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### Solving Society's Big Ills, A Small Step

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# Solving Society's Big Ills, A Small Step

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## Abstract

We look at a collection of conjectures with the unifying message that smaller social systems, tend to be less complex and can be aligned better, towards fulfilling their intended objectives. We touch upon a framework, referred to as the four pronged approach that can aid the analysis of social systems. The four prongs are:

1. The Uncertainty Principle of the Social Sciences
2. The Objectives of a Social System or the Responsibilities of the Players
3. The Need for Smaller Organizations
4. Redirecting Unintended Outcomes

Smaller organizations mitigating the disruptive effects of corruption is discussed and also the need for organizations, whose objective is to foster the development of other smaller organizations. We consider a way of life, which is about respect for knowledge and a desire to seek it. Knowledge can help eradicate ignorance, but the accumulation of knowledge can lead to overconfidence. Hence it becomes important to instill an attitude that does not knowledge too seriously, along with the thirst for knowledge. All of this is important to create an environment that is conducive for smaller organizations and can be viewed as a natural extension of studies that fall under the wider category of understanding factors and policies aimed at increasing the welfare or well-being to society.

**Keywords:** Social, Uncertainty, Small, Organization, Solve, Welfare

## 1. Introduction

“We human beings are social beings. We come into the world as the result of others’ actions. We survive here in dependence on others. Whether we like it or not, there is hardly a moment of our lives when we do not benefit from others’ activities. For this reason, it is hardly surprising that most of our happiness arises in the context of our relationships with others.” - Dalai Lama XIV

“Human beings are social creatures. We are social not just in the trivial sense that we like company, and not just in the obvious sense that we each depend on others. We are social in a more elemental way: simply to exist as a normal human being requires interaction with other people.” - Atul Gawande

Society and the problems facing society then simply become manifestation of the interactions between human beings. These interactions are complex and the complexity increases, the greater the scope of what a social system is trying to accomplish. The greater the number of uncertain human actions that can impact a system, the greater will be the complexity and uncertainty of that social system. The more the participants in a system, the more will be the number of actions and hence the human uncertainty element can be reduced by reducing, the number of humans that can impact that social system. While, natural sources of uncertainty certainly abound and can be extremely impactful, a detailed discussion of those will be postponed for another time.

(Bacharach 1989) sets down a set of ground rules and vocabulary to facilitate focused discussion about the structure of organization and management theories. A matrix of criteria for evaluating the variables, constructs, and relationships that together compose a theory is developed, while distinguishing theory from mere description. The primary goal of a theory is to answer the questions of how, when, and why, unlike the goal of description, which is to answer the question of what.

(Whetten 1989) also goes into the What, How, Why, Who, Where and Whens of a good theory. Any theory theory may be evaluated based on (a) falsifiability and (b) utility. Falsifiability determines whether a theory is

constructed such that empirical refutation is possible. Utility refers to the usefulness of theoretical systems. A theory is useful if it can both explain and predict. (Nagel, 1961; Popper, 1959) have a set of rules for the examination of the constructs and variables which are the units of theoretical statements.

First we start with a conjecture that describes, why we need the main contribution of this paper, a technique for the analysis of social systems, termed, the Four Pronged Approach. As the paper unfolds, it will become clear that the four pronged approach attempts to provide all the elements that any good theory requires and lays down a conceptual framework that can be used to assess the effectiveness of the main points.

The application of this methodology leads to the main proposition of this paper that organizations are becoming more complex and bad outcomes are happening despite the good intentions of the participants involved. The application of this technique provides the conclusion that smaller organization size is the answer to many current social problems. We present a collection of conjectures that illustrate the issues with large organizations and how smaller systems can better cope with these issues. We briefly touch upon ways in which we can move towards smaller systems.

**Conjecture 1. *The beauty and also the bane of measurement is that there is always something better or bigger and there is also something worse or smaller.***

This follows partly from the current practice of mapping anything that can be measured to real numbers which are infinite and noting that the universe seems to be infinite and the smallest particle has not been discovered and it has not been proved that there is nothing smaller. This means that there is no absolutely satisfactory answer to the question, how small is small enough? What we can hope to accomplish is establish a relative scale that can show what an optimal size might be for a particular purpose, by looking look at smaller systems and comparing them to larger systems with similar objectives, but yielding dissimilar results. The four pronged approach is one such analysis technique.

We need to consider all the four prongs because the first one tells us about the limitations of any relationships we uncover; the second tells us about the overriding need of any social system and aids in the verification of whether we are deviating from the intended goals; the third tells us that keeping complexity in check is important for accomplishing our objectives. One way for doing that is to have smaller systems with limited scope; and the fourth one tells us where unintended outcomes, that provide no real benefit, can result, despite the care we take to adhere to the stipulations of the first three. Just like the four directions, we need to be aware that there is a degree of interconnectedness in the below four prongs.

1. The Uncertainty Principle of the Social Sciences
2. The Objectives of a Social System or the Responsibilities of the Players
3. The Need for Smaller Organizations
4. Redirecting Unintended Outcomes

**Conjecture 2. *The four prongs are like the four directions for an army general looking for victory and any attempt at reform that does not consider all the four prongs will prove to be insufficient and will be incomplete at best.***

The rest of the discussion will substantiate the above claim and its applicability to study social science phenomenon. It is worthwhile to mention here that for most assertions made below, numerous counter examples and alternate hypothesis can be produced. These are strictly attempts at tracing the essentials rather than getting bogged down with a specific instance. However, any study requires forming a conceptual framework based on the more common observations, yet being highly attuned to any specifics that can stray from the usual. Also, for the sake of brevity, a number of finer points have been omitted and certain simplifying assumptions have been made. Given the scope and complications of the below discussion, drawbacks are hard to avoid and future iterations will seek to address these as they are discovered.

## **2. The Four Pronged Approach**

### *2.1 The Uncertainty Principle of the Social Sciences*

Kashyap (2014a) discuss the uncertainty principle of the social sciences, though parts of the discussion are generic, the greater portion centers around, the themes of investing and financial services, paving the way for this present work to consider a broader setting.

**Conjecture 3. *The Uncertainty Principle of the Social Sciences can be stated as, “Any generalization in the social sciences cannot be both popular and continue to yield predictions, or in other words, the more popular***

*a particular generalization, the less accurate will be the predictions it yields”.*

This is because as soon as any generalization and its set of conditions becomes common knowledge, the entry of many participants shifts the equilibrium or the dynamics, such that the generalization no longer applies to the known set of conditions. An observation is likely to be more popular when there are more people comprising that system; and it is important to try and explicitly understand, where possible, how predictions can go awry. Every social system then operates under the overarching reach of this principle.

