

# **DEMOCRATIC VALUES and the ENTERPRISE:**

## **A Search for Political and Corporate Synergy**

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### **Abstract**

*This is an introductory essay that frames the issues taken up in a larger study of the compatibility and synergy of values in corporate and political leadership. Corporate and political leaders often display contrasting patterns in their political and business values, preferences and attitudes. But why? Democracy is defined by adherence to basic values ( tolerance, obligation, voice, constraint, transparency, legitimacy). Most of this study is dedicated to thinking about if and how these values could or do underpin the corporation's approach to governing (i.e. management). Cast in other terms, can corporate governance and public governance find a synergy – a common value platform? The implications are profound.*

### **Managing People for Purpose**

Why imagine that values found in the political realm would be at all useful in the corporate world? Our lives in the 21<sup>st</sup> century are elaborately complex. Values directly shape individual behavior and are said to shape the behavior of larger organizational entities. Individuals and societies exist at any moment in time with a vast inventory of identities. These are reordered as the need presents itself with the consequence of appearing to make each of us or our countries seem quite inconsistent. Behavior frequently runs counter to our expressed values. In fact, leaders are simply among the most value-agile people in the world. This can explain and often does rationalize our behaviors that apparently don't burden our consciences. Perhaps the most interesting and clear frictions emerge when one considers the values underpinning one's political identity and one's business identity. In the classical political sense a "liberal" wishes to see the locus of power closer to the individual while a classical "conservative" is comfortable with more centralized authority. Corporate and political leaders often display contrasting patterns in their political and business values, preferences and attitudes. But why? Is it as simple as 'do as I say not as I do' or is it a more profound and pragmatic sense that the requisites for leadership and the exercise of authority are different?

Common examples are evident in all aspects of our lives. The "Christian" on Sunday and the "commodities trader" on Monday may be the same person likely operating on different values. Or, consider the "idealist" who shifts values when she competes on the athletic field as an intense "competitor." The simple question here is that if one were to use the very same value system to frame behavior in all realms, would it necessarily result in failure? Our ability to shift gears or value sets, often without conscious effort, in many ways may predestine the measure of "success" in our lives.

The premise is that, as modern persons, we all have a plethora of identities. In many senses, we are cautious NOT to bring them into focus because this would require that we order or prioritize them. In

lieu of this, we simply change identities like students change CDs to fit the mood or the circumstances. Encouraging focus and recognition of these often intrinsically contradictory snapshots of ourselves is a seminal undertaking. It can be life-affirming but is more likely to be fundamentally disturbing. The range of identities commonly embraced is remarkable. To think about them and examine them is to approach our world and our being with a dizzying array of disciplines.

The US is an immigrant society with broad global reach in virtually all things that we do from communication to commerce. People need frameworks for approaching and retaining the images of the global human tapestry. It follows that the range of categories of identities is vast. Common labels include race, politics, geography, family history, gender, religion, class, occupation, ethnicity and a host of other less recognized clusters built around power, psychology, sociology, technological and intellectual affinity.

To reiterate, the central idea is that all of us living in societies (complex and otherwise) have a **hierarchy** of identities. The platform for these identities are core values. If so, we seldom acknowledge this explicitly. As issues and challenges present themselves, we find these values in conflict and turn to our personal hierarchy as a means of resolving the conflict. Normal as this process may be, it is not done consciously. Nor do we recognize those moments when we **re-order** the hierarchy. We are inclined to ignore that the hierarchy exists and that can veil our understanding of ourselves and others. Behavior and perception clearly stem from a platform of ideas. While common in everyday life, this analysis broaches the more focused question of how a common set of values could or does guide the management of government and business firms.

### **Values and Democracy (the model)**

The mechanics and manifestations of each of the following basic values may be open for debate, but the central conditions that these represent are drawn from mainstream democratic thought. These elements are: tolerance, obligation, voice, constraint, transparency, and legitimacy. The paragraphs that follow provide the simple rationale for these values underpinning a "democratic" government's approach to governing. Most of this analysis is dedicated to thinking about if and how these values could or do underpin the corporation's approach to governing (i.e. management).

**Tolerance** is a broad political value that triggers the behaviors that are essential to create and sustain democracy. But its necessity goes well beyond that. Capitalism requires tolerance in the form of appreciation for the intrinsic value of competition. The education system that is required in a democratic setting can only be premised on intellectual tolerance – that is, an environment where a full range of ideas find expression. Democracy does not compel us to like, value or promote competing ideas, groups, leaders, firms or products. It demands that we tolerate them. In essence, to agree in advance to co-exist with such things to which others attach value. In this crucial sense, tolerance is the basis for inclusion. That, in turn, can reduce the sense of victimization -- or in more positive terms, can induce a minimum level of comfort among the governed.

