be sold at lower prices. Only the ones which are able to operate at the lowest costs and with the tightest profit margins can survive. When any of the players has reached the level that its marginal cost of production is higher then the market price of the good, they are forced to leave the business. Companies try to adjust to the new situtation by introducing new technology or extra cost-saving measures. The most successful ones in this task survive the phase of evolution and are ready for the next challenges of the market. The same happens when the taste of customers changes; firms are willing to adopt to their needs in order not to lose their market share. Summarizing, as the result of the changes to the market situation some compaies will be forced to exit the market (go out of business). The selection which one will survive depends on how well the companies are “fitted” for changing conditions.

In the following paragraph real life examples will be given focusing on companies that had the right traits to suffer the evolution of the market.

During the current recession air travel industry was seriously hit by the fall in

demand due to the lack of purchasing power. The only major air carrier that could raise profits and passenger turnover was Ryanair. The low-cost carrier had the right traits to survive an economical downturn. By lowering the costs even further they adjusted well to the new environment in the market. The 1990s was an important decade determining the new profitable business model of the 21st century – on-line business. With the emergence of the Internet and its popularity and capabilities growing at the speed of light, many companies in almost all industries have understood that not adopting to the new environment, e. g. staying off-line, could turn them from being the fittest in their industries to the weakest in a relatively short time. One of the oldest players in the business are on-line resellers like Amazon. com and eBay. com that started their activities as entirely web oriented. Their success and high growth forced other players of the old-fashioned retail market to open on-line subsidiaries of their companies. Today the share of transactions on the web make up a significant part of, for example, MediaMarkt, H&M or IKEA. Having resisted to the evolution of the market they would die out as animal species that could not adopt to a change in the environment or climate.

Examples given above, verify that the ideas of Darwinian theory can be applied in the business setting. In building models, trying to describe the reality, and explaining business processes, economists should be aware of the nature of science that they aim to create. The discussion in the philosophy of science is about the framework in which scientists work and generate what is later called knowledge. Modern International Business Studies taken as a science goes a step further than it used to couple years

ago. It does not look at companies as holistic entities anymore or model the reality only with complicated mathematical formulas. Instead, it concentrates on the behavior of humans in charge of the companies. By doing so it looks into biological, historical, cultural, economical and more factors of researched individuals. The more accurate the analysis gets, the broader range of scientific approaches it needs to engage. This phenomena is a major argument for proponents of scientific pluralism which advocates for cross-level science, which integrates current “ sciences”. One of the approaches is the naturalism of science, which in the simplest possible definition is “ the view that nature is all there is and all basic truths are truths of nature” (Audi, 1996, p. 372). On the bases of naturalism we apply evolutionism theory to International Business -a science that did not exist at Darwin’s times.

References:

Audi, Robert, 1996, “ Naturalism,” in The Encyclopedia of Philosophy Supplement, Donald M. Borchert, editor in chief, Macmillan Reference USA, p. 372-374.

Essay report.

Unlike others studies philosophy of science is concerned with the assumptions, foundations, and implications of science what makes it a very broad and controversial study. One can argue that it might be rather difficult to make a compromise between different people standpoints. Our main goal was to show that we have understood Darwin’s evolutionary theory and prove it with real word examples that verify the existence of Darwin’s theory

of evolution in Business studies where it plays an important role for understanding the economic behaviour of people.

The starting point of our working process was brainstorming when we all shared our ideas and notions. Before that we were aware of the topic and already had some conceptions we wanted to discuss with each other and include in our essay. Furthermore, we agreed on the main message we want to deliver with our work and made a brief outline of it. Fortunately we did not have any major disagreements about the role of Darwin's theory in philosophy of science. The discussions we had just helped us to raise new knowledge and build up interesting ideas.

The essay was made by all of us working together because we strongly believe that this is the best way how to write a coherent essay. By sharing our ideas we managed to do our job and reach our main goal. By doing some research in the Internet and finding some interesting and relevant articles we gained significant knowledge about business environment and how its structure can be connected with philosophy.