QUESTIONING SELF-INTEREST: ADDRESSING THE HIDDEN MORAL IMPACT OF MANAGEMENT THEORY AND EDUCATION

chaired by Dirk C. Moosmayer (see contact details below)

PANEL PRESENTERS

Self-interest and greed as an unintended outcome of management education

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Management academics' intention to transcend self-interest values

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Learning to overcome unintended self-interest

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On the freedom to question self-interest

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From Self-interest to Purpose-Driven Contextual Interest: An Interdisciplinary Pragmatistic View

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Key words: Self-Interest Values; Epistemology; Management Theory and Education

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ABSTRACT

In the decade after Enron's collapse, the convictions of a host of top managers in various high profile fraud cases made headlines. Although these scandals appear to present textbook examples of the moral hazard problem in principal-agent relationships, we suggest that an overemphasis on narrowly focused self-interest as a core underlying assumption of human behavior might in fact inadvertently lead to profit-maximizing greed. Thus, in this symposium we question self-interest as a key concept of capitalism. Building on two recent AMLE publications by presenters Wang and Moosmayer, we explore the tensions that exist between the hidden moral impact of economics education, namely an increase in self-interested, greedy behavior, and management academics' intentions to shape socially responsible graduates.

After establishing this contradiction, we next consider pedagogical, philosophical, and political approaches to overcoming these unintended negative impacts of economic theory: Hühn develops the idea that economic theory reduces its own practical relevance by negating *learning* and suggests that the consideration of learning would increase the predictive power of our models and re-humanize economic theory. This impulse is taken up by Dierksmeier, who suggests considering *freedom* as a practical condition of being human. He conceptualizes self-determination and the resulting freedom to shape business practice as a responsibility that is in conflict with today's research methods' emphasis on methodological rigor and mathematical predictability. Finally, building on Dierksmeier, Gohl develops a pragmatistic perspective and proposes conceptualizing management as an activity that creates value through *dialogical conflict resolution* rather than mathematical optimization.

Short title: Questioning Self-Interest

Key words: Self-Interest Values; Epistemology; Management Theory and Education

Submitted to: (1) MED; (2) RM; (3) SIM.

PROPOSAL STRUCTURE

1. SYMPOSIUM OVERVIEW

1.1 Theoretical Context of the Symposium

Capitalism can be seen as a basis of substantial economic growth that brought freedom of scarcity of basic needs to some areas of the world. However, capitalist theory and practice have promoted unadulterated self-interest, leading to a recent set of socially detrimental outcomes: The financial turmoil of 2008, starting from Lehman Brothers' bankruptcy (FCIC, 2011), as well as BP's Deep Water Horizon failure (Sawayda, 2010) were caused, or at least exacerbated, by managers who neglected potentially negative social consequences while self-interestedly optimizing their opportunities for individual and corporate benefits.

A potential source of such greedy behavior can be attributed to the economic theories taught to business students around the world (Wang et al., 2011). Because economic thought is the basis of most management theory and education (Dierksmeier, 2009), one may question whether if such negative behaviors and their underlying human characteristics are an unavoidable by-product of capitalism. Could capitalist theories and practices instead be built on or at least strengthen positive human values? In this symposium, we question the role of narrowly focused self-interest as an individual core value in management education as well as the profit-maximization principle on a collective level in capitalist systems.

When it comes to the role of management scholars in this context, some researchers have declared social issues to be beyond the sphere of management (Friedman, 1962) and have called for value-free management theory and education, often based on a misapplication of Weberian ideas of value freedom in research to the educational domain (Weber, 1917). For economic theories this would imply using a set of axioms (usually neglecting their normative nature), logical and mathematical reasoning to solve conceptual problems. Similarly, many scholars in higher education claim that their task is restricted to conveying knowledge rather than exerting normative influence on students' characters. Some recent publications, however, have pointed out that capitalist theories, if taught uncritically, may inadvertently equip students with the tools for short-term profit maximization at the expenses of the competence to make morally acceptable management decisions (Ghoshal, 2005; Kashyap, Mir, & Iyer, 2006; McPhail, 2001).

Management academics have thus a two-fold role: First, they produce the theories as a foundation to sustain capitalism. Then, they disseminate these theories to their students at the undergraduate, graduate, and executive levels. In their professional life as managers, these students will likely behave according to the prevailing values that they have internalized as children during their basic education and also as young adults at university. It seems therefore important to problematize some of the assumptions that underlie today's management theories and reflect on whether these oversimplified assumptions – and the values they entail – necessarily lead to egotistic behavior, and whether they could be framed in a way to better support socially desirable outcomes.

1.2 Aims and Approach of the Symposium

In this symposium we aim to establish a tension between the unintended effects of economic education, namely an increase in self-interested or greedy behavior, and management academics' intentions to shape socially responsible graduates. We then aim to depict three avenues to resolve this tension and suggest learning, freedom, and dialogue as core concepts to reframe management theories.

We first contrast the alleged value-freedom of management theory and education with two recent AMLE publications: First, Wang et al. (2011) showed that exposure to economic theories that are based on profit or utility maximization led to more selfish (what they call greedy) behaviors. In other words, the economics oriented curricula in many business schools may have an unintended, negative impact on students' social behavior.

Second, Moosmayer (2012) investigated academics' intentions to influence values and found that most academics did not strive for value free education but actually intended to influence their students to embrace more social rather than self-interest values. In the first part of the symposium, Long Wang and Dirk C. Moosmayer will reflect on the findings of their recent AMLE articles and show how the tension between the negative moral impact of self-interest-based theory on the one hand, and academics' intentions to shape socially responsible graduates on the other hand, may provide a fertile ground for questioning self-interest as a crucial pillar of the current capitalist theory and practice. The tensions created in these two presentations will be reflected upon by the discussant, who will also connect with the audience to prepare the ground for the further presentations.

The next three presenters then reflect on the shortcomings of self-interest based management theories and discuss potential resolutions. They will propose *learning*, *freedom*, and *dialogue* as new approaches to align capitalism with morally responsible behavior to resolve the tension between self-interest oriented theories and management academics' intentions and shape responsible graduates.

Specifically, the third presenter will show how *learning* has been neglected in self-interest-based theories. He will further explore how an account of learning can actually change some of the assumptions underlying these theories and thus change theories and the managerial practices to which they are applied. Closely connected with this idea is the point that – in contrast to theories in the "hard" natural sciences which do not actually change the functioning of the natural laws they explain – management theories have an impact on the practice of management (why would they be taught, if it weren't so?), e.g. by elevating these theories to scientific (and therefore trusted) models that shape graduates' outlook and perspective. He will also explore how this interconnectedness of theory and practice could be used constructively to improve current capitalist practices.

