

Chapter 9 The Enterprise-of-enterprises

§ 1. Principles for Enlightened Institution of Commercial Mini-Societies

Chapter 8 discussed contemporary publicly-traded corporations (PTCs) and pointed out some of the key shortcomings of their institutions in regard to the possibility of actualizing civic free enterprise within them. Two human factors of concern raised there are the interests of individual member-stakeholders and the role of natural stereotyping in human judgmentation. It was pointed out that the way in which corporate governance is effected is a crucial determiner of cooperation vs. granulation and conflict within a corporation's mini-Society and of how well or ill a corporation's leadership dynamic functions. It is easy to criticize PTCs for their handling of these factors. Criticism without a prescription for remedy, however, serves no useful purpose except perhaps to arouse interest in finding a remedy. Traditional institutions of PTCs institute them to achieve mediocrity and to eventually fail. The method of institution is their chief *systematic* problem. This chapter lays some groundwork for solving the systematic problem and establishing robust and civic free enterprise within a PTC. Chapter 10 takes up individualistic human factors.

A social-natural science of commercial institution is grounded in basic principles of human nature. Recognition of these principles is not something new to collective human knowledge. It dates back to the Enlightenment period of 18th century Europe and America. For this reason they are called the Principles of Enlightened Institution. First I review what these principles are, then I discuss how they are applied to the institution of industrial conglomerates as commercial civil mini-Communities. The name I use for the latter is the *civic Enterprise-of-enterprises*.

Commercial entities are instituted by human beings. At every step in their *Existenz* from non-being to mini-Community, they are what they are because of decisions made and actions taken by human beings. They are products of human design, albeit this design might be either haphazard and shortsighted, or the product of good planning and foresight, or any mixture of both. If one wishes to describe an ideal process for institution of a commercial Enterprise, that description must express a threefold process of: (i) determination of design goals; (ii) specification of how these goals are achievable; and (iii) objective understanding of the Enterprise as an *Unsache-thing*¹. What Mill said of governments is equally true of industrial conglomerates, i.e.,

Let us remember, then, in the first place, that political institutions (however the proposition may be at times ignored) are the work of men; owe their origin and their whole existence to human will. Men did not wake up on a summer morning and find them sprung up. Neither do they resemble trees which, once planted, "are aye growing" while men "are sleeping." In every stage of their existence they are made what they are by human voluntary agency. Like all things, therefore, which are made by men, they may be either well or ill made; judgment and skill may have been exercised in their production, or the reverse of these. [Mill (1861), pg. 3]

Every industrial conglomerate is also and always a "political institution" because it is a mini-Society. Politics is the art of bringing Order to and maintaining it in a Society.

The Enlightenment era thinkers pondered the manifold questions attending human institutions.

¹ In Critical metaphysics, an *Unsache-thing* is an event, a "happening." The *Unsache-thing* is an object regarded in the empirical reflective perspective as a change-in-Nature. Whereas a *Sache-thing* is regarded as a thing-in-the-world (substantial thing), an *Unsache-thing* is not regarded as a thing-in-the-world but rather as "a natural happening or occurrence." Any industrial conglomerate regarded as an object has real objective validity only in terms of what its people *do*. It subsists in events unfolding, thus in what happens within and to it, and it is therefore a spontaneous dynamic of interrelated and interacting events.

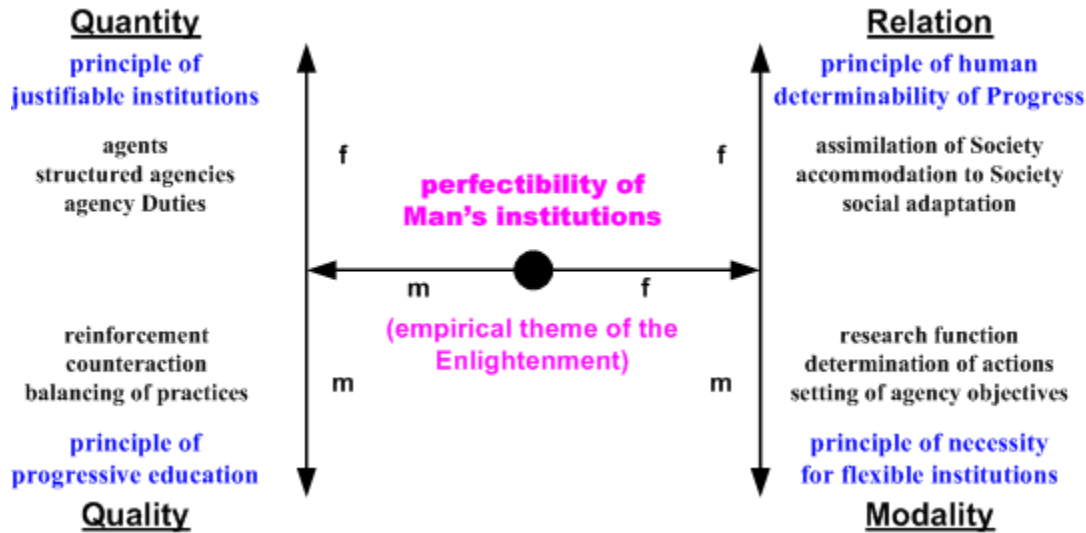


Figure 1: 2LAR structure of Enlightened institution.

It is true that the greater part of their efforts were aimed at issues of government and liberty when it came down to specific cases. Nonetheless, they expressed their ideas within a general theme, which was *the perfectibility of Man's institutions*. Four basic principles were developed from their work. These are stated as the four headers in the 2LAR Idea of the Enlightenment shown in figure 1. An analysis and critique of these principles is provided in Wells (2014), chap. 1, §4, pp. 14-22. I will not, therefore, repeat that analysis here but merely summarize its findings. The 2LAR of figure 1 in its entirety serves us as step (i) of the process stated above.

The four Enlightenment principles as understood in Critical terms are:

1. **Principle of justifiable institutions** – *all human institutions are justifiable only if they contribute to the advancement and welfare of the instituting Society*. Special regard must be given here to the word 'justifiable'. The term does not mean an excuse can be found for making an institution. It means the institution is itself congruent with the requirement for *justice* in a civil Community. An institute that acts unjustly is never justifiable within a civil Community. Any group of people can institute any sort of organization they wish, but if a civil Society is to recognize and tolerate that which they institute, the justification for the institute subsists in the contributions it makes to the advancement and welfare of the parent Society overall. This is the basis for *civil liberty* to make an institution. An outlaw street gang is an institute but it is not a *justifiable* institution and therefore, while its creation is an act of *natural* liberty, it is not an act of *civil* liberty guaranteed by a Society to those who institute it;
2. **Principle of progressive education** – *education is the principal means for Progress in any Society*. Formal and public instructional education are, of course, subsumed under this principle but the principle itself has a much broader scope than these alone. It also takes under it the effect a system of mini-Society *governance* has on the educational Self-development of the people who are governed by it. All systems of governance *do* exert an educating effect on the governed whether the agents of that system intend to do so or not. The worst systems breed antisocial attitudes and teach factions to put their own special interests ahead of any interests common to the whole body politic of their mini-Society. The best systems of governance prepare and empower the citizens for their role in the Sovereignty of their Republic and contribute to each person's ability to achieve Progress in *Personfähigkeit*, both personal as well as corporate. This is why the principle is not merely a principle of education but one of *progressive* education. The educating function inherent in all institutions has direct

effects on real relationships among people. In this context, one can speak of "laws of education" under Montesquieu's general definition of "law," i.e., "Laws, in their most general signification, are the necessary relations arising from the nature of things" [Montesquieu (1748), Bk. I, pg. 1]. He went on to say, "It is in a republican government that the whole power of education is required. . . . [Virtue in a republic] may be defined as the love of the laws and of our country. As such love requires a constant preference of public to private interest, it is the source of all private virtues; for they are nothing more than this very preference itself. This love is peculiar to democracies. In these alone the government is entrusted to private citizens. Now, a government is like everything else: to preserve it we must love it. . . . Everything, therefore, depends on establishing this love in a republic; and to inspire it ought to be the principal business of education" [*ibid.*, Bk. IV, pg. 34]. What Montesquieu said of countries applies with equal force to Enterprises. What individuals learn from examples and experiences are every bit as much a lesson as what a pupil might learn in a class in, say, geometry. An Enlightened institution of Enterprise is instituted with a clear understanding that almost everything that transpires within it is going to impart some lesson to some people within it to either its common benefit or disbenefit. This is the import of the Principle of progressive education for civic free enterprise;