## *2.2 The Objectives of a Social System or the Responsibilities of the Players*

The ultimate objective of any social system is to maximize well-being. To determine what is intrinsic to wellbeing, requires acknowledging its subjectivity. Layard (2010) talks about surveys in the United States that showed no increase in happiness over the past 60 years, reflecting the fact that higher national income has not brought the better quality of life that many expected. The science of subjective well-being is young, but it is developed enough to know that we need to collect data and make it a prime objective to quantitatively study the determinants of well-being, so that it can be used in policy analysis.

### **Conjecture 4. *Poverty is a state of mind.***

It is important to gain a more profound, comprehension of welfare and delineate its components into those that result from an increase in goods and services, and hence can be attributed to economic growth, and into those that are not related to economic growth but lead to a better quality of life. The reasoning here being that economic growth alone is an inadequate indicator of well-being. Hand in hand with a better understanding of the characteristics of welfare, comes the need to consider the measures or metrics we currently have that gauge economic growth and supplement those with factors that capture well-being more holistically. This is important because, there would be little sense in pursuing policies aimed at increasing some widely used metric like Gross Domestic Product, GDP, if such policies do not lead to an increase in welfare and worse still, if they lead to an unintentional decrease in well-being; on a lighter note, it is worth pondering about which meaning of gross is applicable in the context of GDP.

There is a compelling case for constructing better metrics to measure welfare. Stiglitz, Sen & Fitoussi (2009) highlighted the deficiencies in existing metrics, encapsulated an agenda for improvements, and discussed key areas on which further research is needed. An alternative to GDP can use variables that show the increase in essentials like food, health care, education, real estate prices, and disposable income. We need metrics that capture not just the increase, but measure the distribution of consumption goods and supplement those with ways that gauge how quality of life improves.

A proxy for quality of life can be captured with variables for: environmental factors relating to air, water, noise pollution; leisure time per day; vacation time; personal safety against crimes and conflicts; social factors like availability of support in case of need; freedom to express oneself and political participation; political stability; and lastly, sustainable ways of production, or having a sustainability index based on depletion of natural resources, which boils down to making sure that what we produce today can continue to be produced with minimal impact to the environment and being able to maintain the current level of well-being for future generations. (Kahneman and Krueger 2006) emphasize the importance of subjective well-being and argue that it is fruitful to distinguish among different conceptions of utility rather than presume to measure a single, unifying concept that motivates all human choices and registers all relevant feelings and experiences.

### **Conjecture 5. *The question of what is absolutely imperative to lead a good life is a constantly changing one, as luxuries end up becoming necessities.***

This tells us that there can be no absolute measure of well-being. We need to be mindful of the limitations of any static measure and include variables that capture the change in our consumption habits over the years, especially across the constituents of any welfare measure. As we look to analyze the objectives of a social system, we should look beyond measures of how this system contributes to the GDP, but also consider other variables that provide a more complete picture of how this system contributes to welfare.

Social systems can be broadly categorized into those that are profit seeking, we shall refer to them as businesses, and the others that are eleemosynary. We consider the case of the business or the profit-seeking corporation. Friedman (1970) suggests that the social responsibility of business is to increase profits. Recognizing that attributing objectives to any social system is a vague concept, it becomes important to ask precisely, what this implies for whom. The discussion then moves on to the responsibilities of corporate executives, who are expected to make profit maximizing decisions while conforming to the rules of society, embodied in law and ethical custom and stay within the rules of the game. In order to fulfill such an expectation,

**Conjecture 6. *It is implicitly assumed that the corporate executive is a philosopher king, a concept dating back to Plato (The republic of Plato), wise enough to know what is right, with the authority to enforce it and the self-control to not abuse his power.***

There is an additional assumption here that the shareholders, whose agent is the executive, are capable of selecting the right person, of monitoring his behavior and taking corrective measures. Surely, that is a tall order in the complex business environment that is today.

The issue of corporate governance is worth a closer look. Shleifer & Vishny (1997) argue that legal protection of investor rights is one essential element of corporate governance. Concentrated ownership, through large share holdings, takeovers, and bank finance, is also a nearly universal method of control that helps investors influence, firm decision making. Although large investors can be effective in solving the agency problem, they may also inefficiently redistribute wealth from other investors to themselves.

Any talk about legal matters is incomplete without a mention of Bastiat's (1968) timeless essay, *The Law*, which suggests the precise limits under which the law has to operate; otherwise, the result would be legalized plunder. The main purpose of law is to render justice, Sandel (2010), illustrates the subjectivity and the subtleties that can arise when dispensing justice.

**Conjecture 7. *Even if we take it for granted that the business of a business is simply making more money, and skip the entire debate of whether a firm (and hence the individuals comprising the firm) should identify itself with a more purposeful aspiration, what we can see is that with increasing complexity, it becomes harder to verify whether the goals of the individuals are aligned towards the common objective.***

Grant (1996) identifies the primary role of the firm as integrating the specialist knowledge resident in individuals, into goods and services. The task of coordination, which can be onerous and the possibility of goal conflict are mentioned. The knowledge-based approach offers a theoretical basis for understanding recent organizational trends, including the development of new organizations forms which are more horizontal, with fewer layers, greater empowerment, more team based structures and inter-firm alliances. If the primary resource of the firm is knowledge, if knowledge is owned and can only be exercised by employees, the foundations of a shareholder value approach, with distinct owner and operator, are challenged. This analysis fails to account for is a more comprehensive approach embracing both knowledge creation and application. Also, in larger settings, a specialist centric view could lead to situations, where people successfully try and portray a false image using titles, appearance, and other methods of superficial perceptions reliant signaling (Kashyap, 2010).

Carroll (1991) takes a starkly contrasting view and lists the many social responsibilities of firms in their decreasing order of importance: economic, legal, ethical and philanthropic. He mentions that for such a reality to happen firm executives need to be moral instead of amoral or immoral, which is again a hark back at the need for philosopher kings. Friedman suggests that if shareholder value is maximized, then the shareholders can heed to the call of non-profit generating responsibilities, with their share of the profits. It is easy to see that the common ground for both viewpoints is to have shareholders more involved with firm decisions, which can happen better in smaller, employee owned and operated firms.

Anderson & Warkov (1961) summarize findings from previous studies that assert that growing density of population in a society results in increasingly complex forms of organization and that an increase of size necessitates more complex forms of communication. Some studies claim that, in addition to its effect on organizational complexity growth also brings about a disproportionate increase in the size of the administrative component. Finally, more and more complex tasks may require that the coordination of an organization's differentiated components be accomplished by an increasingly larger administration. By studying the size, complexity and related characteristics of hospitals, they find that: the relative size of the administrative component decreases as the number of persons performing identical tasks in the same place increases (in sharp contrast to other previous studies); the relative size of the administrative component increases as the number of places at which work is performed increases; the relative size of the administrative component increases as the number of tasks performed at the same place increases (or as roles become increasingly specialized and differentiated).