The fourth presentation will take a philosophical perspective and suggest reintegrating the concept of *freedom* into management theory. In particular, he distinguishes between freedom of external restrictions and an individual's freedom to take responsible decisions. He further addresses methods as a vehicle to theoretically anchor personal responsibility into management theories and thereby stimulate change in management practice towards greater responsibility.

Finally, the fifth presenter will address the issue as political scientists and offers an interdisciplinary pragmatistic perspective. He proposes to think of management action as action with the intention of creating value through the efficient and effective resolution of problematic situations. Such a model would be able to accommodate criticisms of models that are built on self-interest. The discussant will connect these presentations to stimulate a broader discussion between the audience and the panelists on the hidden moral impact of self-interest values on management.

1.3 Topical Connection to the MED, RM, and SIM Divisions

The symposium fits the conference theme by questioning the moral legitimization of self-interest as a specific dimension of capitalist theories and practices. We thus believe that the issues addressed in this symposium will be of significant interest to the members of the MED, RM, and SIM divisions. Our symposium depicts how self-interest values are connected to management theories and thus impact management education. We further aim to explore avenues to anchor a more social perspective in management theory and education. Hence, we address research in management education and thus locate our work at the heart of the Management Education and Development (MED) division. By addressing the often unquestioned assumptions of management theories and by exploring, how integrating perspectives of learning, freedom and dialogue might change management research and theories, we stimulate discussions on epistemology and theory development and thus contribute a core field of the Research Methods (RM) division. Finally, by discussing a shift from self-interest values towards a greater consideration of social aspects in management theories and practice, the symposium addresses issues of interest to the Social Issues in Management (SIM) division.

1.4 Session Format

It is suggested that this symposium in presented as a 90 minute session with the following schedule.

(1) Introduction

Opening by session chair with short introduction to the topical context; self-introduction by the panelists with the one-sentence key claim of their presentation. 5 min

(2) The Tension

2.1) Self-interest and greed as an unintended outcome of management education 12 min

2.2) Management academics' intention to supplant self-interest values 12 min

2.3) Reflection on "the tension" (discussant) 7 min

(3) The Resolution

3.1) Learning to overcome unintended self-interest 12 min

3.2) On the freedom to question self-interest 12 min

3.3) From Self-interest to Purpose-Driven Contextual Interest:

An Interdisciplinary Pragmatistic View 12 min

3.4) Reflection and broader discussion on topic (discussant, panelists, audience) 15 min

(4) Symposium Conclusion (chair) 3 min

1.5 The Symposium Presenters

Long Wang, Ph.D., (presenter) is an assistant professor in management at the City University of Hong Kong. His research interests involve ethical decision making and social and moral aspects of management practices. His research was published in major AOM outlets such as AMJ, AMA, and AMLE. In this symposium Long will contribute his expertise on how the close interaction of positive and normative questions of current economics and management theories, in particular the principle of self-interest and profit maximization, leads to unintended negative outcomes of management education, and thus establishes a need for action.

Dr. **Dirk C. Moosmayer** (chair and presenter) is an assistant professor of marketing at the Nottingham University Business School China. In the field of marketing, Dirk's research focuses on understanding how aspects of environmental and social responsibility impact on prices and price perceptions. A second area of expertise is value influences in management education with related publications in *Higher Education*, the *International Journal of Management Education* and the *Academy of Management Learning & Education* (a publication which he also serves as an editorial board member). In this symposium, Dirk contributes his expertise on academics' and students' perceptions regarding academia's value influence to establish the opportunity for normative changes of current management curricula and their underlying dominant theories.

Professor Dr. **Matthias Hühn** is Associate Dean of Programs and Adjunct Professor of Management at THE KLU – Kühne Logistics University in Hamburg, Germany. He received his undergraduate degree in business economics from Hannover University in Germany, holds a Master in Philosophy and a Master of

Letters from the University of St Andrews and gained his doctorate in Management from St. Gallen University. Before joining academia he was an investment banker and strategy consultant at Accenture. His research interests are wide and varied but have always been focused on the epistemology of management and on moral philosophy. He has also published in a wide range of journals among them the Marketing Review, the International Journal of Management Concepts and Philosophy, and the Journal of Business Ethics. In the symposium, he will look at the effect of some epistemological assumptions of economic / management theory on ethics.

Professor Dr. **Claus Dierksmeier** (presenter) is the director of the Global Ethic Institute at the University of Tübingen. Educated as a philosopher, his research covers political and economic philosophy and focuses on theories of freedom and responsibility in an age of globalization. Before his current position he was Distinguished Professor of Globalization Ethics and Co-Director of the Sustainable Management and Measurement Institute (SUMMIT) at Stonehill College in Boston, MA. His work on business ethics has appeared in peer-reviewed outlets such as *Business Ethics Quarterly*, *Journal of Business Ethics*, and the *Intergenerational Justice Review*. He is also an editor of the *Humanism in Business* series published by Palgrave Macmillan. In the symposium, Claus contributes the view of philosophy on the current value debate in management and suggests that reorienting management theories to the idea of freedom may stimulate change towards a more responsible form of capitalism.

Dr. **Christopher Gohl** (presenter) is a Researcher at the Global Ethic Institute at the University of Tübingen. He is trained in political science and gained his doctorate from the University of Potsdam with work on procedural politics and organized dialogues. Prior to joining the Institute last year, Christopher gained substantial experience as a ‘political practitioner’ when working as head of the strategy unit of a major German political party. In the symposium, Christopher will contribute his expertise in political problem resolution processes in theory and practice to develop a perspective on how value can be created by solving problems efficiently and effectively.

Professor **Sandra Waddock**, DBA, (discussant) is the Carroll School Scholar of Corporate Responsibility at Boston College. Her research interests include macro-system change, corporate responsibility, and management education. Besides her academic contributions, e.g. in AMJ and AME, and as the 2002-2004 editor of the *Journal of Corporate Citizenship,* Sandra has translated her work into practice: She was involved in the UN initiatives Global Compact and PRME, and worked with clients including the International Labour Organization, The Conference Board, and the National Alliance of Business. She also co-chaired the founding of the AOM Task Force on Service/Community-Based Learning. In 2005 Sandra was awarded the Faculty Pioneer Award for External Impact by the Aspen Institute and the World Resources Institute. In this symposium, Sandra will connect the panel presentations and initiate a discussion with the audience. Moreover, based on her extensive experience in implementing change in management and management education she will contribute to assuring the practical relevance of the discussion.