3. **Principle of human determinability of Progress** – *human beings design lines of human Progress*. Enlightenment thinkers pondered and debated how these lines might best be laid out. Their answer was *by means of scientific methods*. What, though, does this mean? The shortcoming that hindered Progress across the institutional spectrum in the 19th century was a failure to understand that *scientific* institution of social institutes means that appropriate scientific *methods* can only be sought in *social-natural* sciences. Instead, later thinkers sought to mimic methods and ways of thinking appropriate in *physical-natural* sciences (the dead-matter sciences). As a result of trying to mimic non-humane methods, human-natural scientific methods, which alone are capable of designing lines of human Progress, failed to be established. The specious 'social Darwinism', which grew out of seeds planted by Joseph Townsend [Polanyi (1944), pp. 116-135], is an example of how non-natural pseudo-science has partially contributed to the perpetuation of uncivic free enterprise. Failure to wholly and properly understand what 'science' is, and that physical-natural and social-natural sciences are grounded in different principles of causality, were errors that continue to dog the ineffective "social studies" and "social sciences" to this day;
4. **Principle of necessity for flexible institutions** – *human institutions must be designed to accommodate changes affecting Society as they occur insofar as these changes alter the circumstances challenging Society's civil Communities*. That circumstances change over time is one of the most readily observable of all social phenomena. That some of these changes present dangerous challenges to Societies is also well known; much of history consists of documentation of divers Toynbee challenges and their aftermaths. Toynbee wrote, "One source of disharmony between the institutions of which a society is composed is the introduction of new social forces – attitudes or emotions or ideas – which the existing set of institutions was not originally designed to carry" [Toynbee (1946), pg. 279]. If any institute is to be capable of assimilating changes affecting Society, that institute must be made capable of accommodating itself to these changes, i.e., it must be designed to be adaptable. In the greater number of cases, institutes have been designed as if the world were immutable. Attempts to impose prescribed rules and standards exemplify this. Historically it has been rare that institutes have made the ability to change part of their basic design. Perhaps the best known counterexample of this was provided by the Framers of the U.S. Constitution, who institutionalized change in its Article V, the article that established the process of constitutional amendment. As Jefferson, who must be counted among the prominent Enlightenment thinkers, wrote in 1816, "I know also that laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and

manners and opinions change with the change of circumstances, institutions must advance also and keep pace with the times" [Jefferson (1816), pg. 559]. People, however, tend to be averse to most changes most of the time, preferring what they know and are accustomed to over that which is strange and new. When change is then forced upon them by new circumstances, satisficing problem-solving tends to lead them to make *ad hoc* changes in their institutions dealing only with the immediate source of disturbance while ignoring what other consequences these changes cause elsewhere. The Principle of flexible institutions calls for as carefully reasoned design of institutional change as for careful original design. It was only in the latter half of the 20th century that *design* of adaptive systems became part of the science of systems theory and began to establish design *téchne* for accommodation of *changes*.

The Enlightenment principles were and are just the beginning for a science of institutions. The 18th century Enlightenment thinkers stopped short of a necessary next step. This was to bring into the light *synthesizing functions* for the practical realization of the principles. Doing so is the next topic.

§ 2. The Synthesizing Functions of Enlightened Enterprise

The making of any human Institute consists essentially of synthesizing a social Molecule, and synthesis always involves precisely three synthesizing functions [Kant (1790) 5: 197fn]. The four headings presented above are incomplete at the second level of analytic representation (2LAR) until each heading is given its three synthesizing functions. The Enlightenment thinkers did not provide them, but this cannot be fairly imputed to them as a fault. Proper deduction of these functions required a fuller development of Critical metaphysics than had been achieved by the end of the 18th century, and the 19th century saw no significant development of Kant's system. It was not until 2006 that the system had been developed enough to complete of the 2LAR of figure 1 and deduce its twelve synthesizing functions. The latter deduction was not accomplished until 2014 [Wells (2014), chap. 2].

Critical deduction of the functions of figure 1 is not brief and it is technical, and so I do not repeat it here. The details are found in Wells (2014), chapter 2, and I refer interested readers to this source. The conclusions of that deduction and explanations of the functions are as follows:

A. The functions of Quantity

1. **Agents** – An Institute (the product of a process of institution) requires a body of human agents to carry out its activities. At first glance this likely seems to be a rather trivial and obvious point. However, there are subtleties that emerge from the deduction of this function. The necessary actions carried out by agents of the Institute are those which cannot be automated because these actions are those which require decision-making and interactions necessary for supplying an Institute with energetics and focus. The corporate personhood of any Institute subsists *in the body politic of its agents*. What makes a person an agent *of an Institute* is not merely his ability to be the cause of an effect. The *effect* must be an intentionally systematic result of characteristic properties of the Institute. But these properties subsist in a *unity of actions* enacted by the body politic of the Institute acting with *intent to fulfill* a purpose of the Institute. A particular *person* whose actions are not grounded in such an intent is an agent but he is not acting as an agent *of the Institute*. Rather, his action is outside the institutional *system*, is logically particular, and does not stand in a logically *singular* relationship to the Institute. Hence the function pertains to agents *as* the composition of *one* body politic. A person acting on his own and in a way contrary to the intent of the Institute is a rogue but not a rogue *agent of the Institute*. Any *culpability* for his action is a *personal* culpability, not an *institutional* culpability.

2. **Structured agencies** – an organized *system* of co-working and cooperating agents organized by design of the Institute. This structure provides division of labors that are carried out by the agents and makes the Institute a structured Object subsisting in the cooperations of its agents. The unified overall structure is called '*the agency*'.
3. **Agency Duties** – a systematic set of common understandings, shared by interacting agents, of how their individual actions are to combine and be co-determined to fulfill the objectives and satisfy the purposes of the Institute. The key word in this is *understanding*. Lists of duties and procedures (position descriptions) are not sufficient to provide this function. The agents must understand and commit themselves to fulfilling the original intended purposes of the Institute. The system of organized Duties and procedures – or, what is the same thing, the purposiveness of goals orienting goal-directed management of the Institute – draws its practical and real objective validity from the Principle of justifiable institutions.

