

# **The Misuse of ‘Democracy’ as a Management Concept**

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## **Introduction**

The appeal to the concept of ‘democracy’ is not new in the management literature: (Pateman, 1970; Rousseau, 1998; Magretta & Stone, 2002). The general theme of the AOM meeting in Seattle in 2003 was “Democracy in a Knowledge Economy.” Nor has the concept been without its persistent critics (Hoopes, 2003). As one can see from the title, I side with the critics. Rather than rehashing the existing arguments and rebuttals, I want to explain the intellectual roots of the persistent attempt to use ‘democracy’ as a management concept. Exposing its philosophical and historical roots will provide not only a definitive refutation of the attempt to employ ‘democracy’ as a management concept but it will also raise serious questions about (a) many prominent methodological approaches in management, (b) the treatment of normative issues, (c) management education, and (d) the status of advice from management professionals to actual managers.

A large part of the controversy turns on two different and competing understandings of what the term ‘democracy’ means and what its function is. This controversy is itself rooted in two different and competing views on how we are to understand social institutions. Therefore, before we can assess the viability of ‘democracy’ as a management concept, we shall have to discuss the competing views of what it means to understand social institutions. The logic of our presentation will proceed as follows: first, we shall present the competing views of how we understand social institutions and argue for the correctness of one of these views; second, with

that view in mind, we shall offer an understanding of commerce in modern market societies, and the circumscribed role of democracy<sub>1</sub> within it; third, given that understanding of commerce we shall explain the nature of the firm; fourth, given the nature of the firm so understood, we shall explain what management has to be under those circumstances; fifth, we shall indicate the consequences of the foregoing. Having defended the foregoing view, we shall then explain democracy<sub>2</sub>, its origins, its presuppositions, and why it is a false view.

### **Understanding Social Institutions**

There are two competing views of what it means to understand or explain social institutions (Shotter, 1975; Shotter and Davis, 2004). The first view is called exploration. It is borrowed from the physical sciences. The primary explanatory model of the physical sciences is exploration. In *exploration* we begin with our ordinary understanding of how things work and then go on to speculate on what might be behind those workings, e.g., molecules, viruses, etc. In time, we come to change our ordinary understanding. The new understanding does not evolve from or elaborate the old understanding; instead it replaces it by appeal to underlying structures. The underlying structures are discovered by following out the implications of some hypothetical model about those structures.

Much of contemporary management often adopts a social scientific perspective when it comes to explaining social institutions, as witnessed by the fact that many of the people in the field have degrees from the various social sciences. The idea of social science arose in the eighteenth century and was patterned after the success of the physical sciences. From Durkheim and Marx to Freud and Chomsky, etc., social scientists have sought to reveal a structural level of which we are not immediately aware. Exploration stresses the search for structure rather than for meaning, the search for the formal elements underlying the everyday world rather than believing

that the everyday world can constitute its own level of understanding. By further analogy with the physical sciences, once the hidden structure is exposed we should be in a position to construct a social technology that can solve the practical problems of the social world in the same way that engineers apply the results of the physical sciences. This view has been called the Enlightenment Project (Becker, 1962; MacIntyre, 1981; Bloom, 1987; Adorno and Horkheimer, 1990; McCarthy, et al. 1992).

There are two varieties of exploration. In one, our ordinary understanding is a necessary but temporary scaffolding to be taken down when the construction is completed. In the second, our ordinary understanding is also necessary but revisable in the light of the clarification of underlying structures (Rawls, 1962). Exploration then comes with a built-in critical capacity: it can both legitimate and delegitimize specific elements of our ordinary understanding.

There are several serious flaws in exploration within the social sciences (Winch, 1990). To begin with, the alleged hidden structures are never isolable and confirmable (Hayek, 1980). There is nothing in the social world that corresponds to an atom or a molecule, or even a virus. In the absence of confirmable structures, there are competing explorations none of which can be empirically confirmed. Without formal criteria or extra-systematic criteria for evaluating their own hypotheses, theorists can only fall back upon aesthetic and/or informal criteria.