Self-interest and greed as an unintended outcome of management education

by Long WANG

Less than a year after Enron's collapse, more than 20 large U.S. firms were accused of accounting scandals (Patsuris, 2002). A string of CEOs have also made headlines for their various high profile fraud and criminal convictions (e.g., Bernie Madoff; Dennis Kozlowski, Jeffrey Skillings, Ken Lay and Bernie Ebbers, among others). From continuous convictions of CEOs to tens of billions dollars of executive compensation, and to the evaporation of hundreds of billions dollars in shareholder value (Gimein, 2002, *The Financial Times*, 2002), the fraud and other opportunistic behaviors of top executives seem to provide almost textbook examples of the moral hazard problem in principal-agent relationships (e.g., Campbell, 2005; Milgrom & Roberts, 1992). As Adam Smith (1776) noted in *The Wealth of Nations*, "being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own." More recently, Williamson (1984) more provocatively reiterated the central premise of the agency problem in his transaction cost economics theory that agents often put their own self-interest before those of their principals, possibly with guile, by engaging in "the full set of *ex ante* and *ex post* efforts to lie, cheat, steal, mislead, disguise, obfuscate, feign, distort and confuse" (p. 198). Thus, as Edgeworth (1881) generalized this idea in his *Mathematical Psychics*: "The first principle of Economics is that every agent is actuated only by self interest."

Self-interest is the fundamental assumption in classical economics. The "homo economicus" is supposed to only care about self-interest and little (if at all) for others' interest. Rational choice models also make self-interest maximization dominant and pervasive in economics and a variety of other social sciences: Homo rationalis chooses rationally by being a utility maxmizer who calculates the costs and benefits of all available options to maximize his/her decision making utility only (Simon 1955). Thus, many rational economic models portray individuals or organizations as having a rational set of preferences and beliefs to unrelentingly maximize (excessive and unlimited) utility or profits with potentially little or no regard for the negative externalities such behavior imposes on others (Schwartz, 1986).

However, scholars from different disciplines often challenge classical economics theories as inadequate models of rational action because they treat non-egoistic actions (e.g., loyalty, commitment, and honesty) as irrational (Heath, 2009; Noreen, 1988). Jane Mansbridge and colleagues (1990) put together a manifesto to refute the dominant rational, self-interest model and narrowly defined self-interest as the major human motivation. Amartya Sen (1978) has also long argued that assuming economic behavior as exclusive profit maximization ignores social interaction and social conventions that govern many business activities. In various economic transactions, people clearly display other social motives beyond maximizing profits (Stigler, 1980; Fehr & Gintis, 2007).

Economic theory's singular focus on self-interest maximization can also have unintended negative effects on individuals' behavior. A considerable body of research suggests that economics students are more self-interested than other students and that economists are more self-interested than other professionals. Marwell and Ames (1981), for example, found that economics graduate students were twice more likely to free ride than non-economics students in a public good game. In addition, economics graduate students were about half less likely than non-economics majors to be concerned about fairness when they made their decisions. Carter and Irons (1991) showed similar results using an ultimatum game and they found that the behaviors of economics students were closer to the predictions of the rational/self-interest model as they both made and accepted lower ultimatum offers. Frank et al (1993) conceptually replicated these findings in prisoners' dilemma games and also showed that an economics education led people to act less honestly in other business and daily social interactions. Later studies (Bauman & Rose, 2011; Frey & Meier, 2003; Rubinstein, 2006; Wang Malhotra, & Murnighan, 2011) continue to lend support to these results by suggesting that economics students tend to be more self-interested and less generous in different empirical contexts. In particular, Wang et al (2011) 's results suggested that economics education not only affected people's attitudes toward greed but also the likelihood that they engaged in greedy behavior because the narrow assumption of self-interest maximization in many economic models was difficult to be delineated from greed. Although self-selection bias suggests that economics students might be more self-interested before they began their study of economics, Bauman & Rose (2011) suggested that there was at least an indoctrination effect for non-economics majors. Similarly, Wang et al (2011) showed even a subtle economic statement on the benefits of self-interest significantly boosted greed's moral acceptability for people who had no formal economics education. Thus, these effects can be quite influential and may also possibly reinforce the egoistic beliefs held by those who self-selected themselves into economic courses.

Positive economics research and normative economics education are often coalesced. For example, rational choice represents a commitment to a normative theory of prudence (Hausman & McPherson, 1993) as non-egoistic concerns are often characterized as irrational. Clearly, being irrational also carries derogative meanings. Similarly, utility theory has been used as a normative theory instead of simply a positive theory or model (Hausman & McPherson, 1993). Indoctrination of economics theories may also further inculcate their normative values into individuals. For example, both academics and lay people frequently refer to Adam Smith's famous quote - "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest" (Smith, 1776/2007: 9-10) when they justify their or others' self-interested behaviors. Similarly, in *Capitalism and Freedom*, Milton Friedman's (1962: 133) famous comment on the pursuit of self-interest has been widely quoted: "The only social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game". These ideas clearly impose value judgments on self-regarding and egoistic behaviors. Thus, the normative influence of economics theories can be both potent and far-reaching. As a result, economic theorists' principles and moral commitments often considerably influence the actions and moral commitments of others (Hausman & McPherson, 1993).

Economics education has an enormous impact on management and organizations (Ghoshal & Moran, 1996). Quite a number of scholars have noted that the assumptions and language of economics may have had unintended negative influences on management practices (e.g., Ferraro, Pfeffer & Sutton, 2005; Ghoshal, 2005; Pfeffer, 2005; Rocha & Ghoshal, 2006) especially when people take the economics theory for granted. Thus, the uncritical application of economics-oriented theory may have already led to inadvertent mischief in organizations (e.g., Heath, 2009; Ghoshal, 2005; Kulik, 2005). In particular, their oversimplified assumptions of dark human nature and narrow focus on the self-interest of "rational" agents can create enormous problems when used uncritically. In sum, the assumptions and implications of many economic models seem to have encouraged heightened self-interest and greed (Wang, et al, 2011), bad management practices (Ferraro, Pfeffer & Sutton, 2005; Ghoshal, 2005; Pfeffer, 2005; Rocha & Ghoshal, 2006), and agency reasoning and agency cultures that contribute to profit maximizing abuses and corruption (Khurana, Nohria, and Penrice, 2005, Kulik, 2005).

Although it seems premature to conclude that the popular application of economics models, including an overly-literal use and the teaching of economics theories in business schools, has *caused* the spate of recent corporate scandals, the effects of economic education on both self-interest and greed have been documented repeatedly. It is entirely possible that managers and leaders with heavy economics-oriented training may feel that it is their job to relentlessly pursue organizational and individual self-interest (Ghoshal, 2005). Without any restraints, it is easy to imagine that this approach can result in acts of selfishness and greed (Folger & Salvador, 2008). Given these inadvertent effects of the current management education, business schools might need to indoctrinate their students not only about the need to protect against Machiavellians but also about the economic and social values of cooperation and social responsibility. Because the moral limitations of economics education may have had unintended, but far reaching, negative social consequences, such a tempered approach may become more difficult.