B. The functions of Quality

1. **Reinforcement** – the demand function that makes it the duty of the Institute to uphold and reinforce the social contract binding the Institute together in regard to both its internal unity and its unity with the parent Society in which the Institute is embedded. That this is an *education* function is not immediately clear from the wording of this explanation, but this characteristic of the function follows from the fact that every action taken by agents and groups of agents has, at the same time and in addition to the objective particulars of that action, an effect on acts of educational Self-development in the people the Institute serves and in the agents themselves [Wells (2014), chap. 2, pp. 43-44]. If the Institute is derelict of its duties, if it perpetrates acts of injustice, if it acts imprudently or fails to act with complete integrity, the lesson it teaches its agents and others in Society is that the Institute cannot be trusted to fulfill its part of the social contract and that expectations of authority vested in at least some of its agents have been misplaced.
2. **Counteraction** – the demand function that makes it the duty of the Institute to take actions, within the scope of its expectation of authority, to negate situations and circumstances that are unjust under the terms and conditions of the social contract. It is nothing more than a fact of experience that people make mistakes or that misunderstandings between people do arise. There is no deontological moral transgression in making mistakes or in misunderstanding. However, when these mistakes or misunderstandings produce injustices, allowing these injustices to be perpetuated through lack of corrective action *is* a deontological moral transgression. The counteraction function subsists in actions taken to counteract injustice within the scope of the expectation of authority vested in the Institute. Like the first function of Quality, this too is an educating function and is so for the same reason.
3. **Balancing of practices** – this third function is the product of synthesizing the first two, i.e., it is the demand function calling for a proper balancing of actions of reinforcement and counteractions in order to maintain or restore a general condition of social equilibrium. In this equilibrium, Order – as assessed by measures of domestic tranquility and general Welfare – is maintained without stifling the achievement of Progress. Agents and agencies are called upon to be problem-solvers, but there are constraints on problem-solving *means* that ultimately trace back to the general requirement for justice within the Institute mini-Community and between that mini-Community and its parent Society. The function is a *condition* of civil liberty in the making and operating of Institutes.

C. The functions of Relation

1. **Assimilation of Society** – the function of assimilating societal situations and circumstances in the actions undertaken by the Institute in terms of how data gathering, communication, and decision-making processes are *designed* for determining an Institute's

effects on the general Society in which it is embedded. Specific duties, policies, and operational procedures of an Institute are partial determiners of how the Institute affects Progress and whether or not its effects on Progress work for the good of its Society. Civil liberty to establish an Institute is not an open license. Rather, there is always a *quid pro quo*. Special interest advantages to the Institute and its members may not be realized by means that disadvantage or retard Order and Progress in other parts of its parent Society. This is to say, as Mill did, "if we would increase our sum of good, nothing is more indispensable than to take due care of what we already have. If we are endeavoring after riches, our very first rule should be not to squander uselessly our existing means. Order, thus considered, is not an additional end to be reconciled with Progress, but a part and means of Progress itself. If a gain in one respect is purchased by a more than equivalent loss in the same or any other, there is not Progress" [Mill (1861), pg. 16].

2. **Accommodation to Society** – the function of making the Institute change to match changes that have occurred in its parent Society. This function does not fall under the Principle of Modality because the function is not a function for ensuring flexibility of the Institute as an *end* but, rather, for determining its *means* of being flexible. The function pertains to causality & dependency (Relation) and not to Modality judgment of necessities of flexibility. It speaks to the making of adjustments in the Institute that are harmonious with relationships between the Society and the Institute mini-Society.
3. **Social adaptation** – the function for an Institute's self-transformations in making its agency equilibrate *its* effects on the parent Society *with* that Society's effects on it. All adaptation is an equilibrium between assimilation and accommodation. The function is a function for reciprocal co-determination of Society and the Institutes within it as these determinations are applied to the specific Institute in the particular.

D. The functions of Modality

1. **Research** – the function of careful, patient, diligent collection and examination of facts *and* the apprehending of these facts within the general context of the Institute's role and mission. How this function is implemented varies greatly from Institute to Institute, but all Enlightened Institutes must incorporate this function somewhere and make its findings a part of matters of decision-making and procedure. Flexible institution requires aliments of knowledge upon which to base the ability to *be* flexible.
2. **Determination of actions** – the assertoric function of making determinations of what actions will be undertaken by and within the Institute. An Institute that does nothing is a contradiction in terms. This function can be regarded as the supreme executive function of an Institute and has direct pertinence to the Institute's leadership dynamic.
3. **Setting of agency objectives** – the logically apodictic function by which agents of the Institute understand and give their consensus to specific ends to be made actual by the actions taken within and by the Institute. It is *principally* a judicial function by which the corporate person of an Enlightened Institute obtains its orientations and directions of its activities. It also pertains immediately to the Institute's leadership dynamic and it does not at all implicate any *rulership* actions on the part of its authority figures. It is a function directly pertinent to goal-directed management of an organization, which is a topic treated at length in Wells (2014), chap. 9, §6. It will also be treated later in this treatise with specific application to commercial Enterprise-of-enterprises.

These functions pertain to all civil institutions and civic Institutes. Now, institution of public Institutes differs from that of commercial Institutes. The motives for establishing the former are public motives, while those of the latter are special interest motives. One primary consequence of this is that public Institutes are generally not-for-profit Institutes while commercial ones are for-profit Institutes. This difference introduces different specifying concepts in understanding public vs. private Institutes.

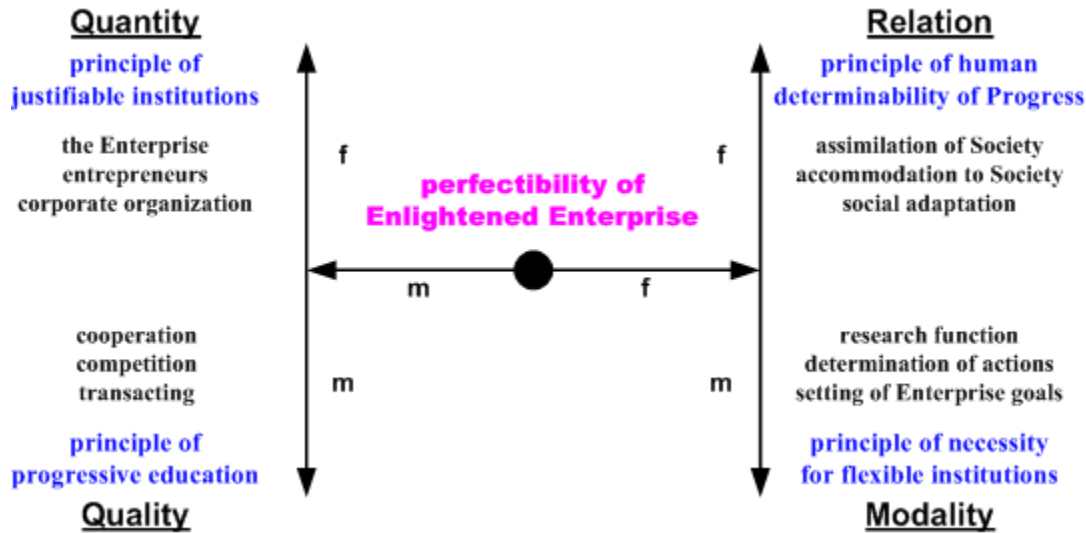


Figure 2: 2LAR of Enlightened institution of a commercial Enterprise.

In terms of the matter and form of institution, a difference in motives makes a difference in the matter functions (Quantity and Quality) but leaves the form functions (Relation and Modality) unaltered. Each person working in an Enterprise has personal motives (*Bewegungsgrund*) for doing so; but a common motive for choosing to be a wage-laborer² in any industrial conglomerate is a profit motive, i.e., the person makes this choice for the purpose of obtaining income revenue in exchange for his labor services. This does not mean other motives divers individuals have for choosing to undertake their particular enterprises in association with a particular Enterprise are unimportant. The success of an Enterprise depends on its ability to be a vehicle for individuals to satisfy their own special interest motives. But it does mean there is at least one interest *common* to everyone employed in the same Enterprise.