There is a second flaw. Before one can investigate the alleged hidden structure of a social practice one must first identify the social practice. Analysis cannot proceed unless there is a clear conception of the fundamental entities that are the subject matter of analysis. A social practice, we contend, is an *intersubjectively shared framework* of norms within which we interpret what we are doing. In order to identify the social practice, one must specify the intersubjectively shared framework of norms. If the framework is intersubjective, then no

specification of the framework is legitimate which does not accord with previous historical practice. Given any exploratory hypothesis, it is always possible to deny that the hypothesis is in principle sufficient to capture our ordinary norms. Any hypothesis will reflect what normative intuitions a specific theorist takes to be part of the *core* and what the theorist takes to be *peripheral*. Substantive norm disagreements will then be reflected in disagreements about hidden structure. To an outsider it will plausibly appear that any hidden structure hypothesis is no more than a rationalization for a private agenda.

The hidden structure hypothesis can never stray very far from the understanding of some practice or practices in which we are consensually engaged. It is always an attempt to model one practice (the *disputed practice*) in terms of another (the *consensual practice*). The only question is whether the alleged consensual practice is an appropriate and relevant model for the disputed practice.

There is a second form of social explanation called explication. *Explication* presupposes that social practices function with implicit norms and that to explicate a practice is to make explicit the inherent norms (Wittgenstein, 1958). In explication we clarify what is routinely taken for granted, namely our ordinary understanding of our practices, with the hope of extracting from our previous practice a set of norms that can be used consciously to guide future practice. We do not change our ordinary understanding but come to know it in a new and better way. Explication is a kind of practical knowledge that takes human agency as primary. It seeks to mediate practice from within practice. Articulating the grammar and syntax of a natural language would be a form of explication.

Explication presupposes that practical knowledge is more fundamental than theoretical knowledge. Explication presupposes that efficient practice precedes the theory of it. All reflection

is ultimately reflection on primordial practices that have existed prior to our theorizing about them. Many intellectuals have trouble with this idea because they are part of an institution that is meant to be almost exclusively reflective. It is easy to lose sight of the fact that reflection is, ultimately, a reflection not on other reflections but on actions in which human beings engaged prior to theorizing about them.

To embrace explication is to agree with the following:

(1) How we understand ourselves is more fundamental than how we understand the non-human world.<sup>1</sup>

(2) Negatively, this means that we cannot, ultimately, understand ourselves by reference to physical structures.<sup>2</sup> How we understand the non-human world is derivative from how we understand ourselves, but it is a continuing mistake to seek for the hidden structure behind our structuring.

(3) *We* understand ourselves by examining ‘our’ *practices*. Practices are actions informed by an implicit cultural norm.

(4) To assert that the norm is cultural is to say that it is social and historical. To assert that it is social is to say that the existence and nature of the norm cannot be established epistemologically by an individual without reference to a larger community.

(5) To assert that the norm is historical is to assert that later practice evolves out of earlier practice and can be revelatory of a better understanding of the norm.

(6) To assert that the norm is implicit is to assert, epistemologically, that it is discovered internally in action rather than as an external structure.

(7) No practice can be judged by norms external to the practice except when those norms are recognized as part of a more encompassing practice. The denial that norms reflect external non-

human structures or the denial that there is a closure to norm articulation is to deny two particular versions of universality not the existence of all universality. A norm reflects a universal insofar as persistent or enduring norms reveal something universally true about us. It is the recognition of some universality that saves explication from the threat of nihilism or the charge of historicist relativism.

It would be a mistake to try to understand this process of norm articulation from any natural scientific perspective. Viewing this process as, say, simply organic fails to do justice to the historical or temporal dimension. Explication is an intrinsically historical activity because a practice is an on-going historical event.<sup>3</sup> To explicate is to explain what we have been doing or what we have been trying to do. Explication sees the present as a development out of the past; explication does not see the present as an imperfect vision of the future and the past as an imperfect vision of the present. Explication sees the evolution of practices not the progress of practices; or, alternatively, it is a progress 'from' not a progress 'to'. To believe in 'progress to' is to be concerned with the alleged existence of how the world 'really' is independent of us; to believe in 'progress from' is to be concerned with how the world is relative to ourselves. The world cannot be understood independent of our interaction with the world and how we have acquired along the way a specific manner of thinking and acting.

### **Commerce in a Free-Market Economy**

We are now able to offer an explication of commerce and management. Management presupposes a larger thesis (Marshall & Piper, 2004) about the role of firms in a market economy in the world in which we actually live.<sup>4</sup> No claim is made that this set of institutions and practices is without fault or unproblematic. The claim is that this is the dominant paradigm within which we operate.