Management academics' intention to transcend self-interest values

by Dirk C. MOOSMAYER

Long Wang has shown that business academics teach content that influences their students' values. However, this is often unintentional and less positive than many colleagues would hope for. I therefore explore management academics' intentions to have a normative influence on their students and on companies. The fact that capitalism has been called into question may provide one source of motivation for influencing values. Other motivations may include results of earlier work which has asked if business education has a negative impact on business practice (Ghoshal, 2005), and by the fact that companies have identified moral deficits among business school graduates (Bennis & O'Toole, 2005; Kashyap et al., 2006).

Some academics may believe that young adults attending university should be sufficiently mature to have established their own sets of values and are therefore capable of discerning which guiding principles to follow in life. Others, in contrast, understand management as an ethically-based profession and advocate actively shaping students and their values (Khurana & Nohria, 2008; Nelson, Poms, & Wolf, 2012; Trank & Rynes, 2003). While the latter perspective is consistent with the traditional Humboldtian conception of education as character formation (Humboldt 1793/1903), the former view is sometimes legitimized with a misapplication of Weber's suggestion that science should be value-free (Weber 1917).

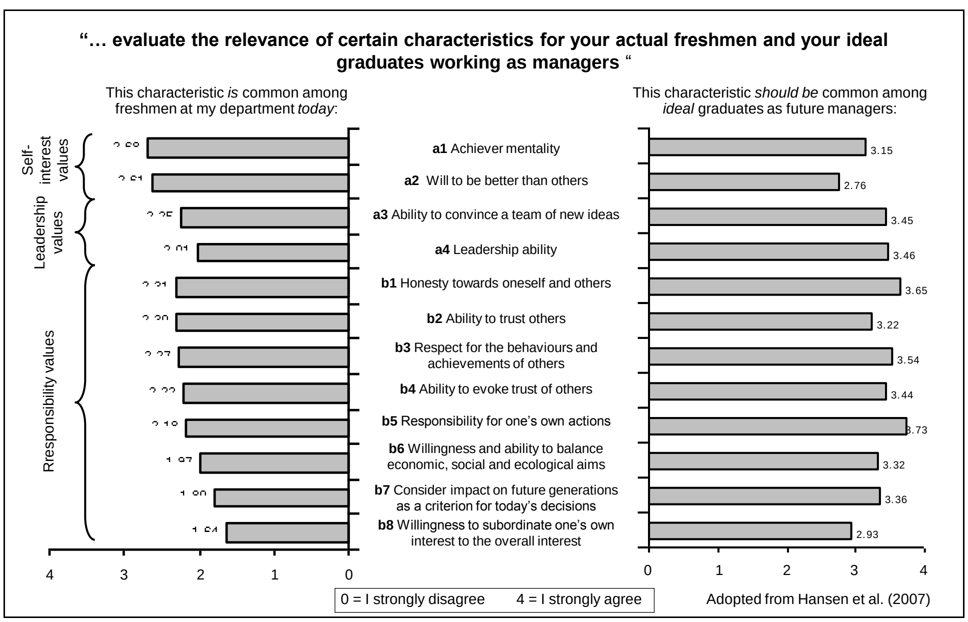
I explore the intentions of management academics to influence the values of their students. As discussed in general terms by Ferraro, Pfeffer, & Sutton (2005) and shown very concretely on an individual level by Wang, Malhotra, & Murnighan, (2011), value influences may occur regardless of any explicit intention, e.g. through exposure of students to specific teaching content. However, if we as a management community heed the AOM mission and take an active role in shaping "a better world" and stimulating inner-organizational change processes, it is necessary to understand our role and our individual and collective intentions towards these potential changes.

To contribute to this discussion, I refer to results from a global research project on "Academics in Management Studies Shaping Future Corporate Values" (see Hansen, Moosmayer, Bode, & Schrader 2007) that was conducted by IFSAM, an umbrella organization of management academies (of which the

AOM is a member). An online questionnaire was distributed through IFSAM member association networks, such as the AOM website and the ASAC (Canada) email list, in some cases supported by individual invitations to participate. The analyses presented are based on the responses of 1,741 management academics from the US & Canada (182), Germany, France & the UK (594), Scandinavia (217), China, Japan, & India (278), Australia & New Zealand (188), and others (282), as described in the *Approach and Sample* section in Moosmayer (2012). All below reported results refer to a scale from 0: "totally disagree" to 4: "totally agree". Based on this data, I develop three propositions.

1. Academics' view of their students' characters

The first proposition addresses the characteristics we as management academics want our students to have. We asked respondents about actual and desired student characteristics (see figure below). First, it is apparent that the items closest to self-interest values, *Achiever mentality* (2.68) and *Will to be better than others* (2.61) are the characteristics that academics perceive as being most typical among first year students. However, they are simultaneously the traits which are least (will to be better, 2.76) and third least (achiever mentality, 3.15) desired of their graduates.



Combined with Long WANG's finding that business schools strengthen students' self-interest values, but fail on normative issues (Bennis & O'Toole, 2005), one may conclude that our current curriculum fails to deliver on the responsibility dimension. Further, the results suggest that our student selection processes focus on the wrong characteristics, and it might thus be wise to start our questioning before teaching begins, at the point of student recruitment. I thus propose:

Proposition 1: We should consider values at all stages of business education, starting with the student recruitment and selection process.

2. Lost on the Road to Abilene

We also asked academics what aims they pursue through their work. Our assumption is that these aims reflect their values with regard to their corporate environment and thus also the values that they wish their students to uphold as future managers. The self-interest dimension is reflected in items like "Increase shareholder value." "Create social justice in your country" is a sample item for the social perspective. We also asked respondents to what aims of their discipline's mainstream would want to contribute. Constructs revealed good reliability (see Moosmayer, 2012 for details).

Results show that economic values are dominant, scoring 2.8 for the individual academic and 3.0 for the mainstream perspective. Social values scored 1.8 and 2.4 respectively. In absolute terms, this means that respondents perceive that the mainstream believes that social aims and values with a score below the scale's midpoint should not be their concern. In relative terms, however, respondents hold slightly less economic and significantly more social values than they believe the mainstream does. Furthermore, with their social values scoring significantly above the scale's midpoint, individual management academics accept a substantial degree of social responsibility.