Now, this common profit motive pertains as much to employment in non-commercial entities as it does to commercial ones. The difference, however, is that in the commercial case satisfaction of personal profit motive is conditioned by and depends on the company, as a corporate person, being able to realize a *common profit*. This is because the wages of wage-laborers and dividends of capitalist investors are all drawn from this common profit (see chapter 5, especially §4.2). As a specifying concept³ distinguishing commercial from non-commercial enterprises, the concept of a common profit pertains to the matter of institution, thus to Quantity and Quality in a 2LAR. Figure 2 presents the specialized 2LAR of Enlightened institution of a commercial Enterprise. The specialized functions are as follows:

A. The functions of Quantity

1. **the Enterprise** – functional unity of the divers enterprises employed in the company. An Enterprise is the common Object of all the individual instantiations of personal enterprises carried out by the group of people associated with each other in a united Community. Because this common Object, ontologically, is an *Unsache*-thing, it subsists only in cooperations and reciprocal Duties among economic services of a company's members acting in concert as a body politic for the mutual benefit of all the members. This function is the for-common-profit specialization of the agents

² I include here the wage-labor activities of proprietors, which provide an income revenue separate from any dividend revenue he receives from the investment of his capital. This was explained in chapter 5.

³ For the role and use of specifying concepts in Critical applied metaphysics, see Wells (2011). Specifying concepts are used to deduce systems of applied metaphysics for objectively valid natural sciences.

function of general Enlightened institution. The unity I speak of here does not happen automatically in arbitrary aggregations of people; organized efforts must be expended to achieve it. Thus the function implicates a system of Republican governance of the company's economic operations⁴.

2. **entrepreneurs** – the division of labor function. The Idea of this function goes beyond the simpleminded idea of a "job description" – the traditional means of attempting to specify a division of labor. An entrepreneur is any person undertaking personal enterprise activity for the purpose of satisfying a Duty-to-himself in regard to the tangible power of his person (tangible *Personfähigkeit*). In the context of Enterprise, the enterprise activities are economic and we are speaking of economic entrepreneurs. The significance of this is that the idea of division of labor as a mere parceling up of tasks to be accomplished is incomplete. The composing of divisions of labor must be designed with recognition of and allowance for economic enterprise goals of those who provide labor services in the company. Failure to do so inevitably results in perpetrations of injustice (and sometimes enormities) within the Community of the Enterprise. If injustices are institutionally *perpetuated*, the price the company eventually pays for social contract violation is breakdown and, ultimately, business failure.
3. **corporate organization** – the function of arranging the divers divisions of labor such that activities of the various mini-Communities within the corporate Community are reciprocally co-determining and oriented in a common direction and with a common purpose so that the whole of member activities constitutes the Enterprise Object.

B. The functions of Quality

1. **cooperation** – the function of leadership by which collective behaviors of interacting people are reciprocally co-determined from bases in Duties, according to personal and private moral codes, in such a way that each person interacts congruently with the Duty-determined behaviors of the other people. To congruently interact in this context means fulfillment of Duty by one person in the group does not thwart fulfillment of Duty by another person in the group.
2. **competition** – the regulating function of leadership by which some activities are made to decrease while others are made to increase in such a way that general satisfaction in the overall performance of the Enterprise is raised without *core* special interests of mini-Communities within it being thwarted. For example, I have never seen a department whose people did *not* think their operation could be improved if only their budget was larger or they had more space. However, the total amount of money and floor space any company has that is available for budgeting is always limited and allocations are therefore necessary. Management's usual term for how this allocation is made is "competition for resources." It is not an infrequent occurrence that such decisions are made by comparative "return on investment" analyses. Another frequent example occurs when one department wishes to enact procedures or rules for other departments to follow such that operations in the first department can be implemented more easily or efficiently. Enactment of these sorts of changes in procedure or policy not-infrequently cause hindrances to the ease or efficiency of *another* department's performance. This can be called "competition for time" – another limited resource. A key purpose of the competition function is to strive to

⁴ If the membership population of the industrial conglomerate is small enough, *Gemeinschaft* governance of company operations might be feasible. However, *Gemeinschaft* governance either breaks down or becomes arrested rather quickly as population size grows. Special interests and stereotyping particularly contribute to this as the number of people involved reaches even modest size. This does not preclude the possibility that a larger corporate Republic might use a *Gemeinschaft* form of governance within small local groups of co-workers as part of a *heterarchical* overall structure of Republican governance. I discuss this structure in detail later in this treatise. Governance of an American Republic is inherently heterarchical whereas the governances of monarchy/oligarchy and non-consensus (representative) democracy are *hierarchical*.

optimize tradeoffs that must be made in allocating limited resources. However, it is extremely important that internal competition be civil, i.e., satisfactions of some mini-Community special interests are not achieved by thwarting others' special interests⁵.

3. **transacting** – the leadership function of balancing cooperation and competition in the overall activities of an Enterprise. It is the subcontrarity function of Quality in institution of a commercial enterprise or Enterprise which relates it creatively and profitably to the socio-economic environment in which it operates.

All three of these Quality functions fall under the Principle of progressive education because *how* the leadership dynamic in any commercial Community operates conveys lessons to its members that have effects on individuals' educational Self-development. This is to say that the leadership dynamic has an educating effect which is the principal factor at work in creating what many call a company's *corporate culture*. Peters & Waterman found

Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. Moreover, the stronger the culture and the more it was directed toward the marketplace, the less need there was for policy manuals, organization charts, or detailed procedures and rules. In these companies, people way down the line know what they are supposed to do in most situations because the handful of guiding values is crystal clear. [Peters & Waterman (1982), pp. 75-76]

Republican governance is difficult to install and even more difficult to maintain. Changes made in the American institution of public education at the hands of the so-called Progressive Education Movement have been a singularly destructive factor in the United States because the educational institution these changes established are anti-Republican, ostensibly prop up non-consensus democracy, but factually tend to move the United States' culture toward governance by monarchy/oligarchy through cultural disintegration at the hands of national political parties. As a consequence, it has become necessary to enact steps to prepare U.S. citizens for Republican governance, and these enactments are *not* solely confined to our Institutes of public education. Mill wrote at length on the necessity for recognizing the educative implications of how leadership dynamics affect citizenship. Among other things, he wrote,

A people may be unprepared for good institutions; but to kindle a desire for them is a necessary part of the preparation. To recommend and advocate a particular institution or form of government, and set its advantages in the strongest light, is one of the modes, often the only mode within reach, of educating the mind of the nation not only for accepting or claiming, but also for working the institution. . . . In politics as in mechanics, the power which is to keep the engine going must be sought for outside the machinery; and if it is not forthcoming, or is insufficient to surmount the obstacles which may reasonably be expected, the contrivance will fail. This is no peculiarity of the political art and amounts only to saying that it is subject to the same limitations and conditions as all other arts. [Mill (1861), pp. 7-8]

§ 3. The Enterprise as an *Unsache*-thing

Figures 1 and 2 pertain to the *instituting* of Enlightened Institutes and Enterprises. Deduction of the principles and functions in these figures was carried out from the judicial Standpoint of Critical epistemology. Next we must look at the thing these instituting efforts aim to produce.

⁵ The competition function pertains to intra-company competition for resources. A typical company also faces external *business* competition and this form of competition is a separate circumstance. There is not a well-managed company on earth who would not be delighted to face *no* business competition. A monopoly market is an environment in which a company can achieve maximum profits.