Since the Renaissance, the Western world has endorsed the Technological Project, the program identified by Rene Descartes in his *Discourse on Method* (1637) when he proclaimed that what we seek is to make ourselves the “masters and possessors of nature.” Instead of seeing nature as an Aristotelian organic and teleological process to which we as individuals conform, Descartes proclaimed the modern vision of controlling nature for human benefit. It is precisely because of the Technological Project that a knowledge economy becomes possible and necessary. Further, a free market economy is the most effective means of carrying out the Technological Project. Markets have been around for a long time, but the concept of the free market does not become an important theoretical construct until the modern period and the rise of the Technological Project. The Technological Project promotes constant innovation, and the free market economy maximizes such innovation through competition and specialization. The crucial theoretical argument for the centrality of a free market economy was made by Adam Smith in the *Wealth of Nations* (1776).

A free market economy requires a limited government known as a commercial republic. Such a government provides the legal context for maintaining law and order and for enforcing contracts. The government that performs this service understands that it should not interfere with the competitive and innovative process of the market. Such a government exists to protect the *rights of individuals*, pursuing their own individual interests, from interference either by others or the government itself. Government does not exist to further a collective good or to serve the bureaucracy or to serve a particular faction (James Madison in *Federalist* #10, 1787). Government is limited or subordinate to the requirements of commerce and the protection of individual liberty. It is also characterized by the *rule of law*, A legal system that *constrains government*. There is no collective good, only a common good, consisting of the conditions (e.g.,

rule of law, toleration, protection of individual rights, etc.) within which individuals pursue their self-interest. To the extent that government intervenes into the economy its main functions are to prevent force, fraud, and monopoly.

What is the meaning of democracy in this context? Although the term has acquired many meanings (Lipset 1959; Przeworski 1995), the root meaning of ‘democracy’ is political, namely, majority rule.

The ‘Founding Fathers’ of the U.S. followed the 18<sup>th</sup> century fashion of decrying democracy and placing their faith in the idea of a ‘Republic’. A ‘republic’ limits government in the interest of individual liberty; it protects the rights of individuals, usually embodied in a constitution, not the privileges of a majority or a minority. Tocqueville in his *Democracy in America* (1835) warned about the “tyranny of the majority,” a theme taken up by J. S. Mill in his essay *On Liberty* (1859).

In what follows we shall use **democracy<sub>1</sub>** will mean majority rule as it functions within the context of a republic.

The purpose of democracy<sub>1</sub> in the political realm is *negative*: checks and balances (competition); *democratic procedure is not a way of arriving at unanimity but a way of blocking any overall purpose or faction from dominating. Democracy, therefore, cannot be used to achieve efficiency and coordination.* This is precisely the understanding of Madison in *Federalist #10*, and it is born out in the political practice of the U.S. This is one reason the US still has an electoral college.

In order for a government to remain limited or subject to mob-rule or the tyranny of the majority (i. e, democracy), it is necessary that there be a larger supportive culture where the citizens are special kinds of people. They must be autonomous (Lukes, 1973). *Autonomous*



*individuals* rule themselves, i.e., they impose order on their lives through self-discipline in order to achieve goals that they have set for themselves. They are inner-directed and therefore capable of participating in the Technological Project in a creative and constructive way. In fact, the ultimate purpose of the Technological Project is not simply to create wealth but to allow autonomous people to express their freedom. Wealth is a means to achievement and freedom. Wealth is not an end in itself.

### **Firms in a Free-Market Economy**

It will be useful to introduce a distinction between civil associations and enterprise associations (Oakeshott, 1966: 108-114). In an *enterprise association*, individuals pursue a collective substantive goal (e.g., the defense of the state from external aggression, the achievement of religious salvation in the next life, the production of harps, etc.). The purpose of governing in an enterprise association is to manage the relationship of the individuals to the collective goal. In a *civil association*, individuals do not share a collective substantive goal. On the contrary, what individuals acknowledge are a personal good and a common good, where the latter is understood to encompass rules prescribing the conditions to be observed in making choices about how to pursue one's chosen purposes. The role of governing is to be the guardian of the common good or the conditions. The connection between personal autonomy and the civil association is obvious. Individuals in a civil association share a common good in the formal conditions to be observed but it is not a substantive collective good in which their interests are subsumed.