Hence, although all respondents actually do share social values, they *believe* that they do not. Although the sample selection process did not permit an assessment of the sample's representativeness of the entire management academic community, the results indicate that shared agreement is *not* perceived and thus cannot provide a motivation for corollary action. This is also supported by the impression that there is a substantial consensus within the Academy of Management that normative issues should be addressed (evidenced in conference themes such as 'Doing Well By Doing Good'; 'Green Management Matters'; 'Dare to Care'). Nevertheless, the theories we teach daily are precisely those 'mainstream' theories that Wang et al. (2011) identified as a source of problematic behaviors. In the words of Rubin and Dierdorff (2011) the shared journey of the management community can be described as the Road to Abilene: Although we all aspire to forge a collective path towards a better world, we each fear that our colleagues would consider us 'unscientific' if we actually moved towards this goal.

Proposition 2: Individual academics feel a responsibility for social issues. In order to translate these consensual social values into business practice, however, academics would need to act on their values and support their peers in doing so.

3. The teaching-research dilemma

The results of the study indicate that management academics see opportunities and have related intentions to influence values through undergraduate (3.18 / 3.12) and graduate teaching (3.18 / 3.23). Overall, this indicates an intention of management academics not only to convey knowledge but also to shape students' values. This perspective supports a Humboldtian understanding of education as character building (Humboldt 1793/1903).

Scores for the intention to influence values through research are different: The opportunity and intention to influence values through applied research are weaker (2.8 / 2.8); basic research, i.e. the area in which the basic normative assumptions of our discipline are determined, scores even as low as the scale mean (1.98 / 2.14); i.e. they find neither agreement nor disagreement. Accordingly, in research, academics are much closer to Weber's (1917) position of management as a value-free science.

One might thus argue that management academics consider the area of research as value-free and address value issues only in education. However, this distinction between values in research and in teaching suggests a dilemma: In an attempt to conduct value-free research, scholars produce theory that builds on unreflected normative assumptions such as individuals' self-interest and corporate profit-maximization.

As the research output of the management discipline also constitutes the content of management teaching, the teaching content is thus also allegedly value-free and only carries unreflected normative assumptions, which, as demonstrated by Long Wang previously, may have substantial negative impacts. Academic teachers may *aim* to influence values through role model behavior or teaching styles (Moosmayer, 2009), but the main impact of the educational experience on the student may in fact result from curricular content and its underlying normative messages. To summarize, management academics adopt a quasi Weberian value-free position, while in teaching they aim to shape a socially-oriented personality in the Humboldtian sense. Based on products of their research, curricular content contradicts their teaching aims.

Proposition 3: In order to create a better world through teaching, academics have to understand and amend business theories underlying values.

Learning to overcome unintended self-interest

by Matthias HÜHN

Learning as a concept is absent in mainstream economic theory (which, in turn, is assumed to be the basis for mainstream management theory). That is a rather strong claim, but also one that is neither particularly new nor one that is difficult to substantiate, as I will argue in this paper. For reasons of brevity, I will focus on only two aspects of mainstream economic theory that support my opening statement and explain how these two aspects surreptitiously negatively impact managers' ethical abilities. At the end of the paper, I will briefly mention alternative approaches to economics and management theory.

1. Optimization and Learning

Economists are very much concerned with efficiency. To be more precise, the major goal of economic theory is to maximize or to optimize. One can optimize machines because it is possible to predict (within reasonable limits) what future states the system/machine might assume. The percentage of defective products is an example for a figure that can be calculated fairly safely. Frank Knight called this "risk" as opposed to uncertainty (1921). It is possible to predict defects because one can list all possible states a machine may assume in the future. In other words, machines do not learn, have no free will, answer to natural laws and therefore they are predictable. Humans, on the other hand, act unpredictably and their future actions cannot be listed exhaustively and therefore one cannot calculate a risk and neither can one calculate an optimum/maximum. This is "uncertainty" and not risk (Knight, 1921), and is also the result of the undisputable fact that humans *learn*, i.e. they add (advantageous) actions to their repertoire which neither they nor a "neutral" observer could have predicted. Hoppe (1997: 58) gives several reasons why the prediction of human action stands in stark contrast to the facts and is also illogical:

> "Similarly, anyone proposing the assumption of a given list of all possible forms of human actions, with its implied denial of learning, is caught up in contradictions. For one, if his knowledge was indeed given, this would imply assuming that he already knows everything that he will ever know (otherwise, if he could learn something tomorrow that is not already known today, his list of possible classes of actions could no longer to be assumed to be complete)."

Hoppe goes on to point out that, of course, knowledge advances and informs human action and if main-stream economists really believed in the existence of complete lists of knowledge there would be no need to ever argue about anything since everybody had to have the same list.

In management theory the economic idea that there are complete lists can be found for instance in strategic market analysis (Porter, 1979): markets are areas of human action and the analysis of a given market gives us an exhaustive list of these actions. Strategic analysis only works for markets in which there is no learning; new markets don’t feature in this model of strategy. Reality is quite different, as new markets are created constantly. The assumption of somehow knowing the unknowable (which will be discovered only in the future) is part and parcel of economic theory and also shapes a certain image of the human actor.

2. Humans as the Economists' Atoms

The second assumption in mainstream economics is that humans have no free will and essentially behave like atoms (Goshal, 2006). Human beings, to be more precise the *homo oeconomicus* has no free will and behaves according to the economic "law" of rationality, which essentially is thought to be on the same level as natural laws. Much has been written about the "physics envy" of economics (Mirowski, 1991; Bennis & O’Toole, 2005; Hühn, 2008). The desire to be accorded the status of a hard science has been so strong that economists not only turn a totally unrealistic postulate (*homo oeconomicus*) into a natural law, it has also made them blind to revolutions in physics and in the philosophy of science which has made physics move away from its positivistic roots. First, Heisenberg's famous uncertainty principle destroyed the belief in a precise measurement (Hawking & Mlodinow, 2008) and then another Nobel Prize laureate, Ilya Prigogine (1984) put forward the argument that there will never be a unified field theory because reality is bifurcated: for one state, the near equilibrium state, the laws of physics apply, for the non-equilibrium situation there are no such laws.

When it comes to philosophy of science, economics has stuck to a hardcore positivist stance that has led to a situation where mainstream economics considers reality to be dependent on theory. We have gotten used to absurd statements from economists about how for instance the *homo oeconomicus* is merely an assumption that does not have to withstand an empirical test! Economics as a science has been able to completely shield itself from any criticism. Milton Friedman's influential 1953 essay on “positive economics” culminates in the famous F-twist: “Not only is it unnecessary for assumptions to be realistic, it is a positive advantage if they are not: ‘to be important... *a hypothesis must be descriptively false in its assumptions*’” (Blaug, 1992: 91, emphasis added). To most, if not all philosophers of science this blanket “immunising stratagem” (Popper, 1972) turns economics from a science into a non-science. One could therefore argue that the situation is *worse* than simple physics envy because economists claim that they know how humans behave while physicists have given up the claim to certainty how atoms behave.