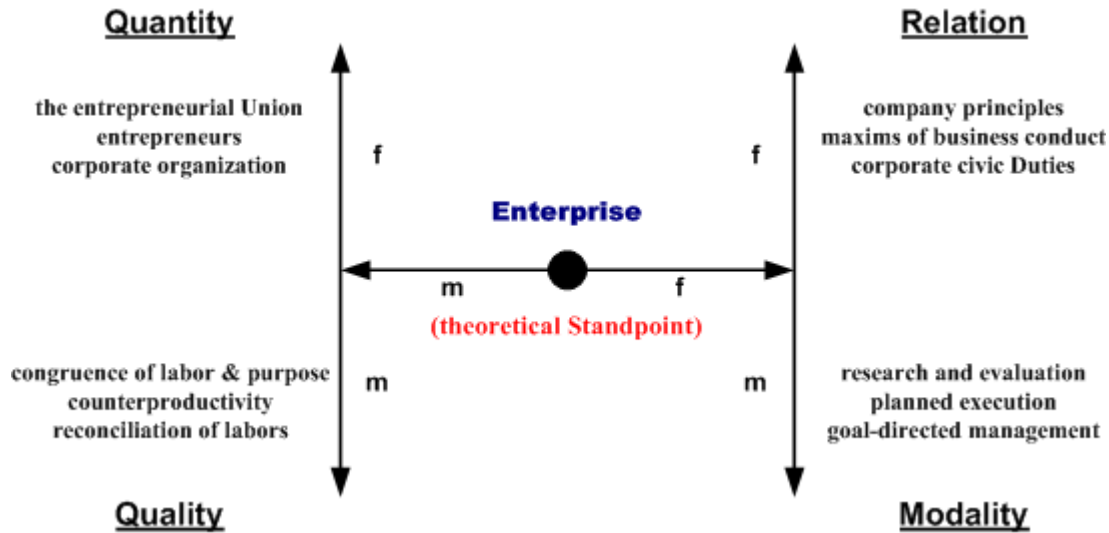


Figure 3: 2LAR structure of an Enterprise as an *Unsache*-thing.

Understanding a commercial Enterprise as an instituted thing requires changing perspective from the judicial to the theoretical Standpoint of Critical epistemology. Figure 3 summarizes the result of this Critical analysis. One of the first things you might notice in comparing figure 3 with the previous figures is the presence of some of the same words used to name some of the synthesizing functions. *Do not assume* that these labels mean the same thing in both cases. The change from judicial Standpoint to theoretical Standpoint sets up a different *context* for the meaning implications of functions. Figures 1 and 2 pertain to design *téchne* for making an institution; figure 3 pertains to the thing which is instituted. It is an ontological representation of an Enterprise as an empirical socio-economic phenomenon of commercial activity. The twelve functional *momenta* listed in the figure are basic functions explaining *what* an Enterprise is as a real Object (Quantity and Quality) and *how* it exists within the *nexus* of a social environment (Relation and Modality). The task of this section is to deduce these *momenta* from grounds in the theoretical Standpoint and to explain what each one means.

An Enterprise is a civil Community combining the enterprises of two or more people. A family-run dairy and a mom-and-pop store are usually Enterprises. So are a few large corporations, although most are not. (The few that are rarely remain Enterprises as their generations of management change). The economic goods and services an Enterprise trades in are irrelevant to the issue of whether it is or is not an Enterprise. Goods and services – e.g., milk producing or banking – do matter to the entrepreneurs in conducting their enterprises but do not affect whether or not what these entrepreneurs do forms an Enterprise. An Enterprise is grounded in human nature *and nothing else*. This is one of the most basic principles of free enterprise. A family-run dairy Enterprise is an Enterprise regardless of whether the cows are milked by hand or by milking machines, and regardless of whether or not the dairy sells cheese as well as milk.

An Enterprise subsists in the combined enterprises of its people. Any enterprise is an *undertaking* – something that a person does. Thus, an Enterprise *per se* subsists in these activities. It is a "happening" (an *Unsache*-thing) and not a material-thing-in-the-world (a *Sache*-thing). This is a core understanding of what an Enterprise is that has deontological consequences for justice or injustice in a number of *ad hoc* legal traditions. An example of one such is the 17th century legal fiction of an "artificial person." *Black's Law Dictionary* defines an artificial person as

An entity, such as a corporation, created by law and given certain legal rights and duties of a human being; a being, real or imaginary, who for the purpose of legal reasoning is treated

more or less as a human being. [Garner (2011); listed under the general section on 'person']

What this definition tells us is that any definable entity can be an 'artificial person' if legislating officials declare it to be one. It is a mathematical no-thing that has often been used for just ends but also can be and has been used to deprive human beings of civil liberties they have never agreed to alienate as part of their social contract. All these latter occurrences are *unjust* and unjust without exception. If, as in Bhopal, a pesticide plant accident releases a cloud of deadly gas that kills between 2000 and 4000 people and injures half a million people, it is an artificial person that gets blamed for it. In the case of Bhopal, judges chose to see past the fiction and eight people were convicted of negligent homicide; but, in other cases of disasters that killed and injured fewer people, the legal covers provided by the fiction of an artificial person have protected culpable perpetrators whose actions resulted in deaths or injuries.

The legal fiction of an artificial person was not invented for the purpose of allowing people to get away with criminal homicide, but it is beyond reasonable doubt that it has had unintended consequences of injustice, including ignoring of negligent homicide by the legal system, because of the non-reality of this mathematical no-thing. A currently ongoing case that seems to be heading this way involves exploding airbags in automobiles. Injustices of this sort are consequences of the lack of objective validity in the concept of an artificial person. Critical social-natural sciences make objectively valid use of a mathematical object called a ***corporate person***. One distinction between a corporate person and a legal system's artificial person is that the concept of a corporate person is defined in terms of real people and grounded in human nature; an "artificial person" is defined in a way divorced from real people. A corporate person does not shield individuals from the consequences of their actions; an artificial person does.

It is beyond reasonable doubt that Enterprises existed before the first history book was written. Thanks to archeologists who uncovered inscriptions and chronicles of Sargon of Akkad⁶, we have it that "fifty-four hundred men ate bread daily before him" in the late 24th or early 23rd centuries B.C. [Kramer (1963), pg. 61]. Industrial conglomerates engaged in agriculture, granaries, and food preparation would have been necessary to feed this large mob of trusted *herdmen*. Because Sargon was a conqueror who subjugated the people he conquered, these conglomerates were not necessarily Enterprises, but at some level within a conglomerate one or more Enterprises would be found; e.g., farming villages, herdsman, and other civil mini-Communities Sargon subjugated. The Agriculture Revolution in the Fertile Crescent pre-dated Sargon by over 6 millennia (*circa* 9,000-8,500 B.C.), and in the social restructuring that took place during this revolution the first commercial Enterprises would have arisen. We know this because by Sargon's time there were established divisions of labor [Durant (1935), pp. 124-125] for which enterprises and Enterprises are prerequisite. The antiquity of institutions of Enterprises, far predating the invention of science, tells us designs and institutions of Enterprises were *ad hoc* products of judgmentation likely honed through trial and error. The essential characteristics of an Enterprise came into being during these prehistoric inventions and have come down to us today fundamentally unaltered so far as basic social structures are concerned.