Hall, Johnson & Haas (1967) find that the relationships between size and other structural components are inconsistent, similar to previous research, which utilized size as a major variable. They review other studies that consider the centrality of complexity within organization. Large size is not in itself a critical characteristic of organizations. Rather what appears to be important here is complexity, which is often indicated by size but is quite distinct from it. One way of ascertaining complexity is by measuring the number of occupational specialties and the length of training required by each. The greater the number of occupations and the longer the

period of training required, the more complex the organization. With increased size, the structure of the organization becomes much more complex. The division of labor becomes more differentiated and specialized; more levels of supervision are introduced to maintain coordination and control; and more people become involved in organizational planning. There are wide variations in complexity and it is a structural condition which itself contains a number of components.

Another definition of complexity, which appears to encompass the considerations discussed above, is the degree of internal segmentation, that is, the number of separate "parts" of the organization as reflected by the division of labor, number of hierarchical levels, and the spatial dispersion of the organization. There is a slight tendency for larger organizations to be both more complex and more formalized. More hierarchical levels are found in larger organizations and relatively strong relationships exist between size and the formalization of the authority structure. Their research, which included organizations ranging in size from six members to over 9,000 members, representing a wide range of types, such as educational, commercial, military, governmental, manufacturing, religious, and penal organizations, suggests that size may be rather irrelevant as a factor in determining organizational structure.

Kasarda (1974) examines the structural implications of social system size on three levels of the social system hierarchy: the institutional, the communal, and the societal. He finds that size has a pervasive influence on the internal organization of social systems. Size promotes greater administrative intensity in institutions, communities, and industrialized societies. As social systems expand, substantially greater proportions of their personnel are devoted to communicative or clerical functions. Another inference which may be drawn is that large size promotes an increase in the proportion of professional and technical specialists to handle the additional problems of information gathering, evaluation and planning. Large size does reduce the proportion of managers in an organization; but it raises the relative proportion of other administrative personnel. The result is that the marginal savings in management overhead are exceeded by the marginal costs (in terms of man power) of larger clerical and professional staffs.

Rizzo, House & Lirtzman (1970) find that measures of role ambiguity and conflict within organizations can exist as two separate and independent dimensions, with some correlation in expected directions with other variables of importance to organizations.

Despite the number of interesting studies that have been carried out, it seems to indicate that the results are inconclusive, which is not surprising, given the complexities involved in the study of social systems. These studies can be thought of adding to two viewpoints: one is that with larger systems, complexity increases and a greater proportion of people are necessary to co-ordinate and ensure that the objectives are aligned; the other being that the administrative component does not necessarily increase in proportion to size. The main issue with both these contrasting viewpoints is that the span of control or the sphere of influence of certain people will enlarge and this mushrooming clout can be misused and even if it is not, inadvertent mistakes can have staggering consequences.

**Conjecture 8.** *It is worth considering whether the complexities of larger systems might itself render such systems beyond the reach of proper analysis and whether the social systems will evolve and change as studies emerge suggesting a particular finding.*

That the uncertainties involved are manifold and they multiply as systems grow is probably the only thing we can be certain about. In the absence of a situation where all the individuals in a social system are righteous, capable of divining the right information and making perfect decisions, it becomes necessary to have smaller organizations, with reduced scope in what they control, so that the effects of mistakes or behavior deviating away from the goals, tends to be restricted.

#### 2.2.1 High Energy Low IQ Syndrome

**Conjecture 9.** *The wider the set of responsibilities a person faces, the lesser the attention each particular facet gets.*

As an organization gets larger, it is reasonable to assume that more issues will crop up that require resolution by its most capable members. For simplification, here we can assume that capability means depth of thinking that considers an array of possibilities before a decision is made, something that a philosopher King would be suited to do, as we alluded to earlier. We also emphasize that IQ here does not necessarily reflect innate intelligence but is more about the attention span one devotes to solving problems (hence the amount of intelligent thought process). Few of us want to make wrong decisions consciously. It is just situations and role models that bring out the worst in us. Assuming then that the most capable members are at the top levels, where the key decisions are

made, we see that the amount of thought each issue gets will be limited since many issues are bubbling up to the surface. We then see that decision makers need to develop an ability to shuttle between different demands, which by definition is lower IQ.

This leads to the contradiction that the members of the organization that persist in deeply analyzing issues and setting the more appropriate direction forward do not reach the higher levels since they are not displaying the energy or the capacity to multi task among a myriad of concerns. The people that end up at the top would be those that can make superficial, a.k.a quick and dirty, decisions. Situations that are more prone to conflict are discussed later highlighting that sub optimal decisions can be good enough in some cases, as long as their impact is curtailed. Needless to say, this discussion overlooks many things to convey the message that the margin for tolerance is high for most day to day situations, where quick heuristic decisions would be perfectly fine. The incidents that can differentiate good and great decision making are far and few between. But if such situations do arise, with the ever growing size of firms, it is likely that the best decisions makers are not acting on it.

There is the possibility that high energy decision makers rely on high IQ lieutenants for advice. Even after assuming no loss of information or dilution of directives across layers, no conflict of outcomes and hidden agendas (all three are more likely in more complex conflicting environments), various constraints related to chain of command and final authority set in and if differing perspectives exist, it is likely that high energy low IQ decisions might prevail.

### *2.3 The Need for Smaller Organizations*

Diamond (1997) tracing the historical development of the trend towards bigger organizations, supported by bigger communities, leads us to the key stimulus that was the surplus generated by the superior modes of agricultural production. This made possible the establishment of a non-producing class, whose members were crucial for the rapid development of writing, science, cities, technology-based military prowess and formation of states. Dense population centers that could be supported near these lush agricultural centers had a greater exchange of ideas, bringing new innovations into force and also allowing the extraction of rents from a larger number of individuals who came to depend on these new products that were fed by the invention spree.

The blessings of large population centers, on the sciences and the arts, have been tremendous. Development of regions like Silicon Valley in California or Broadway in New York is due to the rapid exchange of ideas. While the benefits of dense populations accrue up to a certain point, the negatives of overcrowding, shortage of resources and diminishing returns set in after a certain stage, giving rise to increasing disparities between the residents in these packed colonies. The widespread use of technology to connect people facilitates interaction among relatively far flung dwellings, removing the need for the congregation of individuals to accelerate the pace of evolution of human civilization.

Damanpour (1996) considers the relationship between innovation and two major indicators of organizational complexity-structural complexity and organizational size. The study finds that the association between structural complexity and innovation depends upon operational definition of complexity, environmental uncertainty, use of manufacturing organizations, use of service organizations, focus on technical innovations, focus on product innovations, and focus on implementation of innovation; and the association between organizational size and innovation depends upon operational definition of size, environmental uncertainty, use of service organizations, use of for-profit organizations, focus on technical innovations, and focus on product innovations.