Within an enterprise association, the rules instrumental in advancing the collective goal are articulated by the governors. The politicized, managerial and/or totalitarian implications of

law within an enterprise association are manifest. Within a civil association, the rules are formal, not instrumental, prescribing the conditions within which individuals pursue self-chosen purposes. An enterprise association cannot tolerate subordinate civil associations; a civil association can accept and even promote a vast multiplicity of enterprise associations as long as entry and exit are voluntary for each individual involved.

Firms are to be understood as *enterprise associations* within a larger civil association. A firm is an enterprise association, that is, individuals are voluntarily involved in the pursuit of a *common substantive purpose*, specifically a productive undertaking. In a free market economy, the goal of the firm is to produce a profitable product or service. The goal cannot be ‘equality’ or ‘fulfillment’, etc. because these are not substantive purposes. Moreover, as an enterprise association, a firm cannot have two or more discrepant purposes; if there are multiple purposes, then they must be prioritized or systematically related

### **Management**

The firm as enterprise association within a larger civil association society is an historical artifact, the creation of voluntarily contracting individuals. The firm is a nexus of contracts (Coase). Given the need for and the nature of limited liability, the core of this nexus is management.

There has to be a decision procedure for deciding upon and how to pursue the common purpose, i.e., there must be management. Neither the structure of management nor the specific managerial decisions are entailed (i.e. deducible) from the common purpose. They are contingent, subject to evaluation and re-evaluation. Whatever the structure of management, its decisions, once made, are *compulsory*, for the same reason that no divergence is permitted from

the common purpose. Management is, therefore, *hierarchical* even when the managers themselves are chosen by others.

Managerial decisions involve a response to both external factors and to internal factors. There are two over-arching external factors: the Technological Project, which in principle cannot be planned and is unpredictable, and the actions of others in a market (Hayek's thesis about why planning will not work). No firm will remain profitable and therefore in existence unless it acquiesces in the constraints and discipline of the Technological Project and the free market economy (Williamson, 1985).

The major internal factors are other agents, employees or associates outside the firm. One of the major consequences of the Technological Project is the development of a 'knowledge economy'; the most important contribution of employees is not their physical labor but their technical skill and knowledge as well as their imaginative capacity. The most desirable employees are autonomous ones. This means that they have their own personal goals and, therefore, their cooperation and productivity cannot be coerced. That is why dictatorial management models are inherently defective. In a knowledge economy, we necessarily have a management structure characterized by hierarchy with delegation. A knowledge economy → hierarchical but non-dictatorial management. Totalitarian societies (e.g., the former Soviet Union and an earlier Communist China) eventually found it necessary to cater to such individuals.

Does the need for a non-dictatorial management structure imply democratization? The answer is no. The dynamic market is one of trial and error with the continuous re-grouping of firms and individuals within those firms. Good management can only exist within a firm that has a clear conception of its present collective goal. At the same time, that conception is subject to

modification because of the dynamics of the market process, something over which no manager can have control or unerringly predict. Good management consists in choosing people who either have the “right” preferences vis-à-vis the overall common purpose of the firm (this involves ‘judgment’) or who can be persuaded (this requires bargaining skills) through incentives to shape their own preferences to be consistent with that common purpose. Finally, a successful ‘team’ under one set of market conditions is not guaranteed success under another set of conditions.

To be a fit participant in this kind of market economy requires a special kind of persona. Fulfillment for autonomous individuals is not a matter of obtaining a specific role or set of powers or specific resources or praise from non-autonomous individuals. It is a matter of acting consistently with one’s own integrity. Because we are creatures of imagination we can find significance in just about any role. There are no insignificant roles in life because there are none that do not face moral dilemmas (Sisyphus?). No individual can be fulfilled by identifying with the performance of a specific function for a specific firm. Fulfillment within the economy is achieved by taking on the persona of a professional capable of functioning responsibly in a wide variety of contexts, and knowing when it is time to move to another context. What a knowledge economy permits and calls for is an ever increasing need for autonomous professionals who relate to each other contractually. Those of us who find a large degree of fulfillment in our occupations and professions are growing in number as the Technological Project and free market economy expand. The personal autonomy of the individuals involved is preserved through voluntary contracts. Individual liberty and autonomy are preserved not through democratic procedure but by respect for individual rights.

## Another Kind of Democracy

There is a second version of democracy, which we shall identify as democracy<sub>2</sub>. According to J S. Mill (1859), this view arose in the early nineteenth century, and it viewed government as the formulator of the common good as determined democratically. Under the influence of Macaulay, Mill had already criticized his own father, James Mill, and Bentham as holders of this position. What does democracy<sub>2</sub> presuppose?