There are many different contexts from which a business can be viewed. In purely economic contexts, a business is regarded *mathematically* in well known conventional ways, i.e., in terms of producing and marketing, pricing and costing, productive and non-productive labor, &etc. Not to put too fine a point on it, but this is a dehumanized way of looking at business. By this I mean it is a viewpoint neglecting the fact that everything that happens during the operation of a business happens because of the people who are operating it. This context fails to understand a business as a *real* thing – as an *Enterprise* in the objectively valid context of a social-natural science – and

⁶ also known as Sargon the Great (2334-2279 B.C.). Sargon is credited with establishing the first military empire, subjugating the numerous petty city-state kingdoms of his day in Mesopotamia.

regards it only as a *mathematical* object defined by the non-natural science of present day economics⁷. This is a context clearly inadequate to understand a business because it leaves out of consideration many issues actual businesses have to deal with if they are to be commercially successful: leadership; industrial/workplace psychology; recruiting and retention of employees; and management to name but a few. The context is inadequate because it can not and does not address businesses as things in the *real* world of phenomena.

The technical term *essence* means *the first inner ground of all that belongs to the possibility of a thing*. Essence can be treated in two contexts, namely *logical* essence and *real* essence. The first is a mathematical context, the second is a *natural* context. What we must have at the foundations of an objectively valid natural science of free enterprise is an understanding of the real essence of an Enterprise. *Real essence* means *the synthetical concept of the first ground of all predicates predicated of a thing*. As an Object, real essence is a *noumenon*. The objective validity of this idea subsists in a regulative principle of Reason that functions as an Ideal for the structuring of the determinations of all necessary marks of an object. For an Enterprise, this regulative principle is *the Principle of Conformity to Law*, which states: *all objects of Nature conform necessarily to the a priori laws which are the conditions of the possibility of experience* [Wells (2006), chap. 5, pg. 418; Kant (1790), 5: 195-198]. These *a priori* laws are called the categories of understanding and they are primitive functions of the phenomenon of mind. The Principle of Conformity to Law is an acroamatic law of human understanding.

This brings us to the concept of a first ground of all things that can be predicated with objective validity of an Enterprise. Because its people are its social atoms and the causative agents of everything that happens in an Enterprise, this first ground can be sought nowhere else than in the *homo noumenal* nature of being-a-human-being. More specifically, this ground subsists in the mental physics of Reason, judgmentation and action determination in the capacity of a human being to be *in himself* the final arbiter and determiner of his own actions. The term for this capacity is *the natural freedom of a human being*. When it is regarded in this context, mental physics is the science of human freedom.

However, this first ground is only the ground, not the sum of all the consequences of a ground. In order to understand the real Nature of an Enterprise, the context for its understanding is the context of the mental physics of human appetitive power [Kant (1790), 5: 198]⁸. With this as the specifying context for the Object, let us now turn to the deduction of the synthetic functions in figure 3.

This deduction is made from the theoretical Standpoint of Critical epistemology, as I said earlier. The twelve functions in figure 3 are deduced by beginning with the twelve general ideas of Critical ontology presented in the 2LAR structure of figure 4. In a Critical science, ontology (the theory of objects) is grounded in Critical epistemology (the theory of the how human knowledge is possible and how this knowledge must be understood in order for our understanding to be objectively valid). We seek real understanding of that object we are calling an Enterprise, and to accomplish this understanding our empirical science must call upon Kant's Critical theory of representation [Wells (2009), chap. 2]. It is inappropriate for the purposes of this treatise to explain Kant's theory here; that task was done previously [Wells (2009)]. It is, however, necessary to *use* some of that theory in this treatise. In order to do so I present as much of it as I think will be needed in order to understand the topics of this treatise. If you wish to understand more about the Critical theory itself, you should consult Wells (2009).

⁷ Economics defines mathematical enterprise as "one or more firms under common ownership and control" [Bannock *et al.* (2003)].

⁸ For those readers who wish to consult the Kant citation, "appetitive power" is the proper translation for Kant's technical term *Begehrungsvermögen*.

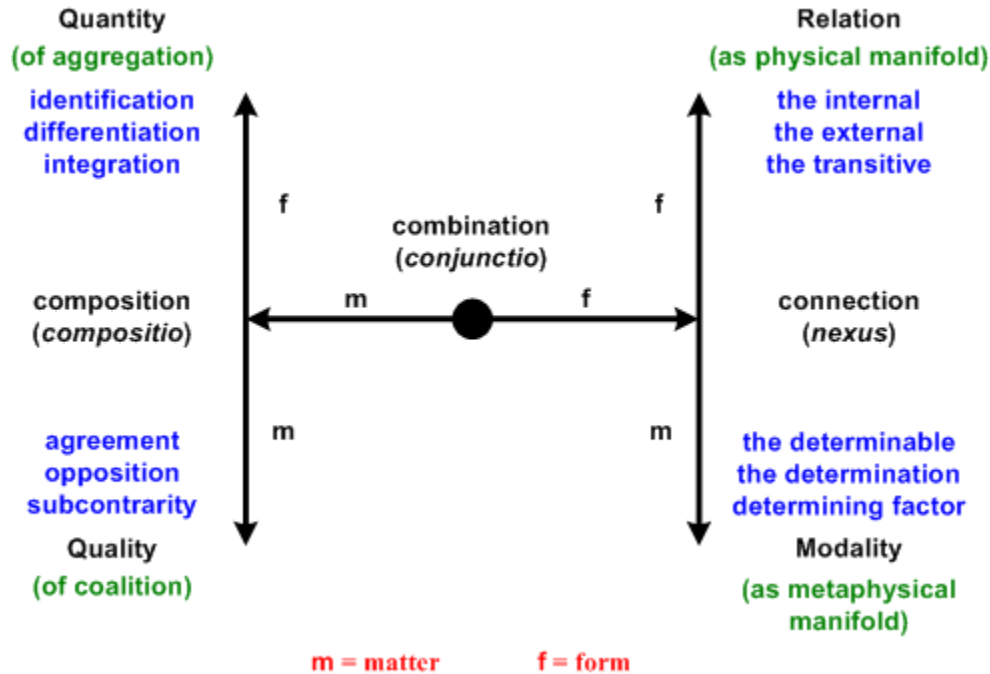


Figure 4: 2LAR schema of the twelve general ideas of representation in Critical metaphysics.

Figure 4 is the representation of a general schema of representation used in Critical ontology. For every specific object, the general ideas are *specialized* according to a **context** in which the object is to be understood. Figure 3 is the result of specialization of these ideas in a context that is established by the specifying concept of human appetitive power. In the theoretical Standpoint, appetitive power is the capacity of a human being to be, through his representations, the cause of the actuality of the objects of those representations. This capacity is related to desires but is not to be viewed as something caused by desires. Desires are affective perceptions represented in the process of reflective judgment but a desire is not the basis for human appetition⁹. That basis is found nowhere else than in the process of practical Reason, and the determination of appetites falls under the absolute regulation of the practical categorical imperative of pure practical Reason. Within this context, deduction of the functions in figure 3 proceeds as follows.

§ 3.1 The *Momenta* of Quantity

The functions of Quantity, and the other functions likewise, are not "objectives" in setting up an Enterprise. They are *momenta* describing facets of the activities occurring *in* an Enterprise. Ontologically an Enterprise is an *Unsache*-thing (a 'happening') and therefore it *is* what it *does* or, more accurately, *it is what its people do*. Its twelve *momenta* pertain to what its people *actually* do, not to what they *should* do. Regardless of whatever idealistic notions you might have about an Enterprise, the real thing does not care about your ideals; it is what it does. The questions are therefore: what does it do and how/why does it do it?