**Obligation** is the idea that government is mandated to seek out and mirror public sentiment, and to pursue publicly-defined interests, albeit selectively and on its own schedule. This involves the structures which are built into the political architecture of the system. Legislatures, interest groups and editorials may serve as examples. It also requires leadership behavior that frames, reinforces and institutionalizes the mandate. In a democracy, this is not an option. Obligation provides focus for those governing and compels them to appreciate the ruminations of the masses.

**Voice** is an element that represents potential power as much as manifest power in a political system. The channels need to be open, accessible, and understood by the general public, even though they may be used intermittently. In political systems, voice is the capacity to send a signal, the confidence that it will be heard, and the potential that it will resonate between elites and masses. Democracies create public space for coalescing and manifesting voice. Perception of this commitment in the minds of both rulers and those ruled is key.

**Constraint** is the notion that those in power understand and accept that they are constrained to curb their impulses to exercise authority. This involves behavior that conforms to system mandates and the appreciation for the need to impose on oneself added boundaries to promote the balance between individual and collective interests in the society. Political authorities are expected to be both constrained and restrained in their conduct.

**Transparency** is a rather straightforward idea. If democracy compels the governed to have opinions and play some role in interacting with those in power, the governed must be able to see what, who and when authority is being exercised. Given that this does not happen naturally in bureaucracies, the system must design windows that can shed light on operations, decisions and administration when the public or its agents choose to scrutinize the authorities. Commitment to procedures that make this possible and productive is central to democratic processes.

**Legitimacy** is the vision that the governed have of those in authority. As such, it may reflect many of the assessments made of the other five dimensions. The public is the singular source of legitimacy – specifically, the sense that those in power achieved that authority by proper, established (prescribed) means. It may be measured periodically but is, in fact, a persistent and fluid factor in the texture of any political system. If, as suggested here, legitimacy is a requisite for democracy, then one crucial role for the public is set in stone. They will have the responsibility to accept or reject the path to power. With this established, it is predictable that they will also evaluate the leadership.

The six elements outlined here are broad conditions that will be nurtured if a political system is to set its course toward democracy. Each can be observed evolving in a society by gauging a number of empirical features of any system's architecture and behavior. We will want to be cautious about rhetoric and mere labeling as oft-used devices to create illusions about actual progress toward democracy. It is perhaps most useful to imagine each of the six elements arrayed along continua.

Elevating the argument to the next level, can corporate governance and public governance find a synergy – a common value platform? The value premises for a functioning democratic system grow not just from some abstract set of normative principles but also from an empirical awareness that productive and stabilizing consequences follow from the application of those values. In politics, very real and system-enhancing conditions stem directly from the diligent incorporation of the elements specified above.

Are corporations so very different in their strategic objectives or in their role in the social environment that they too would not benefit from the application of those same ideas? At the outset, I am inclined to presume that the reticence of corporate owners or authorities to embrace the six guiding values is no greater than the reticence and skepticism of public authorities. The pressure is great on government to adhere. And while there is pressure from stakeholders on corporations (especially in large, publicly-held firms), it seems not to have developed significant traction in terms of apparent patterns of corporate governance. Are there concrete reasons? Is this a case of homeostasis? Or, are the political principles flawed and only the corporate world understands that? These are important questions as the societies of the 21<sup>st</sup> century refine or re-invent themselves!

Consider the implications if the case is made that our values that underpin corporate management are invalid in public management. Or, that our expressed political principles of governing are not relevant in the business world. What would lie at the heart of such conclusions? It cannot simply be that the profit motive changes all things related to the management of people. We are quick to recognize the difference but reticent to examine the cause of the difference. If the values and principles operating in the commercial realm are more functional or effective, why not apply them to the tasks associated with the more complex task of governing the public? There may be strong, persuasive arguments for the contrasts. But habit and routine are certainly not adequate explanations.

One disturbing possibility is that modern citizens pay far more attention to their work realm and very little attention to their civic realm. If so, perhaps our political values are simply intellectual sedatives that sound or feel good and matter very little. Marx hinted in this direction. However, in the business realm where people's interests are better defined, the people may require more abrupt management, more guidance, more discipline and more top down direction. The case could be made that governing the business organization by the espoused political elements identified would yield a less efficient and less decisive leadership. If this is so, perhaps the strongest implication is that we need to move away from those values in the political realm as well. This could enhance our coping and problem-solving efforts as a society. The point is that there are some fascinating twists and turns to the commitment to compare and contrast the guiding principles of our political and economic relationships – and particularly those that characterize the relationship between authority wielding elites and the governed.