1. All people are basically the same in their needs, and it is possible to achieve homeostasis both within the individual and within groups of individuals.
2. The human need to be in agreement (homeostasis) with others takes precedence over all other needs.<sup>5</sup>
3. Dysfunctional behavior on the part of individuals or systemic bureaucratic dysfunction is the result of wrong information or *asymmetric information*.
4. Information symmetry solves every problem and that open (“democratic”) discussion leads to symmetry.
5. Good management = open-ended therapy sessions, the result of which will be to get everyone on board if done properly.
6. If propositions (1) to (5) are true then the larger social system has a collective common purpose within which corporate purpose links.
7. In the end there will be only one firm or one world government with many delegated subunits (i.e., democratic socialism).

The foregoing account underscores the disconnection with democracy<sub>1</sub>. One popular version of democracy<sub>2</sub> is that it is “government by discussion” (Knight, 1982, p. 219). If one makes the following set assumptions it is easy to see how one comes to believe that *proper* discussion always must end in agreement or consensus. What are those assumptions?<sup>6</sup> One must assume that (a) human beliefs result exclusively from experience; and that (b) all experience come to us in pre-packaged units or that (c) the principles in terms of which we interpret experience are themselves either previously pre-packaged experiences or universal and uniformly built-in internal principles.<sup>7</sup>

The advocates of democracy<sub>2</sub> are at odds with the big picture explication and the centrality of autonomy (Hayek, 1976; Nozick, 1977; Bainbridge, 1997). Democracy<sub>2</sub> is communitarian (Taylor, 1992; Habermas, 1996; Rorty, 1997), based on an exploratory account of what institutional practice ‘should be’. It’s affinity to stakeholder theory should be obvious (Freeman, 1984, 1994).

The communitarian perspective is based neither upon scientific empirical evidence nor the actual practice of management in the current knowledge economy. Instead, it is an account that hopes to see management conform to an ‘independently’ determined model. It is an account of what is to be pursued without consideration of how it is to be pursued. Management education would become indoctrination in how to articulate and implement the model. However, the ‘independently’ determined model is really an abstraction from an entirely different kind of practice. It is a version of a social-democratic enterprise association encompassing the whole of society.

### **Why Democracy<sub>2</sub> Appeals to Some Management Professionals**

On one level it is easy to understand why democratization is such an attractive policy. Many individuals want to live within a civil association that respects their autonomy. Since a knowledge economy delegitimizes dictatorial management, it is a short leap for some to the conclusion that management within a firm should be democratized<sub>2</sub>.

This is nevertheless a serious mistake. A civil association and a democracy are not the same thing. A civil association requires the rule of law, not democracy. The rule of law cannot apply within a firm because a firm is an enterprise association, that is, it must have a collective goal. In a rule of law system, the specific rules are categorical, not prudential, and as such are “neither instrumental to the achievement of substantive satisfactions, nor do they have a substantive purpose of their own,” and they “impose on all such engagements the obligation to observe certain conditions” (Oakshott, 1983: 132). Given that the firm has a collective goal, all of its policies and practices must contribute to or be instrumental to that goal. Hence the rule of law does not operate within firms. Of course, the firm is subject to the restrictions of a larger legal system, and may therefore be sued with regard to the violation of those rules. However, with regard to its own rules, it is free to change them as conditions change or as the larger collective goal needs to be modified in the light of market pressures. Such changes of policy are sometimes perceived as “injustices” by disappointed stakeholders, but they are not violations of law; they are at worst ‘violations’ of personal expectations.

One way to avoid this conclusion is to suggest that the collective goal must be agreed upon by all participants. What some extreme theorists mean by ‘democratization’ is a system in which every participant has veto power. But this is a sure way to undermine any common purpose. There is no way to achieve unanimity over the goal of a firm unless there were unanimity about both “the” goal of the larger society and the assumption that each individual can

only be fulfilled within the all-encompassing social goal. The result would not be a democratic civil association but a totalitarian enterprise association!

The empirical literature of hierarchies reveals widespread bureaucratic dysfunction. The explanation for this dysfunction lies in the Sen Paradox (Sen, 1970). If there is more than one individual or unit of delegated decision making there is always some combination of individual preferences which lead to incoherence or inefficiency. Most readers should be familiar with this in studies on voting, committee behavior, and legislation. Anyone who participates in faculty meetings surely observes this phenomenon.