Strategic management, the preparation of the company for the future, has a wonderful example for such a Lagrangian world-view: Igor Ansoff (1965: 44) wrote that “We shall refer to the period for which the firm is able to construct forecasts with an accuracy of, say, plus or minus 20 percent as the planning horizon of the firm.” Mintzberg et al. (1998: 67) comment this: “A most extraordinary statement in such a famous book! For how in the world can predictability be predicted?” Uncertainty is first redefined as risk and then a risk on a risk is calculated. Despite the apparent absurdity, this is still taught in many business schools around the world.

When uncertainty is replaced with an assumed calculated certainty there is indeed no need for ethical considerations. The price economics pays is that their object of study, the economically active human is essentially stripped of his humanity (free will, creativity): human behavior, is emptied of humanity for the sake of being able to model. In the economic model, free will and learning are replaced by robotic observance of the rational principle: always maximize your self-interest. The maximization of egoism is not, as mainstream economics claims, an ethically neutral maxim. I would call it a deeply *immoral* maxim that is made more dangerous and harmful by being sold as a neutral axiom of a social science posing as a natural science. Williams (2006) discusses ethical egoism (the moral philosophy inherent in mainstream economics) and finds logical flaws and regards it as counterfactual. If acting selfish is an ethical consideration humans should “promote that state of affairs, and this may involve my giving a helping hand to others in adopting that policy. Such a line of action may well conflict with my simply pursuing my own self-interest" (Williams, 2006: 12). Moosmayer's (2012) empirical findings show that there is a curious discrepancy between the self-interest based values academics actually transmit via their teaching and those values they would like to give their students. One interpretation is that many management and economics professors are not aware of the values inherent in the theories they teach and unintentionally teach values they regard as negative. That would be a rather troubling situation in which the educators themselves are not educated about an important aspect of their fields.

3. Alternatives to a De-Humanised Economics

Learning and uncertainty can be introduced into economics without destroying it as a science. Physics has shown that the introduction of uncertainty is not only possible but indeed very fruitful. The "pretence of knowledge" about the future (Hayek, 1989), i.e. the assumption of certainty where there can be none, hampers the advancement of theory and denies ethics and creativity a role in economics and management theory. Schumpeter's economics was focused on the entrepreneur as a producer of knowledge (entrepreneurs "carried out new combinations"; Schumpeter, 1934:132) and thus the replacement of certainty with learning, which he called creative destruction (Schumpeter, 1942).

Ludwig von Mises' praxeology (1966; 1978), based on Knight's differentiation of risk and uncertainty seems to be another interesting avenue. Praxeology is an approach to economics that is explicitly based on contrasting the *homo sapiens* model of man with the *homo oeconomicus* model of mainstream economics (Hoppe, 1997: 66). In many respects, Mises' praxeology and its differentiation between class and case probabilities is like Heisenberg's uncertainty principle: it introduces uncertainty (and learning) into the model. Building on Mises' praxeology, Murray Rothbard in 1982 formulated a socio-economic theory of ethics: The Ethics of Liberty. One could argue that libertarian economics exchange a false sense of security and the ability to calculate the future in detail for a far more realistic view of humanity.

From an epistemological point of view, more constructivism and less positivism could advance the debate and give ethical considerations a more relevant role in management theory and practice. What is more, the extremely prescriptive stance of mainstream economics (*homo oeconomicus* must always maximize self-interest) is clearly not realistic. A more realistic or descriptive attitude would also be highly beneficial for theory development. Humans have the capacity to be selfish and selfless and every day we witness both. It is high time that this reality is acknowledged in economic and management theory.

On the freedom to question self-interest

by Claus DIERKSMEIER

1. Freedom as a Foundation for Economics and Management Theory?

All moral responsibility presupposes freedom; and corporate responsibility requires managerial freedom. A freedom unknown, however, is a freedom unutilized (Dierksmeier, 2009). Thus the *practical* realization of corporate responsibility depends on the *theoretical* realization of the factual freedoms of management to pursue alternative courses of action, e.g. to deviate from profit-maximization in favour of different objectives (Dierksmeier and Pirson, 2010). Against the view that behaviour in business is predetermined by certain laws to which it must conform, the moral, cultural, and political *malleability* of economic life needs to be stressed, i.e. we have to replace blind faith in allegedly inevitable economic laws with a theory that allows us to see the economy for what it is: as a product of free human agency. Only thus can we break the spell of what otherwise appears to us as anthropological destiny: the perennial quest for the maximization of self-interest.

1.1. The Conventional Wisdom

So far, the topic of managerial freedom has tended to be neglected in economics (as inessential and/or powerless against market forces), or deprecated (as a deviation from rational efficiency rules). Exceptions to this trend, such as the works of Amartya Sen, prove the rule (Sen, 2002). As long as this state of affairs persists, the very premise of all corporate and managerial responsibility is in question and, consequently, efforts to make business more responsible are bound to appear as futile; as a naïve effort at best and as an irresponsible waste of corporate resources at worst. The mechanistic nature of neoclassical economics (where corporations are portrayed as 'machines' for profit-maximization, subject to iron laws of competition) seems, after all, wholly impervious to free agency (Brodbeck, 2000). The language of profit maximization lives off of a quantitative vocabulary and follows a strict mathematical grammar. Economic actors, within this linguistic scheme, are portrayed as in pursuit of managerial objectives which – ideally, albeit not factually – could be advanced by replacing human judgment with algorithms. Leeway in managerial decision-making thus appears to be something that – in the interest~~s~~ of better performance – ought to be reduced to zero. Quite consistently then, within such parameters, managerial freedom is not viewed *positively* as an intellectual space for the exercise of responsibility, but *negatively* as something that, for the time being, cannot wholly be eliminated. It is regarded as a tribute reluctantly paid – theoretically – to the uncertainties of a still imperfect science of econometrics and – practically – to the inevitable vagaries of human factors in business environments (Dierksmeier, 2011).

1.2. How did we get there?

Around 1800, along with the departure from metaphysical value concepts in economics, came a retreat from freedom theories. Carl Menger, for example, repudiated their importation into economics, as they undermined the quest for scientific precision. Postulating a freedom to alter the very will that drives human behavior put into peril the mechanical regularity of transactions upon which, according to him, the claim of economics to scientific exactitude was premised (Menger, 1871: 8).

Utilitarians likewise gave the idea of free will the cold shoulder. Philosophers typically value the notion of free will in order to establish that we might alter our *first-order preferences* (e.g., a given desire for something) through *second-order preferences*, or meta-preferences (e.g., the wish not to be beholden to said desire), so as not be slaves to our wants. Since utilitarians, however, blithely endorse the pursuit of (whichever) pleasure as a first-order preference, they have little need for such subtleties. For Bentham, as for numerous Anglo-American economists and social philosophers afterward, freedom has to be defined solely against *outward coercion*, not against *inward inclinations* (Bentham, 1970: 254). Theirs is a *quantitative* idea of freedom, aiming, as it does, for the *maximization of choices*, while discarding as useless all deliberations about the *quality of our options* (Dierksmeier, 2007).