Could it be that ethics could explain the differences? Is government committed to behave in a way more scrutinized and held to higher standards? If so, why? If not, where does the impetus come from to claim such a thing? Are ethical standards affected by the size of the constituency to which leaders are accountable? Ethics of any origin are *a priori* rules of behavior. Probing these ideas triggers a great deal of confusion and wonder. Are the questions broached of merely esoteric academic interest? Certainly the case can be made that these are critical questions and even more critical answers may result from our effort. Juxtaposing our political and economic values speaks to the most fundamental nature of our system. The very system that has accomplished a great deal but that always faces sharp competition from other places that may be re-examining these issues more penetratingly than we.

It may be that the degree to which other people and other cultures are having such difficulty understanding the American approach to its role in the world today stems from our own illusive and multi-tiered value system. That complex of ideas and identities make us very agile but also very fluid and unpredictable in the eyes of others.

This analysis does not propose to ride some idea to a specific destination. Nor does it propose to rouse anyone to a cause of one sort or another. Indeed, what has stimulated these ideas is a genuine sense that the question is fascinating and important. Is there synergy in the effort by so many in our society to manage people in the political and commercial settings?

### **Classic Cautions and Possible Parallels**

The sovereign state and the corporation are obviously different entities. Governing authorities in these establishments certainly recognize those differences. But are they so different as to require a different set of guiding principles or values? There are some impulses, perhaps stereotypes that many have of the corporate world that feed into our perceptions and our tentative answers to this question. Some of those caveats – those natural cautions – follow. They give pause to the idea that values from our political realm

may be workable in our business world. Just how meaningful the notions are must be juxtaposed with the inventory of similarities and parallels that follows these propositions.

**Proposition #1** *Corporate leadership requires top-down discipline*

Just as the military which has deliberate purpose and tactical goals, the corporation has concrete benchmarks which require discipline over dialogue – responsiveness over conflict. To put it simply, the corporation requires that those enlisted in the company do precisely and efficiently what they are told to do. Perhaps the most neutral term for this is "discipline." Some might speculate that government does not require the same response from those governed. That idea should draw our careful examination before accepting this as a fundamental contrast between government and business.

**Proposition #2** *De-centralizing power in the corporate setting is more negative than positive.*

In politics, there is a basic premise built from the advent of classic liberalism that putting power closer to those who are impacted by decisions is a positive thing. De-centralizing power is a key part of the value consensus in democracies and the subsequent debate about when and how to de-centralize becomes part of the nuanced debate among partisans. There are signals that many analysts in the business world are also pondering the intrinsic advantages of de-centralizing the corporate authority structure. The Brafman and Beckstrom book entitled, The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations, offers challenging thoughts about how the corporate world may have changed subsequently creating advantage for those firms that de-centralize.

**Proposition #3** *"Threat perceptions" in politics are equivalent to "risk" in business.*

Managing in either realm forces one to engage the external forces and "unknowns" inevitable in any organizational setting. Governments often interpret challenges broached by other parties as threats to their ability to get on with what they perceive to be their normal responsibilities. Such "threats" are often used as rationale for departing from a staunch adherence to the six principles of our model. Governments often argue that these are compelling, intermittent challenges which, once dealt with, can enable the system to return to its "normal" democratic operation. It should be added that there are examples of governments that frame such threats as perpetual threats. The key difference between government and business may be that in the business world such threats may be understood as "risk." If that is so, business often considers risk a given – a constant. If risk is always a factor, then departing from the conventions suggested by the six principles, would also be the norm. In essence, because corporations are always at risk, always threatened by competition, the guiding values must be different. Yet, in cases where governments frame threats as constant, the operative values from the corporate could be instructive and appropriate.

**Proposition #4** *Incentive compatibility is stronger and more immediate in the business environment than it is in government.*

Incentive compatibility is the notion that organizations should have designed into their authority structure a strong sense that when the leader acts in the tangible interest of his/her stakeholders, he/she will also reap rewards. Ergo, the incentive to serve those being governed is strong and is simultaneously self-serving. This relationship may be so much clearer and direct in a business management setting than in any public management setting that those leading corporations are induced to use a different set of values to frame their behavior. Because incentive compatibility in government is problematic and, at best spasmodic, government authorities can embrace the six principles without sacrificing what is already recognized to be a plodding and compromise-tangled policy-making process. Business, in contrast, were it to constrain itself by the six principles would become more plodding and compromise-tangled.