On another level, the source of the problem is that many management professionals operate with a specific theory about what democracy is supposed to be. We have outlined above the series of assumptions with which they operate. It is now time to draw attention to the connection between that set of assumptions on which democracy<sub>2</sub> is based and the form of social explanation that I earlier described and criticized as exploration. This connection is not a fluke. Both James Mill and Bentham were not only holders of an exploratory notion of social science but early advocates of democracy<sub>2</sub> and, of course, of educational reform.

Our general critique of democracy<sub>2</sub> is that its assumptions seem to be at odds with both historical and present US practice. But what if someone were to say that present practice is not self-explanatory, as I have contended that it is as part of my explication? What if there was a hidden structure to present practice such that an adequate account of that structure would allow us to legitimate some of our practices but to delegitimize others? That is, what if one were to give an exploration of present practice, an exploration consisting of the seven basic assumptions of democracy<sub>2</sub> as outlined above? One could even use that exploration to explain why the actual practice of democracy is negative rather than positive. For example, one could argue that people



seem to construe the world in fundamentally different ways not because we are free and imaginative beings but because of a lack of education or because of mis-education. The mis-education hypothesis would be a further supplementary hypothesis to account for anomalies, including why holders of explication like the present author are misguided. This exploratory account also generates policy implications, namely, certain specific educational, economic, and political reforms. This is the hidden structure account that reflects both the idea of an exploratory social science and a subsequent social technology. In short, one of the great attractions of exploration as a methodology is that it allows its defenders to offer an exploratory and sometimes dismissive account of why their critics are misled. This is why we warned earlier that an exploration is easily perceived as a disguised private agenda.

Many, but not all, management professionals are attracted to the idea that information symmetry solves every problem because that would imply the existence of a management science and management technology, which, in turn implies a special leadership role for Professors of Management. We would become the “first” among equals.

Very often, but not always, the professor of management is an intellectual. The ‘intellectual’ is a modern persona who subscribes to the classical and medieval notion<sup>8</sup> of a holistic good, i.e., subscribes to the view that (a) all norms exist as part of an objective structure; (b) that we are required first to apprehend the norms and then to conform in our behavior to those norms; (c) that the norms which are applicable to human communities compose a *collective good* that subsumes all individual goods; (d) that each individual can only be fulfilled personally within the larger collective good; (e) that the collective good entails the existence of a single hierarchy of both the specific goods and the status that accompanied the realization of each good; (f) that the collective good can be definitively conceptualized; (g) that the conceptualization of

the collective good permits the deduction of public policy from such a conceptualization; (h) that intellectuals deserve both to be recognized as having the highest social status and are entitled to a sinecure at public expense in order to pursue and relate to the rest of us the knowledge of the collective good.<sup>9</sup> This view encourages intellectuals to reassert the cultural hegemony of the university.

The intellectual, as so described, is in an adversarial relation with modern commercial societies (de Jouvenel, 1954; Aron, 1955; Schumpeter, 1976; Gouldner, 2000; Kahan, 2010). Modern culture, including the Technological Project and free market economies, is post-Reformation and therefore does not believe in a holistic common good. There is, instead, the individual good rooted, at least initially, in the relationship of individuals to God, and later in a variety of notions such as the categorical imperative. There is no holistic common good over which intellectuals may preside, only a cultural inheritance. Second, there is no one institution, and therefore no one group, that authoritatively articulates the cultural inheritance. Intellectuals, however, may still perform the constructive and critical Socratic role of reminding everyone of the norms inherent in existing practice, but this is not a leadership role. As a result, leadership of modern liberal culture emerges from the business community instead of the Academy. The most important skills are the skills of negotiation and deal-making. These skills are more likely to be possessed by business men and women than by intellectuals. Intellectuals frequently resent business leaders and routinely characterize them as stupid. Intellectuals are, thus, a rival elite to the hegemony of business leaders.

### **Dealing with Norms**

It is one thing to describe an institution or set of practices; it is quite another to evaluate them, and still another to make recommendations about how to proceed. Let's take the

management of a firm for an example. To begin with, most firms are historical entities and most managers are in the position of taking charge of a preexisting entity, not something created *de novo*. Management differs from Entrepreneurship. Hence management is the overseeing of the general arrangements of a firm with a history. Such oversight calls from time to time for adjustments. We adjust the existing arrangements by explicating their inherent norms and adapting them to new contexts. The norms are historical entities which can never be fully conceptualized. Knowledge of past practice does not entail future development. Instead, the norms are fertile sources of adaptation. All of the foregoing factors help to explain why management is a form of practical knowledge that is not wholly reducible to theoretical knowledge.