Busenitz & Barney (1997) examine the differences between entrepreneurs and managers in large organizations with respect to two biases and heuristics: overconfidence (overestimating the probability of being right) and representativeness (the tendency to overgeneralize from a few characteristics or observations). Entrepreneurs and managers think differently, behave differently and utilize heuristics and basis to different degrees. If the use of biases and heuristics are stable over time, then those who are uncomfortable with heuristic based decision-making, on more occasions, will be attracted and selected into larger organizations and vice versa.

Under conditions of environmental uncertainty and complexity, biases and heuristics can be an effective and efficient guide to decision-making. The counter intuitive message here is that larger organizations can give rise to complexity and might in fact require a heuristic approach and be ill-equipped to handle circumstances that require decision making shortcuts, due to the more status-quo loving or risk averse nature of its managers. Whereas the use of cognitive biases may be beneficial and required in some circumstances, it can lead to severe and systematic errors in others.

The implication of this is that large organizations are generally more stable than smaller ones; but the price of failure is greater and hence they are suitable, or perhaps, are more tolerable, only for stable environments and

certain areas of society. If entrepreneurial attitudes and risk taking abound in organizations that can negatively impact the lives of people, it is better to ensure that they are contained in the harm they can do.

**Conjecture 10. *Highlighting the greater damage that can result when things go wrong with large systems might seem like a negative threat based approach. The rationale here is that for normal functioning, either small or large can be effective and adequate enough; but when the unexpected happens, the results are more severe and widespread with larger systems.***

Starting with the premise that profit maximization is the driving force of a business, means accepting that a business requires the division of a finite amount of wealth among its participants, a situation inherent with possibilities for conflict. This suggests that it would be prudent to restrict the scope of organizations that require allocation of resources, for which agents do not necessarily have limited desirability (alternately stated as, diminishing marginal utilities won't set in till a very high threshold is reached). Comparing large universities and large businesses should provide more clarity. A business needs to create wealth and share that among its employees. A university needs to create knowledge, which is easier to share than wealth. This leads to the conclusion that universities can be big without giving rise to undue conflicts while businesses need to be smaller.

Porta, Rafael La, et al. (1996) argue that trust is an important ingredient to ensure co-operative behavior. They further mention that while trust might be easier to establish in smaller settings where repeated games can be played that present opportunities to seek corrective actions for previous wrongs, even in larger societies with a greater level of trust, co-operative outcomes can be observed. What this tells us that all else being equal, a smaller setting is better for coordinating efforts.

Smaller size means that it would be easier to check, what, is being done by the institutions and the people involved. We need to look at the argument that if organizations are small, there would be many such institutions and hence many of them to monitor, making it a harder task. But given the reduced scope of smaller organizations, there would be greater transparency, less complexity and a stronger relationship between the service provider and the served.

**Conjecture 11. *The smaller size leads to more number of superior quality interactions between the same parties, leading to a repeated game setting, which is known to produce more co-operative behavior. The strengthened relationship effectively acts as an enforcement agent towards both the parties.***

The smaller institution cannot extract large rents for itself, since otherwise it would cease to be competitive against the myriad number of smaller institutions that are available as alternatives and such actions would deter people from doing business with it. The people that are benefiting from the services of an institution would be under close scrutiny from the institution, which bears the burden to ensure that its services are put to the best use possible, since that is integral for its own prosperity. Agents are driven against myopic self-motivated behavior, since maximal benefits accrue by acting with a longer-term vision.

**Conjecture 12. *Any set up where the players involved have a fundamental incentive to be on best behavior, functions better than other alternate possibilities. Smaller size reduces complexity in many ways and makes it harder to hide things under the rug.***

This also makes it harder for corruption or other illegal episodes to happen. Systemic failures, wherein most organizations in a sector, are severely affected in a negative way, are less likely, since we have many small organizations and the degree of interconnectedness will be lower that in a set up with a fewer number of organizations.

As organizations grow bigger, a greater share of the individuals that are part of it, become involved in just making sure that the organizations are running smoothly. This takes people away from becoming involved with the actual generation of ideas or producing a tangible output or adding to real growth and welfare. Instead of excessive resource allocation to ensure co-ordination and control, we simply need more transparency, which will result in more fairness and the right thing being done. Honesty is not entirely innate; it can be instilled and it follows from the recognition that human conduct is usually a response to the incentives and the situations. While, formal attempts at tracing the impact of integrity on the functioning of large institutions are worthwhile; a simpler argument, that smaller organizations with less complexity create a better alignment of incentives and situations, and give rise to an environment where it is harder to hide immoral incidents, and foster more righteous behavior, can be shown to hold water.

We could raise the point that the compensation of executives in large organizations can be monitored and going this route would be easier than having to monitor thousands of smaller firms. The rebuttal for this would be that when someone has access to large amounts of money, the chances of misappropriation are higher than when



there is no access to large amounts. The recent financial crisis had instances where large bonuses were paid out even by firms that were receiving bail out funds from the government, under the excuse of retaining talent, among others.

While it is not entirely inappropriate to impose limits on executive compensations, it is highly likely that clever ways to derive excessive compensation will be devised when there is possibility of being able to siphon large amounts of money. This also raises the question of the system of governance. Simply put, this is about whether the state should interfere with the specific of how a firm is run or should the state restrict the main activities of a firm. The next section also considers this in further detail, but without deviating much further from our discussion, we can say that giving the state power over every day affairs can be disastrous.

**Conjecture 13. Does size matter?** *Does large size lead to stability? Turning to nature again for inspiration, we don't see excessively large organisms, despite some creatures that never stop growing. Similarly, organizations have a tendency to grow. We are a growth obsessed society. A mindset that tolerates the omnipresent stressor of competition and celebrates the birth and death of organizations, helps prevent abnormal growth. The pseudostability of big organizations can cause disasters when they fail, since most systems can cope better with many small continuous demises than a few large sudden deaths. Size does matter.*

There is also the possibility of bigger organizations hiding inefficient parts within themselves by subsidizing their existence. The argument about economies of scale is not as applicable today, because, we use automation and machines to a great extent for agriculture and producing goods. Organizations are knowledge based as opposed to the traditional manufacturing industry, for which such a production term needs to be applied. If organizations are to be small, it is helpful to have a climate that facilitates entrepreneurial activity and allows the easy birth and growth of new businesses.