The relevance of these methodological shifts is patent: up to Adam Smith (1723-1790) economic theories operated with the notion of objective values not only to *describe* reality but also *prescriptively*, with a view to correct aberrant evaluations. For instance, through criticizing the miser for hoarding, antique, medieval, and classical economists in unison rejected the value subjectively ascribed to money as objectively being too high. In contrast, theories that generate the value of given commodities exclusively from subjective appraisals cannot establish any such critical distance from their topics. The prescriptive, counterfactual use of economic value theory thus collapses.

When economic laws are deduced from axiomatic assumptions, without taking account of inductively gained empirical information about the agents and markets they concern, misjudgments are the result: forgetting that the *factors* behind economic *facts* are free human beings, many economists projected the very rigidity of their methods onto the human being and society, and proclaimed these as being subjected to unalterable laws. Unlike the laws of gravity, which apply no matter what we think about them, structures of economic behavior are influenced by our notions and ideals, however. As historically oriented economists have shown time and time again, economic behavior changes with an alteration in human attitudes, thus eroding many allegedly eternal 'economic laws' over time. Our freedom and the ideas about its responsible use do play an eminent role in the economy, albeit one that mathematical methods cannot always adequately conceptualize (Nguyen, 2000).

Simply carrying over methods and metaphors from the natural to the social sciences, however, is hence problematic: a 'scientific' terminology that suggests the predictability and computability of human action contrasts with an unbiased look at descriptive findings (Solow, 1997). Economics does not have dead matter as its epistemic object but human life (Veblen, 1898). Other than physical systems, human beings form theories about their contexts and act not simply driven by *material causes* but upon their *personal interpretations* of the world. The reflective reaction of economic actors on economic prognoses, for example on stock markets, makes the limits of the physicalist approach to economics transparent (Brodbeck, 2009).

2. The Alternative: Economics of Freedom?

Economics would service society better were it to match the complexities of reality, admitting that to do so requires, at times, 'messy' procedures based on qualitative assessments resulting from *democratic* instead of *technocratic* decision-making procedures (Sen, 2002). Notwithstanding constantly improved quantitative measurements, today's economics is frequently oblivious to the qualitative impact of economic 'success' or 'progress' on human welfare. Hence we need a reversal of direction. Against the focus of conventional economics on the fictitious *homo oeconomicus,* a concentration on the real *conditio humana* seems requisite. Against a behavioralist view of the human being that seeks to model and prognosticate economic action algorithmically, the problems of today call for management theories based on the pivotal role of human freedom.

Method matters; and hence business ethics and corporate responsibility cannot remain at the level of moral postulates but must proceed to a revision and reform of the intellectual foundations of our economic worldview. In order to overcome the staid dualism between an allegedly *quasi-physical* economic world devoid of moral resources and an ethical discourse far *removed* from and *marginal* to the concrete demands of business, a more *integrative* economic theory is needed: a *humanistic* theory of the economy that incorporates ethics from the outset and complements as well as orients quantitative measurements along qualitative criteria (Dierksmeier, 2009). Whenever extra-economic, or non-quantifiable factors affect the economy, a method that blocks out such factors as irrelevant leads to false conclusions, which negatively impact subsequent policy recommendations in turn. Our methods must not overlook, for example, that market economies, under real conditions, favor the exchange of easily marketable goods and services. *Commodifiability practically* limits the entry of *phenomena* into the market economy as much as *quantifiability theoretically* restricts the entry of *noumena* into economics (Dierksmeier, 2011).

Despite their purported neutrality, both market economies and market economics have a *systematic* bias in favor of exchangeable and against non-substitutable goods (diZerga, 1997). The less economics recognizes itself as shaping the reality it observes, the less inhibited – i.e. the more indifferent to the social consequences of its advice – its proponents tend to be (Galbraith, 1986[1967]). The obdurately defended value-free character of economics is therefore but an illusion (Ulrich, 2008). All the stronger, then, is the need to rest our economic thought on the very premises that we wish to uphold in business practice; otherwise we shall continue to surreptitiously drive a "progress toward the wrong goals." (Galbraith, 1986[1967]: 409) In consequence, we need a different pedagogical approach in management education.

There is not only a conflict between rigor and relevance but also one between rigor and responsibility. If our theories are to obfuscate the very premises that sound managerial practice rests on, then much more is at stake than just a (quantitative) tension between precision and practicality; we are, instead, facing a (qualitative) conflict between heteronomous practices and autonomous *praxis*. Inasmuch as management education wants to be education proper – comprising enlightenment and critical reasoning –, it must steer away from methods that convey to students the image of a (materialistically) predetermined economic cosmos and instead invoke their awareness about our (idealistic) self-determination and co-construction of the very economic universe we inhabit. The heuristic of economic alternatives demand on the hermeneutics of an alternative economics.

From Self-interest to Purpose-Driven Contextual Interest:

An Interdisciplinary Pragmatistic View

by Christopher GOHL

1. The Problem of Self-Interest

Mainstream management education teaches mental models of perception, explanation, and legitimate action built on assumptions of self-interest as the “first principle of Economics” (Edgeworth, 1881). The dominant economic anthropology is based on the *homo oeconomicus* model, the actions of which are explained by rational choice theories. The practices of management and organizations, and of capitalism at large, are profoundly shaped by these assumptions (Ghoshal & Moran, 1996, Ghoshal, 2005). Where capitalism is in question, so are assumptions of self-interest.

Many critiques of economic and management theories and models that are built on self-interest have been offered. I will briefly sketch three central critiques, which I then address using an alternative model of economic action adopted from pragmatistic theory. While the case for a pragmatistic impact on economics can be argued (Khalil, 2004), pragmatists have left more of a mark in philosophy, linguistics, pedagogy, sociology, and political theory. I contend that pragmatistic thought has much to offer to management theory, practice, and education.

First, it has been argued that theories and models driven by the notion of self-interest are inadequate for explaining the phenomenon of actual economic action (Sen, 1978; 1987; Fehr & Gintis, 2007). Secondly, it has been observed that, without appropriate qualification, such management theories and models have negative priming effects on management students in regard to their moral and social competences (Bauman & Rose, 2011; Wang et al., 2011). Thirdly, is has been argued that theories based on self-interest falsely rely on allegedly inevitable economic laws and corresponding limits to free human agency (Dierksmeier, 2011). Yet, if economic action and management practice is more than the maximization of self-interest – then what is it? How should it be modeled, and how can it be taught?