If one seeks to evaluate a practice, one can do so from either inside or outside of the normative framework of the activity. If you do so from within, then you must start with the inherited norms, explicate them, and then adapt that explication to a new (present) context. An internal evaluation is identical to making a recommendation on how to proceed. When free human beings consider or discuss policy (either as an internal conversation in the head of one person or as a group) those considerations or discussions involve the following elements: (i) an assumed background of some generally shared values; (ii) a *diagnosis* of the current situation or problem (i.e., an *imaginative* construction of a problem); (iii) a prescription (i.e., an *imaginative* construct) on how to apply (i) to (ii); (iv) a consideration of the consequences of adopting (iii); and (v) a contrast between (iv) and the likely consequences of some alternative(s). It is crucial to note that (ii) and (iii) cannot be refuted; they may only be resisted by alternative imaginative constructs found to be more convincing. This is why human societies are not like bee hives and why the study and understanding of human societies is not analogous to the study of biology.

The startling implication is that the study of management cannot be the study of how to make managerial decisions! This is not something that can be taught.

If you attempt to evaluate the practice from the outside, then you must follow exactly the same procedure, only now the assumed background of generally shared values, (i) above, would have to be some other practice or set of practices. This has already been done in one way above in the section entitled “Understanding Commerce.”<sup>10</sup> Given the Technological Project and the subsequent need for a free market economy, firms are constrained to be the kind of enterprise associations we have identified.

To offer an alternative external evaluation one would have to provide a different and competing account of generally shared values which lead to a different diagnosis/prescription, (ii) and (iii) above, and a conclusion about the consequences, (iv) above, as well as a critique of the account in the previous paragraph, (v) above.

To the best of my knowledge, proponents of democracy<sub>2</sub> rarely, if ever provide or fully articulate what an alternative external evaluation logically requires. What they do instead is to abstract the generally shared values of some other activity, namely the activity of politics in a liberal society only supplemented by the assumptions of those who hold to a specific exploratory account we have described. The problem is that the activity of politics so understood is not applicable to the practice of commerce. This is a point that has been made in numerous ways throughout this essay by stressing that firms are enterprise associations functioning with a civil association. The only way it could even begin to be made applicable is if someone were to argue that political practice is the pre-eminent practice that should guide all other practices and that political practice operates with a hidden structure.

### **Implications for Management Education**

Management education is an attempt to understand and to explain the activity of management. It cannot be a theoretical endeavor in the sense of exploring hypotheses about the hidden structure of institutions. Rather it involves conveying knowledge of and explicating norms within the *practice* of management in a market economy guided at one end by the Technological Project and at the other end by a particular set of political, legal, and cultural institutions. In this sense we locate it within the map of our total experience. This latter point is especially important in a knowledge economy. A knowledge economy, more than any other, requires that the participants have some sense of the big picture within which their actions occur. Failure to provide such a comprehensive account makes it difficult for individual actors to see the significance of their actions or to understand why the rules are the way they are; most especially, it makes it unclear when critique is responsible and when it is misguided. Management education is most significantly an historical study, taking into account what people have said and thought about those practices. It is, in part, the study and identification of false models of decision making. It is a comparative study that gets us to look more carefully at our traditions, sometimes through the eyes of other forms of management. To be educated in management is to learn how to participate in a conversation about *our practices*. *In this sense it is not designed so much to expose errors but to understand the inherited ways in which we do things and why.*

Management education, then, is an explanatory activity, not a primarily theoretical one. It is also not a practical activity, for we do not directly infer practical consequences from the understanding or explanation. Managerial knowledge, as opposed to knowledge about management, is a form of practical knowledge that can be displayed and which in some cases can be imbibed through a kind of osmosis. It is what we call learning on the job. The belief that

managerial knowledge and knowledge about management can be the same would only be true if one could (a) offer a theoretical account of the relationship between theory and practice, and (b) thereby derive practical consequences from the larger background theory. For the latter two conditions to be true would require a world in which practical knowledge could be reduced to theoretical knowledge. As agents, as parents, as teachers, as employees, and as employers we all know this is not true.<sup>11</sup> There are many valuable things that management education can contribute, even to the world of commerce. But we deceive ourselves, our students, and their future employers if we claim to deliver more than we can. Understanding this point also allows management educators to resist irrelevant and unrealistic demands on the part of future employers and to see the importance of integrating into the curriculum ‘on the job’ internships and exposure to managers as well as management educators. Finally, it provides opportunities for managers to participate in refresher programs aimed not at telling them what to do but at regaining the larger perspective within which they have already been operating. To be sure management education is largely about facts and techniques, and some rehearsal, but in the end it is the ‘vision thing’.