Momenta of Quantity are functions of aggregation of units – people in this case. In more technical terminology, functions of composition (Quantity and Quality) are functions for the synthesizing of a manifold of objects that do not necessarily belong to each other [Kant (1787), B 201-202 fn]. I think you can see easily enough that people are objects whose association with each other in an Enterprise is driven by no general law of necessity. If I don't want to work for

⁹ See the Glossary for the technical real-explanations of the terms appetite and appetition.

you, there is nothing that makes my working for you happen because of any sort of universal necessity. If you and I do decide to work together in a common Enterprise, it is therefore because of contingencies in our relationship that we do so. To seek out *momenta* of Quantity (and Quality) is to seek out the nature of such contingencies. What, then, are the *specific* ideas of aggregation for an Enterprise deducible from the general ideas of Quantity in figure 4?

Without intending to sound too Zen about it, the general ideas of Quantity in figure 4 are ideas that are sometimes described as the one, the many, and the one-of-the-many. Differentiation is the idea of "the many." **Differentiation** is *the form of the composition in which an aggregate is viewed as an aggregate of coordinate parts*, i.e., it is the idea of the parts constituting the basic units of the thing being aggregated. In the context of an Enterprise as a commercial entity, these basic units are the people within the Enterprise. These people join together so that, by the division of labor each contributes in the overall operation, their own purposes of tangible *Personfähigkeit* are realized. Each is expected by all the others to use his or her particular skills for the common benefit and welfare of all members. Thus, the idea of differentiation specializes to the idea of the **entrepreneurs** in the Enterprise.

The general idea of **integration** is *the form of the composition of many given parts into an entire whole in which the object is known as a totality of composing aggregates*. No single person in an Enterprise is expected to do everything. Rather, the divisions of labor within an Enterprise must be given some ordering and set in relationship with one another so that the overall aims of the Enterprise are accomplished. This is nothing other than the **corporate organization** with the adjective "corporate" being understood as denoting "the body" of people collectively organized.

In Critical metaphysics, synthesizing functions (*momenta*) always occur in threes. Two of these three can always be deduced by analysis of what is being represented. The analysis carries out a logical division into ideas of opposites, and this provides two of the three functions. Kant carried out this deduction for the general ideas of representation in *Critique of Pure Reason* [Kant (1787), B 319-324]. The last function is deduced by the re-synthesis of the other two. The general idea of identification in figure 4 can thusly be regarded as the synthesis of differentiation and integration. **Identification** is *the form of the composition in which an aggregate is viewed as a singular object*. In the context of an Enterprise, this idea specializes to **entrepreneurial Union**. This is more than the mere idea of individual entrepreneurs organized in terms of their specialized functions. It is the idea that these entrepreneurs *with* their organized division of labor form something more than a mere aggregation of labors; they form a united **body politic** with shared common interests *in the business* that are not individuals' interests in their own peculiar enterprises. These common interests are the foundations of their *civil Community* as co-laborers. Without this foundation in civil Community their association forms no entrepreneurial Union and the organization is merely an industrial conglomerate and nothing more. Entrepreneurial Union distinguishes the civil unity of a republic-of-commerce from a mere coexistence in an industrial conglomerate that characterizes the majority of large companies (as well as many smaller ones). An entrepreneurial Union subsists in what is sometimes called the "spirit" of the people, as when one talks about "team spirit." This notion of spirit was called "virtue" by Montesquieu:

Virtue in a republic is a most simple thing; it is a love of the republic; it is a sensation, and not a consequence of acquired knowledge, a sensation that may be felt by the meanest as well as by the highest person in the state. When the common people adopt good maxims, they adhere to them more steadily than those whom we call gentlemen. It is very rarely that corruption commences with the former [Montesquieu (1748), vol. I, pg. 40].

Every industrial conglomerate has the Quantity functions of entrepreneurs and corporate organization. But unless it also functions with entrepreneurial Union it is not an Enterprise. It is merely an aggregation of individuals whose enterprises are without civil bonding to each other

and whose actions are determined from maxims of prudence and imperatives of Duty-to-Self. The most typical accomplishment of Master of Business Administration (MBA) degree programs and business schools is to train would-be managers in how to extinguish entrepreneurial Union and turn Enterprises into mere industrial conglomerates that waste capital and make for themselves a destiny of eventual self-wrought breakdown, disintegration, and business failure.

The companies identified as "excellent companies" by Peters & Waterman in their landmark 1982 study, *In Search of Excellence*, were, at the time of their study, examples of companies that exhibited entrepreneurial Union. Since that time, most of those companies came under new managers whose management methods destroyed that Union. As a result, they became industrial conglomerates who are no longer excellent or even particularly successful businesses. This is a generational phenomenon, not a strictly post-1980s development, and has been happening for a very long time. In 1963, Thomas J. Watson, Jr., CEO of IBM, wrote,

Of the top twenty-five industrial corporations in the United States in 1900, only two remain in that select company today. One retains its original identity; the other is a merger of seven corporations on the original list. Two of the twenty-five failed. Three others merged and dropped behind. The remaining twelve have continued in business, but each has fallen substantially in its standing. . . . I believe the real difference between success and failure in a corporation can very often be traced to the question of how well the organization brings out the great energies and talents of its people. What does it do to help these people find common cause with each other? . . . And how can it sustain this common cause and sense of direction through the many changes which take place from one generation to another? [Watson (1963), pp. 3-4]

Self-commitment by its people to Watson's factor of "common cause" is an express symptom of entrepreneurial Union. IBM had it in 1963 and does not have it today; it is a corporate suicide-in-progress. The same is true of Hewlett Packard and others on Peters' & Waterman's list.

§ 3.2 The *Momenta* of Quality

The notion that a thing has qualities goes at least as far back as Aristotle:

By a *quality* I mean that in virtue of which things are said to be qualified somehow. But quality is one of the things spoken of in a number of ways.

One kind of quality let us call *states* and *conditions*. A state differs from a condition in being more stable and lasting longer. . . . States are conditions but conditions are not necessarily states. . . . Another kind of quality is that in virtue of which we call people boxers or runners or healthy or sickly – anything, in short, which they are called in virtue of a natural capacity or ability. . . . A third kind of quality consists of *affective qualities* and *affections*. Examples of such are sweetness, bitterness, sourness, and all their kin A fourth kind of quality is shape and the external form of each thing, and in addition straightness and curvedness and anything like these. . . . Qualifications admit of a more and a less, for one thing is called more pale or less pale than another Nothing so far mentioned is distinctive of quality, but it is in virtue of qualities only that things are called *similar* and *dissimilar*. [Aristotle (date unknown), 8^b25-11^a15]

The most basic predications one can make about what makes up the composition of a thing in regard to descriptions of its matter are: (i) that the thing has some property or characteristic; (ii) that it does-not have it; or (iii) that it has it in some degree more or less than another thing does. Only in the third case does the notion of magnitude enter into predications of qualities. In these predications there is no smallest unit of measure of a quality; if there was it would be a quantity, not a quality. We speak not of *extensive* magnitudes here but rather of *intensive* ones. Bergson put

it this way:

[In] the immense majority of cases, we decide about the intensity of the effect without even knowing the nature of the cause, much less its magnitude; indeed, it is the very intensity of the effect which often leads us to venture an hypothesis as to the number and nature of the causes . . . Thus it seems evident that we experience a more intense pain at the pulling out of a tooth than of a hair; the artist knows without the possibility of doubt that the picture of a master affords him more intense pleasure than the signboard of a shop; and there is not the slightest need ever to have heard of forces of cohesion to assert that we expend less effort in bending a steel blade than a bar of iron. [Bergson (1910), pp. 4-5]

The functions of Quality in Critical representation are functions for synthesizing compositions of attributes involving an intensive magnitude of a property or characteristic *in* a thing. Such functions are called functions of coalition because the properties or characteristics are said to coalesce in the makeup of the nature of the thing. The first general idea of Quality is *agreement*: possession of a property or characteristic does not contradict the *Existenz* of the thing. Having the property *agrees with* being the thing. The second idea is *opposition*. Here the kind of opposition being spoken of is called *Widerstreit* in German and means possession of a property or characteristic is in conflict with or negates the *Existenz* of the thing. For example, "having gills" is in opposition to "being a human being"; "being liquid" is in opposition to "being ice."