**Proposition #5** *The measures of success are different in government and business: Profit, longevity (firm), growth (market share), creativity / innovation, independence, service to constituency.*

There is the argument that since corporations and governments "do" different things, it follows that the machinery should be different and that the values on which the architecture for that machinery is premised would also be different. This requires careful scrutiny. The notion that the measures of success are different, while apparent at one level, may be problematic when we search for similarities rather than for differences. Profit is not common to both goal cultures but the effective management of funds may be. Longevity certainly has appeal for both types of organization. Growth has become a requisite standard for leadership performance in government as well as business. Creativity and / or innovation seem more highly valued in business leadership but both realms are advantaged if they nurture those qualities in mid and lower level managers. Independence is a stronger impulse in government but holds a central place in some corporations. Service to one's constituency, if imagined in a broad way, certainly is something that can link the two environments.

### **Corporations and Governments share characteristics:**

Requisite flow of revenue	Homeostasis
Appearance of financial equilibrium	Vulnerability to feedback
Creation of work incentives and rewards	Challenges of policy-implementation
Reliance on inputs	Challenges of esprit and loyalty
Meshing of internal parts of the organization	Effects of leadership change
Codified rules	Balancing stability and adaptation
Maintaining a public image	Adapting to external forces
Maintenance of workable demeanor w/ peer orgs	Threats from external forces
Nurturing technological innovation	Possibility of ceasing to exist / can die

The sovereign state and the corporation are both challenged by the rapidly changing inter-connectedness of our globalized world. More simply, both are presented with external phenomena which they cannot ignore and which are sure to have impact. Many of these pressures are another example of commonality between these two realms of governing. Increasingly, competitiveness requires framing commercial activities without country-specific boundaries. It follows that the "rules" that apply become problematic as policies are made in often conflicting multi-rule environments defined only by the corporation itself. These MNCs can rationalize the inattention to ethics and values by the anomy they encounter in their operations. In country settings, the watchdog and/or standard setter is often the industrial association. It may be able using "soft power" to constrain businesses from pursuing their goals without reflection on means. In essence, such organizations can serve as a conscience for key actors. Such professional or sector associations have been slower to globalize than have their members. This seems to leave voids where value-premised guidelines might have institutionalized behavior. The phenomenon suggested here is best illustrated by the conduct of many governments who conduct themselves in foreign settings quite differently from the way they conduct themselves on their home turf. The "rules" by which they operate for example in the USA seem to be inoperative in Iraq, Afghanistan, Kosovo, and elsewhere in places that the US government claims it is simply pursuing its compelling interests. Corporations like governments share the inclination to pragmatically ignore their own "rules" or principles when confronted by challenges and competition on foreign shores.

In both government and business, the ETHOS is critical to behavior. Beyond that, the leadership's inclination to model behavior sets the standard for the conduct of all levels of administration in either realm. To be clear, conduct and approach to governing are not likely to be guided by some legal standard. Values will guide the behavior of policy-makers and those who wield authority. Companies and governments can collectively validate a standard either inductively or deductively created. The suggestion

here is that the six values embodied in the model *could* serve as a point of departure for such a process. The intrinsic advantage of these six values is that they have the potential to transcend most but not all cultural differences that governments and corporations find in our 21<sup>st</sup> century world.

### The Unfolding Project

The larger project is organized to probe (a) what government can learn from corporations, (b) what corporations can learn from government, (c) management models stemming from a value synergy, (d) an assessment of similarities and differences, and (e) a synthesis of the meaning of these threads of research. A number of notions are already in focus; others are still out of focus. An inventory follows of those ideas in their current iteration.

#### IN FOCUS

- Many similarities
- Mutual resistance to synergy
- Presumption that constituent behavior and perceptions are different
- Rationalizes different management behaviors
- Hypocrisy

#### OUT OF FOCUS

- ▶ conscious or intuitive?
- ▶ decentralized change possible?
- ▶ government bloating have a function?
- ▶ government range of functions & parties greater / force compromises?
- ▶ government much less certain about policies?

The pursuit of these and related ideas can speak to the very heart of our 21<sup>st</sup> century systemic design. It is of more than passing significance that the investigations of functional management and of global perceptions of the “western” model have raised fundamental issues about the compatibility of our political and economic values. This effort hopes to contribute to the dialogue with implications for both single systems and for global patterns.