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<sup>1</sup>. Plato, as early as the *Phaedo*, first articulated the notion that self-understanding is primary.

<sup>2</sup>. The qualification ‘ultimately’ should be taken seriously. Explicators do not deny that we can use physical science to ‘understand’ the world and to ‘understand’ the human body. But ‘understand’ has to be understood itself relative to a larger and more fundamental framework which can only be explicated. We can treat parts of our body as if they are mechanisms as long as we do not forget that ‘we’ are not mechanisms and that it is the ‘we’ who are employing the model of a mechanism.

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<sup>3</sup> The transition from exploration to explication is reflected in the work of Rawls. In (1971) *A Theory of Justice*, Rawls presented his theory both as an exploration and as a universal truth. However, in 1993 he published *Political*, in which he recast his earlier view as an explication only of western liberal democracies. In that same year, 1993, he also published “Law of Peoples,” in which he specifically denied that the theoretical framework of *A Theory of Justice* could be directly transferred to the international level. For further elaboration of the international implications see Brian Barry (1973), pp. 128-33, as well as Charles Beitz (1979), and P. T. Bauer (1981).

<sup>4</sup> We specifically have the US in mind.

<sup>5</sup> This is connected with the communitarian notion of a socially embedded self. The most serious challenge to stakeholder theory (as held by Donaldson and Dunfee, 1994; Mitchell, Agle and Wood, 1997) is precisely its inability and unwillingness to prioritize specific stakeholders.

<sup>6</sup> Philosophically these assumptions are known as naturalism and as epistemological realism. They are part of the Aristotelian tradition, often reflected in empiricism, and most notably present in scientific versions of positivism.

<sup>7</sup> All of these assumptions can and will be challenged. Moreover, the fact that voting is preceded by discussion and that some alter their views as a result of the discussion does not mean that a ‘full’ discussion will lead to unanimity. More often, discussion reinforces through clarification previously held views. The vote is just as much a way of terminating what would otherwise be an interminable discussion.

<sup>8</sup> Classical and medieval thinkers dealt with dissonance by asserting that only an elite (intellectual and/or moral) could truly perform the task of both recognizing the ‘objective’ good

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and conforming to it. Modern intellectuals have mostly adopted the ‘democratic’ assumption that everyone is capable of seeing the ‘objective’ good. This is one reason there is such confusion between the ideal of the intellectual life and ‘democracy’, that is, the mistaken belief that democracy is open discussion and final acceptance by conviction without coercion. See Knight (1982: 227). Modern intellectuals deal with the dissonance through a host of ad hoc assumptions about the mis-processing of information that is ultimately caused allegedly by defective institutional structures.

<sup>9</sup> Historically speaking, the Enlightenment Project produced two strands of intellectual. Bacon and many of the French *philosophes* opted for an intellectual elite who identified with benevolent despotism; a second strand rooted in Locke and developed by Helvétius, Hartley, Bentham, and James Mill advocated a kind of environmental determinism that led to the advocacy of democracy. The totalitarian implications of such democracy are documented by J. L. Talmon (1970).

<sup>10</sup> It is one of the claims (presuppositions) of this paper that the Technological Project and its implications for markets, politics, law, and culture constitutes the largest shared value in the world today. This has immense implications for globalization. Note that we no longer use the expression ‘third world,’ rather we speak about “developing” countries. The move to the term “developing” signals the acceptance of the primacy of the Technological Project and the free market economy.

<sup>11</sup> I have established this point by appeal to practice. I did not establish it through an argument, although I have offered arguments about failed attempts to do so. Even Gödel’s’ incompleteness theorem shows only that in mathematics we cannot achieve completeness. Critics of this position will demand a theoretical account of why practice cannot be wholly reduced to theory.

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This demand is self-referentially incoherent; to be able to give a theoretical account of why theory has limits is a contradiction; any such theoretical account would refute itself because it would have provided the ultimate theoretical link between theory and practice.