Acs and Varga (2004) highlight two important proxy measures of the existence of entrepreneurial opportunity, the tendency of people to engage in self-employment and the tendency of people to start new firms. Using data from the Global Entrepreneurship Monitor (GEM) project they examine the relationship between entrepreneurship, knowledge spillovers and economic growth. There are manifold ways to measure entrepreneurial activity. One overbearing dissimilitude is between opportunity-based entrepreneurial activity and necessity-based entrepreneurial activity. Opportunity entrepreneurship represents the voluntary nature of participation and necessity reflecting the individual's perception that such actions presented the best option available for employment, but not necessarily the preferred option. Opportunity entrepreneurship differs from necessity by sector of industry and with respect to growth aspirations. Opportunity entrepreneurs expect their ventures to produce more high growth firms and provide more new jobs. Any gauge of entrepreneurial activity needs to factor in this distinction.

Bockstette, Chanda and Putterman (2002) construct an index that captures the length of state experience. This index is higher for countries that have a longer experience with state-level institutions and such countries have higher political stability, institutional quality and economic growth. It would be advisable to supplement the level of entrepreneurial activity with a measure that captures the depth and history of entrepreneurial culture present in a country.

Beck & Demircug-Kunt (2006) find that small firms face larger growth constraints and have less access to formal sources of external finance, potentially explaining the lack of their contribution to growth. This highlights the issue that larger organizations could crowd out smaller ones, since the pseudo-stability they display, will guzzle away resources from smaller organizations.

Kashyap (2015a) looks at the financial services sector and ways in which the increasing size of financial systems leads to greater profits for the sector at the cost of stability and even perhaps a deviation from the core functions of the sector. While there are numerous ways to monitor and overcome this departure from the intended objectives, a self-reinforcing way that reduces complexity is decreasing the size of financial firms.

Linck, Netter, & Yang (2009) argue that the requirements of the Sarbanes Oxley act have increased the demand and reduce the supply of directors, and there is a potential adverse impact on smaller public firms due to increased compensation burden. The increased monitoring burden imposed upon organizations is working to the detriment of smaller organizations, which might need lesser surveillance than their larger counterparts.

Acs and Varga (2002) hypothesize that any spatialized theory of technology led regional economic growth needs to reflect three fundamental issues. First, it should provide an explanation of why knowledge related economic activities start concentrating in certain regions leaving others relatively underdeveloped; second, it needs to answer the questions of how technological advances occur and what the key processes and institutions involved

are; and third, it has to present an analytical framework in which the role of technological change in regional economic growth is clearly explained.

Beck (2008) mentions that bank size is positively correlated with complexity so that large banks are harder to monitor than small banks. De-Nicolo (2000) argues that bank consolidation is likely to result in an average increase in banks insolvency risk.

This prong is the most important of the four since if we get this right, the reduced size and complexity of any organization or system; helps realize the limitations and aids in the detection of any deviations from the expectations; ensures that the responsibilities and incentives of the parties involved are aligned and continue to stay aligned with the original targets; and makes it easier to ascertain the unintended consequences of any efforts, which are hard to completely eliminate, as we will see in the next section.

### 2.3.1 Organizations as an Amalgamation of Lego Blocks

**Conjecture 14.** *We are building increasingly complex organizations and we are using increasingly complex methodologies to study them. The complex methodologies are just rearrangements of simpler rules just as complex organizations are aggregations of simpler blocks.*

This suggests that the smaller the bunch of Lego blocks (Endnote 1) used, the easier will it be to understand any structure that results from combining them.

### 2.4 Redirecting Unintended Outcomes

Paiche and Sterman (1992) inquire into decision making in complex environments and conduct an experiment where subjects must manage a new product from launch through maturity, and make pricing and capacity decisions. Building upon previous studies, they demonstrate that decision making in complex dynamic environments tends to be flawed in specific ways by not accounting sufficiently for feedback loops, time delays and nonlinearities. Even with a decent amount of experience, there is no evidence that environments with high feedback complexity can produce improved decision making ability. Poor decision making in complex production systems can create pervasive booms and busts, where new products can have exponential sales increases, fueling rapid growth, often leading to overcapacity, price wars, and bankruptcy.

Pollay (1986) reviews theories about advertising's social and cultural consequences. Advertising is viewed as intrusive and environmental and its effects as inescapable and profound. Advertising is seen as reinforcing materialism, cynicism, irrationality, selfishness, anxiety, social competitiveness, sexual preoccupation, powerlessness, and/or a loss of self-respect.

Kashyap (2015b, 2015c) looks at unintended consequences as it applies to the financial services industry and the difficulties in being able to anticipate the outcomes of complex systems. Norton (2002) mentions the law of unintended consequences, as often cited but rarely defined, as actions of people -and especially of government- always have effects that are unanticipated or unintended. Building on the work of others, primarily, Merton (1936), the discussion labels various sources of such unintended consequences: ignorance, error, instances where individuals want the intended consequences so badly they choose to ignore any unintended effects and self-defeating predictions where the public prediction of a social development proves false precisely because the prediction changes the course of history. Government attempts at reform have the largest scope and hence perhaps the actions of the government and politicians are alluded to directly in the article.

Ash, Berg & Coiera (2004) outline a number of issues within a framework describing two major kinds of silent errors caused by health care information systems: those related to entering and retrieving information and those related to communication and coordination. The potential causes of these errors are subtle but insidious. They argue that many of these errors are the result of highly specific failures in patient care information system design and/or implementation. They do not focus on errors that are the result of faulty programming or other technical dysfunctions. Hardware problems and software bugs are more common than they should be, especially in a high-risk field such as medicine.

However, these problems are well known and can theoretically be dealt with thorough testing before implementation. Similarly, they do not discuss errors that are the result of obvious individual or organizational dysfunction such as a physician refusing to seek information in the computer system, 'because that is not his task, or a health care delivery organization cutting training programs for a new information system for budgetary reasons. They focus on those often latent or silent errors that are the result of a mismatch between the functioning of the information system and the real-life demands of health care work. Such errors are not easily found by a technical analysis of the system design, or even suspected after the first encounter with the system in use. They can only emerge when the technical system is embedded into a working organization and can vary

from one organization to the next.

Schoorman (1988) examines the tendency of supervisors to escalate their commitment of a previously expressed opinion by biasing performance ratings in the context of a real organization. There was strong support in the study for two hypotheses: (a) that supervisors who participate in a hiring or promotion decision and agree with the eventual decision would positively bias subsequent performance appraisal ratings for that employee; and (b) that supervisors who participate in the original decision but disagree with the decision would bias subsequent performance appraisal ratings in a negative direction.

Cornelius (2001) assesses the efficacy of the strategy of immigration control implemented by the US government since 1993 in reducing illegal entry attempts, and documents some of the unintended consequences of this strategy, especially a sharp increase in mortality among unauthorized migrants along certain segments of the Mexico-US border. The available data suggest that the current strategy of border enforcement has resulted in re-channeling flows of unauthorized migrants to more hazardous areas, raising fees charged by people-smugglers, and discouraging unauthorized migrants already in the US from returning to their places of origin. However, there is no evidence that the strategy is deterring or preventing significant numbers of new illegal entries, particularly given the absence of a serious effort to curtail employment of unauthorized migrants through work-site enforcement.

