That reliable workhorse of capitalism – the joint-stock company looks surprisingly durable. But pressure on it is increasing.

In 1967, John Kenneth Galbraith’s *The New Industrial State* argued that the USA was run by a handful of big companies who planned the economy in the name of stability. These were hierarchical and bureaucratic organizations making long runs of standardised products. They introduced “new and improved” varieties with predictable regularity; they provided their workers with lifetime employment and they enjoyed fairly good industrial relations with the giant trade unions.

That world is now dead. The US’s giant corporations have either disappeared or been transformed by global competition. Most have shifted their production systems from high-volume to high-value, from standardised to customised. And they have flattened their management hierarchies. Few people these days expect to spend their lives moving up the ladder of a single organization. Dramatic changes are taking place. But where exactly are they taking us? Where is the modern company heading?

There are three standard answers to this question. The first is that a handful of giant companies are engaged in a “silent takeover” of the world. The past couple of decades have seen a record number of mergers. The survivors, it is maintained, are far more powerful than nation states.

The second school of thought argues almost the opposite: it says that big companies are a thing of the past. For a glimpse of the future, look at the Monorail Corporation, which sells computers. Monorail owns no factories, warehouses or any other tangible assets. It operates from a single floor that it leases in an office building in Atlanta. Freelance workers are designing the computers while demand is still low.

The third school of thought says that companies are being replaced by “networks”. Groups of entrepreneurs form such a network to market an idea. They then sell it to the highest bidder and move on to produce another idea and to create another firm, with the money being supplied all the time by venture capitalists.

Another way to look at the future of the company is to focus on the environment that will determine it. That environment is dominated by one thing: choice. Technology and globalisation open up ever more opportunities for individuals and firms to collect information and conduct economic activity outside traditional structures. While the age of mass production lowered the costs of products at the expense of limiting choices, modern “flexible” production systems both lower costs and increase choice. Consumers have more choice over where they spend their money. Producers have more choice over which suppliers to use. Shareholders have more choice over where to put their money. With all that choice around, future companies will have to be very flexible in order to quickly adapt to the changing environments if they are to survive.