2. The Pragmatistic Perspective on Human Action

The German sociologist Hans Joas argues that there are two dominant ways to conceptualize human action (Joas, 1996), namely (1) rational action, which dominates the discipline of economics and major parts of political science and is modeled by rational choice theory; and (2) a normativist conception of action in the tradition of Parsons, which dominates sociology. Against the dominance of these two approaches, Joas argues for a third approach: a pragmatistic conception of human action that builds on concepts of creativity, context sensitivity, intentionality, social learning, and evolutionary amelioration.

Drawing on the work of George Mead, Charles Peirce, and John Dewey, Joas proposes to understand human action as problem resolution. In an act of "situated creativity", individuals, or groups of people engaged in social inquiry, resolve problematic situations by reorganizing constituting elements of such situations. This requires experimental learning in the form of a series of practical tests of hypotheses for successful action (Dewey, 1938). Experience and reflection inform one another, so that the acquisition of knowledge is related to concrete situations and their challenges. That concept is central to Dewey's ideas on progressive education. It has also informed models of community-based learning, service-based learning, and project-based learning (Mooney & Edwards, 2001; Speck & Hoppe, 2004). Once problematic situations are resolved, the modes and means of such a resolution become standard issue and routine (Joas, 1996: 191). Human action is defined, on average, not by heroic acts of creative problem resolution, but by socially learned and unconsciously applied methods of problem resolution. Only new problematic situations occasion new modes and means of resolution to be sought, applied, and standardized.

The underlying anthropology of such a model of human action is one of individuals engaged in a *dialogical relation* to the world. As a creative act of reflective engagement in complex situations, problem resolution is context sensitive and open to feedback and correction. Such sensitivity and openness precludes technocratic solution-finding strategies. So pragmatistic theories generate deeply democratic procedures that can only be achieved in the course of an actor's interaction with his/her environment, be it social, economic, cultural, or ecological. All knowledge thus gleaned is contextual, relative, practical, and social knowledge, for which Dewey's epistemic caution has been termed "epistemic democracy" (Posner, 2003).

One of the central differences between rational action theories and pragmatistic action theory is that the former presuppose a *telos* of goals: planning means relating goals and means in a rational, rigorous and definitive way (Joas, 1996). Yet to be open to the changing world means to be able to continually integrate new information, ideas, and impulses into the course of action, to adapt emerging means, and to change goals without losing sight of the intended objective. Joas describes such a course of action as governed by non-teleological intentionality, as opposed to teleological rationality. The purpose or "guiding thought", as von Moltke called it (von Moltke, quoted by Blumentritt, 1960: 6), expresses the intention that binds all strands of action together and directs them towards a certain desired outcome.

3. A Possible Pragmatistic Perspective on Economic Action: Problem Resolution as Value Creation

The pragmatistic view on human action as the resolution of problematic situations advances the idea that individuals are *driven by purpose, not by self-interest*; that they are dialogically engaged in their context, not self-absorbed and isolated from external matters. In short, they are conceptualized as *relational* individuals, not autarchic actors. Such an approach is fruitful for democratic theory, specifically for a theory of collaborative democracy (Noveck, 2009). It may also benefit management teaching and practice.

I therefore propose to think of management action – indeed, of any economic action – as action with the intention of creating value through the efficient and effective resolution of problematic situations. Whenever we resolve a problematic situation – for example, by inventing a device with which to solve it –, we create the value of a less problematic, i.e. better state of being. Since value lies in the difference between the state of the problem and the state of its resolution, solving problems is, then, another way of saying that we create value. The more effective and efficient the resolution, the larger the value created.

Such a model would also address the three criticisms of the aforementioned models that are built on self-interest. Firstly, the idea of an effective and efficient resolution of problematic situations allows for the incorporation of complex modes of economic action. Whether this will accommodate all modes of actual economic actions remains to be determined. If the modes and means of problem resolution or value creation are successfully determined in a prototype, entrepreneurs may test a series of problematic situations before a final standardized product is produced. This procedure creates value by resolving efficiently and effectively the problematic situations the product was initially designed to resolve. Much of everyday economic activity can therefore be understood as the application of standard routines, i.e. of tried and tested methods that create value through standard products for standard problems. Yet in a changing and competitive environment, even such routine methods need constant reevaluation and refinement.

It then becomes the task of managers to balance creativity and change on the one hand with standards and stability on the other. Management would therefore need to address the complexities of economic and financial as well as social and cultural action. According to Peter Drucker, "Managers draw upon the knowledge and insights of the humanities and social sciences, on psychology and philosophy, on economics and history, on the physical sciences and ethics. But they have to focus this knowledge on effectiveness and results" (Drucker, 2003: 213).

Secondly, the negative effect of self-interest-based theories would be replaced by more constructive models and by positive self-images of managers. The purpose of economic action would be. Consequently, the purpose and guiding principle of managerial action would not be to maximize profits, but to create value for company and customers by resolving problematic situations efficiently and effectively.

Thirdly, such an approach would reinstate freedom as a central principle of human agency in management and economics. Freedom would not consist of maximizing one's own utility through choices under the constraints of rational choice theory, but of the creativity of optimizing (different) concrete solutions to problematic situations. Options and alternatives would be less determined by their quantities than by their qualities. Issues that were once considered as being beyond the sphere of management, such as social issues (Friedman, 1962), could become new playing fields; formerly considered cost factors could provide new business opportunities. In short, the gates of the prison of self-interest narrowly understood would open to the wide fields of value creation.

4. Consequences for Management Education

For management education, such an approach would have many consequences. For example, values would become an important factor in economic action – not as imposing limits on self-interest, but as instruments in the evaluation of problematic situations, and as signifiers for potential value creation. Values such as freedom, responsibility, and fairness would not only become a substantial but also a procedural objective of management practice and theory. Also, dialogue would not only be an objective matter of study but a subjective tool of active problem resolution practice.

Indeed, all kinds of problem resolution strategies and procedures would become a matter of interest. Consequently, management education would have to transmit a 'knowing-how' approach, not a 'knowing-that' attitude (Ryle, 1949) – in other words, teaching would train competent action, not aim at the transmission of distant knowledge (Gohl, 2011). Models of community-based or service-based learning would be incorporated into management education.

Finally, new fields of creative economic action such as social entrepreneurship or design thinking could be given a central place in management education, instead of being considered as anomalies. Addressing social problems, social entrepreneurs reorganize problematic situations until a business case of value creation emerges. Design thinking – context-sensitive, problem focused, and experimental as it is – is really applied pragmatistic theory. In short, management education stands to gain a lot by turning from self-interest to pragmatistic models of problem resolution and value creation.

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