The Sweeney and Sweeney (1977) anecdote about the Capitol Hill baby-sitting crisis expounds the mechanics of inflation, setting interest rates and monetary policies required to police the optimum amount of money. The creation of a monetary crisis in a small simple environment of good hearted people expounds that even with near ideal conditions, things can become messy; then in a large labyrinthine atmosphere, disaster could be brewing without getting noticed and can strike without much premonition. This emphasizes the need to keep complexity at bay and establishing an ambience where repeated games can be played with public transparency, so that guileful practices can be curtailed.

All of this tells us that intended outcomes could churn out negative side effects and the reverse could happen as well. But to create a robust society we need to minimize the impact of the downfall. The topic discussed earlier about having better metrics to measure welfare would be helpful to identify unintended outcomes.

If governments or any organizations start intervening to set strict limits on production, on the amount and manner in which people consume and live, the results could be catastrophic and lead to too much state control or to socialism or even communism. (Hayek, 2009; Marx, Engels, 1959; are seminal works). The other extreme to this is completely free markets, or capitalism, which as we are realizing will lead to huge inequalities in society. While it is hard to draw a strict line between these two modes of governance, we need elements from both models of governance and economic policy. Our earlier discussion on the advantages of smaller size firms applies here, wherein, with the prevalence of smaller organizations, incentives would be aligned such that it becomes easier to spot wrongful conduct, leading to better governance with lesser monitoring.

### **3. Discussion**

#### *3.1 Small Business as a Solution to Corruption.*

When power and wealth are concentrated in the hands of a few, it usually leads to corruption and exploitation of the masses by a few. This is inevitable and follows from human nature and the seductive allure of power. While taming human nature is possible, let us leave that out for now since it is a somewhat arduous task that could span generations.

Every attempt at social reform has been to address this issue. This exploitation of the masses by a few happens, in the extreme case, even with both the two leading models of society and governance namely, Socialism and Capitalism. A more practical and immediate solution lies in ensuring that the basic needs of any individual are met and he/she has a safety net that ensures a certain minimal standard of living. When survival becomes easy, people will not give in easily to exploitation. This can happen through a grassroots movement by ensuring that small businesses and mid-size businesses thrive and the barriers to entry for such new organizations in an economy are minimal to non-existent.

When many such small organizations succeed and new ones can crop up easily, power tends to get less concentrated and therein lies the true solution to the many ills faced by any society. Having said this, we do not mean that we should not say anything against corruption or other ills. In fact, any effort by any individual against corruption or the like should be commended and any such effort is certainly not in vain. But what we really need to understand is that we need to support organizations that help small businesses grow and thrive. This is what the Great Mahatma Gandhi also stressed in his vision of every village meeting its needs indigenously through

small scale industry. This can apply to all countries around the globe even though there are varying levels of corruption and other cultural nuances.

A simple analogy is when a person is very sick, medicines help, but what is needed longer term are better diet, exercise and living conditions. Same goes with creating more rules and protests, they are helpful temporarily but what is needed longer term is an environment where individuals can establish self-sufficiency easily thereby reducing the chance for them to get exploited. When this happens, the common man is less dependent on the Government and other large organizations, such organizations will have less power making it more difficult to be corrupt or abusive.

Surely, this perfect recipe for a smooth functioning society is easier said than done. Most would easily see that the simplification in this narrative is for the brevity that is essential in any call for action, which in this case, is for individuals and organizations to realize the need to promote small and medium enterprises, their responsibility in making this happen and the benefits that will accrue to them once this starts happening. As with any daunting challenge, there will be opposition from certain incumbents that stand to lose the most with the added risk that success might seem completely elusive or become available in small unsatisfying doses for a long time, there is simply no excuse for not trying.

While this might seem like an attempt to change the world, it is sheer arrogance, possibly bordering stupidity, to think we can change the world that has existed for millions if not billions of years in our blink of a lifetime. The simple belief espoused here is that promoting small-biz is one way to make life in a society a fun ride for a lot of people. The other option might, of course, be to resurrect the psychedelic 60's, the hippie lifestyle and the blissful ignorance of LSD, all of which is neither recommended nor disapproved.

### *3.2 The Existential Question!!!*

Why do we need organizations that aid the development of smaller organizations and businesses? The one sentence that can answer this question is,

*Conjecture 15. "Necessity is the mother of all creation, but the father that is often forgotten is frustration. . . "*

It is necessary for organizations, which are seeking to help small businesses flourish, to exist. The earlier section on 'Small-Biz as a Solution to Corruption' has a more detailed explanation of this necessity. While that is the necessary part, the frustration that should bring about such organizations is the increasing explosion of information, jargon and the deception of society by the so-called experts. We mean no disrespect to any experts who have spent many years working in a field. We definitely include people doing Research and Development in the expert category. We as a society, clearly need both. There is also much to be said about the instincts that people tend to develop when they engage in a certain behavior for long periods of time. But, what we need to realize is that in most situations that do not warrant a highly specialized outlook, we value expert opinions a lot more, even though they may not really be all that better than the opinions of an average person.

It is common to fear darkness and look towards the light and hence the nexus to Diwali, the festival of lights, as illuminated by the following metaphor. As we celebrate the festival of lights, it is worth pondering about one interpretation of light, which stands for knowledge that dispels darkness, which is representative of both ignorance and over confidence.

Needless to say, we need to mitigate this two-sided problem, where on one side we know nothing of too many things and on the other side, we feel we know everything about some other things, by spreading knowledge about varied concepts and by demonstrating the limitations of whatever we know.

Summing it up, we need organizations to promote small businesses and continuously educate people. This relates to the earlier discussion of the central functions of organizations, which is the creation and application of knowledge to solve the problems facing society. While it is hard to draw a strict boundary between the two streams, gaining knowledge can represent efforts at creating and disseminating interesting thoughts, and problem solving could be the work done with small businesses in resolving their concerns.

**In Conclusion, Organizations like the one above need to exist, in this information age, to try to uncover nuggets of knowledge amidst buckets of B.S (Endnote 2).**

### *3.3 A Way of Life*

Why stop at the organization level, when a culture that is constantly involved in gaining knowledge and applying this knowledge to solving problems can be a beneficial lifestyle. Gaining knowledge and solving problems need not be a trade, but it can simply be something people enjoy doing; leading to the motto, Not just a business, but a way of life.

What other values would be compatible with such a tradition? Such a heritage would challenge conventional thinking by claiming that most complexity is the result of viewing the world from a highly specialized point of view and the increased use of unnecessary jargon. It would continuously strive to find common elements among various seemingly unrelated disciplines. This would be done, while being fully aware that all situations have certain unique elements to them and that recognizing this is the key to arriving at a more comprehensive resolution of problems. Years of experience are not useless. Previous experience can be extremely valuable, but only when used where it is really needed. Respect for every bit of knowledge gained from every possible source is important; what is more important is an attitude that does not take this knowledge too seriously. This would mean gaining knowledge, so we can forget all about it when we have to and recollecting knowledge from a myriad of sources when we want to. If this sounds confusing, congratulations, this is the right track; confusion is the beginning of understanding.

This lifestyle would seek to help all kinds of organizations by advocating a somewhat unique approach to problem solving. When organizations realize they are facing some issues, they look for people either internally or externally who can solve it.

**Conjecture 16.** *A lot of times, the main issue about the issue is that it is not clear what the real issue is.*

The reason for this is very simple, when an issue is identified, it is either done by someone who does not have the time to solve it or does not know how to solve it or simply does not want to deal with it themselves. This could very well be due to the many valid constraints they face in their current organization. So they make their best effort to isolate the issue. Then, what is usually done is the issue is bucketed into a few standard categories. Then an expert in that category is brought in to take care of it. The expert here is someone who has dealt with similar issues many times before and has experience dealing with such problems for a number of years.

**Conjecture 17.** *So at this point, we are not sure what the issue is and we have an expert on this issue looking at it.*

When we talk about experience over a number of years in the conventional sense, it does lead to expertise and specialization. This means when a specialist is looking at a problem, he/she is looking at it in one way, identical to an approach he might have used before, and might provide a solution quite similar to previous situations that might have some common elements to the current problem. This happens in a lot of organizations, a lot of times. The specialist has the advantage of being the most knowledgeable person in the initial diagnosis phase and hence someone who is not a specialist does not seem to add much value in the initial phase and the opinions of few such non-experts get serious consideration in this initial phase. We might have seen this play out many times before in almost any organization we have been part of. The good part is that this problem can be solved with a certain way of problem solving.

Dealing with problems differently is an attitude, a frame of mind. We mean no disrespect to people who are passionate about something and spend years pursuing it. But, the nature of the issue we are facing is such that, in many situations that do not require a lot of expertise, we value the opinions of experts, even though it might not contribute anything materially significant. We can have a bright high school student, talk as intelligently about the economy, as an economist, who has been doing this for two decades. The same goes with say, an expert in marketing, accounting, law or a number of other disciplines. (While it is tempting to generalize this and say that with the right amount of training, this applies to almost every discipline; we steer away from doing that here.) There is also an element here about how luck is important and this can be a long discussion and we will leave it out for now.

The takeaway from this is that people overestimate the amount of additional knowledge that expert's possess. The bias that forms naturally, when experience is used to solve problems, gets overlooked. Having said that: when looking at a problem, it is not just helpful but absolutely essential, to not muddy the issue too much with our previous experience. This does not mean that we have to leave out experts from our teams. It is certainly important to draw lessons from previous situations, to work with many experts and solicit their advice. But in the initial phase, we should try to get as many contrasting opinions out on the table as possible. We should also try to find common elements between a particular problem, and say some other problems the organization might be facing in other related divisions or groups. Easy as this might sound, to fully get a team working like this, takes training and a great deal of modesty from the members of the team. To be able to accomplish this requires the right approach to problem solving and continuous honing of those skills. This way of Problem Solving provides better satisfaction for all the stakeholders.

It is worthwhile to mention the kind of persons to keep company with, to promote this lifestyle. It would be someone who knows not to take their experience as their greatest asset. The first thing to learn is to be able to

drop our baggage of experience at the door step before looking at any problem. A fresh perspective and untainted observation should form the basis of getting trained to diagnose any situation. Next, it is about learning to apply the knowledge gained from sources as obscure as watching a clown perform, in a busy Paris street or a day spent on an African Safari to the problem at hand. It is a constant involvement in gaining knowledge and questioning what we learn. This critical evaluation of knowledge helps to find patterns that are otherwise not easily noticed. It is more than surprising, when one discovers how things are interrelated and the subsequent "aha" moment that comes about when we uncover these relationships. It is important to be extremely organized in our thoughts and efforts; but given what has been discussed, there is no standard life cycle or project plan that will apply and we can follow. We need to observe and take detailed notes in this first phase of analysis. This makes the initial phase of any project the hardest phase.

Another example of this thinking paradigm would be, people in the operations or the inventory management department should not just be involved but they should understand all aspects of developing new products in the product development group. The common complaint to this is that with only 24 hours in a day, and less than half of that devoted to work, someone in operations does not have the time to learn about new products. There is a simple and effective solution to this. When new projects are started, in the initial phase, it becomes necessary to demonstrate how cross departmental understanding can be achieved with very minimal time consumption when the key stake holders are incentivized to understand the importance and made to participate in such efforts.

This leads to the most important aspect of how to tackle new issues - Teamwork. The central belief for team work to work is: what one person can do, two or more people can do better. Teams need to be structured around this belief. Individuals that have dealt with problems similar to the ones being faced need to be teamed with people with expertise in other areas. The instincts of the expert coupled with the fresh perspective of the so called non-expert will ensure that no stone is left unturned in looking for solutions. Being effective problem solvers means taking on different roles from being a sounding board, to acting as coaches, to performing complete hands on implementations, as the particular case may require. What is important is a desire to get the most things done. This approach might pleasantly surprise everyone involved, at how much more can be accomplished than was initially thought possible. The result is what we can term "A Fundamental & Original Approach to Problem Solving".

Tying the discussion back to the central tenet of the paper and the arguments put forth earlier, we can surmise that the way of life discussed here is easier to follow when organizations are smaller. Corruption will be less and objectives of the players are aligned with the intended outcomes.

#### **4. The Path Ahead**

The core theme we have proposed is that organizations need to be small. This opens up a number of questions, to which we provide partial answers here, and point out that much further thought and work is required to more satisfactorily assuage these objections.

How small is too small or how big is still too big? While on the surface, not knowing the answer to this question might seem like a show stopper for tangible action. As alluded to, in the introduction; a relative scale in terms of what size works for what purpose, is what we can hope to accomplish. The four pronged analysis technique can help reveal where size is hampering the objectives of any particular social system.

What are some ways to ensure organizations become small and stay small? How can we transform society in its current state with large organizations to a state with smaller organizations painlessly or with minimum negative consequences? How do we suppress the natural urge and desire we (including owners and managers of organizations) have to grow our organizations? What are the implications of smaller size for huge multinational organizations and the area of international trade and finance? Is there really a stability that comes from size or will the birth and death of organizations of smaller organizations be accepted such that there will be a realization that larger size only gives pseudo stability? This brings up the subject of regulation and the limitations of regulation, not to mention, the unintended consequences that always creep in along with the intended ones. While not attempting to have some regulation in place would be unwise, any attempt at regulatory change is best exemplified by the story of Sergey Bubka (Endnote 3), the Russian pole vault jumper, who broke the world record 35 times. Attempts at regulatory change can be compared to taking the bar higher. Despite all the uncertainty, we can be certain of one thing, that people will find some way over the intended consequences, prompting another round of rule revisions, or raising the bar, if you will. What would work better in the long run is a cultural mindset that takes smaller size as a blessing and worships the entrepreneurial spirit that can continuously churn out smaller organizations.

The excellent reference by Creswell, J. W. (2013) has pointers on how some of the above discussion can be

shaped further using a mixed methods approach, that is a mixture of both quantitative metrics, supplemented with qualitative insights.

#### *4.1 The Compensation Ratio Test*

**Conjecture 18.** *The ratio of the highest and lowest compensation levels in an organization should not be greater than a certain factor.*

As organizations age, the ratio should get smaller which incentivizes newer organizations to start up. The ratio factor though seemingly ambiguous can be related to the amount of wealth at the disposal of the organization or the community it is part of and the corresponding population (Kashyap 2016b). Such an approach could potentially lead to an extreme situation where only a small percent of the population will be employed and controls most of the resources. Another potential issue is that a temporary workforce could be used and profits could be deferred after the work force has been trimmed. This again highlights the issue that clever workarounds are always possible, so keeping organization small and simple should be the real objective.

Tax breaks for smaller firms, breaking up big companies on antitrust grounds, greater blocks on merger activity and other manners of enforcement can and should be employed but they will be less effective since they are external to the organization. The compensation ratio is an internal factor, constantly at work monitoring the proceedings, resulting in a greater chance of success.

#### *4.2 Final Thoughts*

If organizations end up becoming small, will this affect the progress we have seen in society due to the various contributions from the arrangement and synchronization of resources and efforts on a massive scale? Businesses are needed to channel resources efficiently and ensure that freeloading is minimized. While conceding that the maxim of profit maximization is a necessary evil for now, the great strides that civilization has taken, lends hope that perhaps some day agents will not require a driving force to ensure that they reach their productive best and perhaps passion alone can propel us forward. Till we reach such a Utopian reality, we need businesses and we need to make sure they are small.

An extreme situation that needs evaluation is whether we would be a deprived society without the large scale alignment of efforts and production. An example here, inspired by nature, is that of honey bees (Winston, 1991; Seeley 2009). To survive and get through the harsh winter, requires co-ordination from a huge number of worker bees and a tight knit community to collect nectar from far flung flower sources. A handful of bees would perhaps not function as effectively, as a typical hive that can have 20,000 all the way up to 200,000 individual bees, in protecting their homes and gathering sufficient food. To facilitate this high degree of co-ordination among many individuals, bees have specialized functions determined right at the biological level complemented with a sophisticated communication mechanism.

Bhargava (1989) and Bühler (1886) discuss historical precedents where society was grouped into divisions and specific functions were adopted by individuals in each group. Huxley (2007) narrates an illustrative story of a utopia in a futuristic fictional setting, where professions are determined right at birth. These examples seem to highlight that unless there are rigid restrictions on roles and responsibilities, which are enforced either biologically or made culturally prevalent, massive co-ordination might be harder to accomplish. Modern technology has provided us with ample methods of effective communication and with better means of communication; the optimal size might also increase.

Doidge (2007) presents classic cases from the frontiers of neuroscience that chronicle the biological changes happening in the brain driven by external impetuses, revealing that adapting to new circumstances and learning to deal with adversity are almost hard wired into us. In essence what they reveal is that the brain constantly changes as situations change. (McDonald & Tang, 2014) look at research from the interdisciplinary field of social cognitive neuroscience that provides insights as to how managers learn and develop, resulting in theoretical propositions and practical implications. Neuroscience offers potential to theoretically advance our understanding of management development as well as practically enhance managerial capacity to (a) reflect with a deeper sense of self-awareness, (b) analyze with greater balance across hard and soft data, (c) position organizations within broader perspectives, (d) collaborate inter-personally by establishing relationships that engender egalitarianism and trust, and (e) enact change in a nonlinear manner. This avenue of research holds a lot of promise.

Surely it is a big ask that we solve all of society's problems completely with one magic bullet. What we can realistically hope as a starting point is at least a consensus as to which direction society should move towards, for there to be better living conditions, which we can argue is the main objective of society. If we are conceptually in

agreement that small is the sensible way forward, despite what the answers to the other questions may be, we know in which direction we should proceed. This means putting aside for the moment, the wonderful advice of (Daft 1985) of mixing a theoretical approach with empirical aspects in one paper to make it convincing for reviewers and editors, in favor of a purely conceptual paper since; if we know what needs to be done, how to do it becomes secondary since the many different ways to accomplish something will lead to the same final outcome. Any situation that requires co-ordinated efforts to shape and share limited resources can produce conflict and in such situations complexity needs to be reduced and the scope of conflict needs to be minimized, by having smaller organizations.

Given the breadth of the hypothesis, mistakes are hard to avoid, much further research and numerous revisions will need to be made to answer, augment, modify and amplify these questions.

## 5. Conclusion

We looked at several examples that have intuitively substantiated the coherence of the four pronged approach. By considering each prong in isolation and then finally integrating the findings, we hope to establish different aspects of what would be crucial to increasing welfare and also what would be the limitations of any such recommendation. By recognizing the gap that exists between the fundamentals that drive the behavior of individuals or institutions, and the expected outcomes from their actions, we hope to highlight how it becomes relatively straight forward to set incentives that can maximize welfare.

If we start by reducing the size of institutions, it becomes easier to monitor them and a certain level of self-governance is also put into place. The other prongs then follow somewhat naturally and where there are deviations from what is desired, the reduced complexity, allows corrective mechanisms to be administered with less effort. Highlighting the greater damage that can result when things go wrong with large systems might seem like a negative threat based approach. The central argument is that for normal functioning, either small or large can be effective and adequate enough; but when the unexpected happens, the results are more severe and widespread with larger systems.

An issue specific to today's society, corruption, was discussed. We considered why it would be useful to have organizations that would nurture other smaller organizations. Lastly, we looked at a way of life involving a quest for knowledge and applying it to solve problems facing society, while being cognizant of the limitations of knowledge. Such a way of life works best when organizations are less complex.

The dynamic nature of any social science system means that the limited predictive ability of any awareness will necessitate periodic reviews and programs then need to be prescribed in response to what is required. We certainly hope that this work will subsequently set the stage for an investigative methodology using the four pronged approach.

## Notes and References

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