The third function is a synthesis of the first two and is called *subcontrarity*. There is a key distinction between two predications being *contradictory* to each other vs. being *contrary* to each other. Two predications are contradictory if both cannot be true of a thing at the same time, one must necessarily be true, and the other must necessarily be false. "Being mortal" and "being immortal" are contradictory predications for "being a human being." If I tell you, "Zeus is immortal," then whatever else Zeus may be, Zeus is *necessarily* not-a-human-being.

Two predications are contrary, on the other hand, if both cannot be true of a thing at the same time, one or the other must be true, but neither predication is *necessarily* false. For example, "being alive" and "being dead" are contrary predications for "being a human being." A person can be alive and that same person can also be dead but no person can be both at the time. A subcontrarity function performs the important role of *synthesizing a union of two or more contraries*, which is to say it is a synthesis of opposition regarded as agreement. Specifically, it allows for *conditional agreement* in which a condition is a sufficient ground for negating contradiction. For example, the following statement is true of your author: "I had blond hair when I started kindergarten but it was brown by the time I was in junior high and now it is gray." There are three pairs of contrary predications about the color of my hair in this sentence, but each is conditioned (by how old I was when it was true) and the complete sentence is true because it is the synthetic union of a synthesis by subcontrarity.

An Enterprise is an *Unsache*-thing (a "happening") defined by the activities carried out by the people whose labors comprise it. Its cohesion subsists in common purposes and common aims for which and at which these activities strive. This provides the specific context in which the Quality functions for an Enterprise are understood.

The first of these is the ***congruence of labor & purpose function***. It is the agreement function of an Enterprise and subsists in labor activities that promote and fulfill the purposes for which the commercial Community exists and promote the Community's achievement of its aims.

The opposition function is the ***counterproductivity function***. It subsists in labor activities that are instigated by some persons or groups within the Enterprise Community that hinder or frustrate achieving the aims and purposes of labor activities of other persons or groups in the Enterprise Community. I think it is likely obvious that no one would deliberately and consciously synthesize

counterproductivity within an organization. However, *unintentionally* counterproductive activities *do* happen from time to time within any organization. For example, a department might decide to streamline its activities by requiring other departments to submit complicated forms or follow complicated procedures to obtain services from the first department. In order to more easily carry out his supervisory or administrative duties, a manager might require other people in the organization to periodically file time-consuming detailed reports about, say, their performances in regard to so-called "metrics" or "rubrics" presumed to "quantify" whether or not particular objectives are being achieved. These are examples of one person or department optimizing his or its own *local* labor activities at the expense of *global* optimality of labor activities in the organization as a whole. The phenomenon happens quite frequently in large companies. It once prompted Robert Townsend, former CEO of Avis, to say companies ought to have

a vice president in charge of anti-bureaucratization. He must have a loud voice, no fear, and a passionate hatred for institutions and their practices¹⁰. In addition to his regular duties, it's his job to wander around the company looking for new forms, new staff departments, and new reports. Whenever he finds one that smells like institutionalization, he screams "Horseshit!" at the top of his lungs. And he keeps shouting until the new whatever-it-is is killed. [Townsend (1970), pp. 67-68]

The practices of Taylorism – mistakenly praised as "best management practices" by incompetent managers – institutionalize precisely this sort of counterproductivity in those companies infected by this fatal management disease.

That no company intentionally sets out to hinder and frustrate its own operations is completely irrelevant. An Enterprise is what it does, and companies *do* hinder and frustrate themselves from time to time. The counterproductivity function is a reality found in commercial organizations.

The subcontrarity function is the ***reconciliation of labors function***. This function subsists in activities by which activities in opposition to one another are transformed into activities that can coexist and be carried out without hindering or frustrating the satisfaction of congruent interests in the Enterprise Community overall. Meetings, budgeting, supervising, and methods of goal-directed management and administration are all examples of activities intended to effect the reconciliation of labors function within a corporate organization. In an Enterprise reconciliation is actual and subsists in the Community's leadership dynamic. In a non-Republican industrial conglomerate, especially one governed by the practices of Taylorism, it fails.

§ 3.3 The *Momenta* of Relation

Relation and Modality, the headings of connection (*nexus*), differ from Quantity and Quality in that here combination represents the synthesis of what is manifold insofar as the connections are between things regarded as necessarily belonging to each other. Cause-and-effect, substance-

¹⁰ Townsend used the word "institution" as a synonym for "bureaucracy." His pet hatred was given to forms and reports managers required their underlings to fill out or prepare but which did not make any useful contribution to profit and wasted people's time. Taylorism is rife with these sorts of forms and reports. Often the requiring manager does not even bother to read them – a fact those burdened with preparing them soon figure out and counteract by just making up things for the report that will keep the manager out of their hair as much as possible. The so-called "rubrics and metrics" Taylorite organizations typically use are so vague and unquantifiable that you can say almost anything in the report or form and have it be not-false. I've used the tactic myself when I was a program director in an organization that had fallen prey to Taylorism. In my case, the "rubrics and metrics" were so vague that all our laboratories could have burned to the ground and I'd still have been able to not-falsely claim we were meeting our requirements. In psychology this behavior is called "passive aggression" and is a *Widerstreit* phenomenon typically found in Taylorite companies.

and-accident, and necessity-and-contingency are examples of such connections. Representations of Relation pertain to connection in a physical manifold, which is to say connections among objects in Nature [Kant (1787), B 201-202 fn].

The first general idea of Relation is the *internal Relation*, i.e., *the form of connection in a representation in which the connections have no reference to anything other than the object which is being represented in the connection*. The Critical axiom governing internal Relation is the *Principle of Persistence*, which states that all appearances of objects contain that which is persistent, as the object itself, and that which is changeable in the way in which the object exists [Kant (1781), A 182-189]. That which is persistent is the notion of something that remains unchanged as the object undergoes changes in time. For example, when you go to the barbershop and get a haircut, *you* are still the same *you* afterwards as you were before you went into the shop even though "pieces of you" (your cut hair) remain behind on the barbershop floor. When a philosopher refers to 'substance' and 'accident,' by 'substance' he means that-which-is-persistent and by 'accident' he means that-which-is-changeable' in an object.

To specialize the general idea of internal Relation to the context of an Enterprise, we need a specifying concept to explicitly tie the idea of internal Relation to an Enterprise. This must be the concept that there is something "in" conducting an Enterprise that remains unchanged over the passage of time. This something must be such as to provide a persistent connection for all the activities of the Enterprise – regardless of whether the activities are activities undertaken yesterday, today, or tomorrow. What sort of synthetic function answers to this description?

Watson of IBM called it "the beliefs of the business" [Watson (1963)]. A few present day companies call it "our core beliefs." Bill Hewlett and Dave Packard of the Hewlett Packard Company called it "the HP Way" [Packard (1995)]. Peters & Waterman called it "the company's value system" [Peters & Waterman (1982)]. They wrote,

Let us suppose that we were asked for one all-purpose bit of advice for management, one truth that we were able to distill from the excellent companies research. We might be tempted to reply, "Figure out your value system. Decide what your company stands for. What does your enterprise do that gives everyone the most pride? Put yourself out ten or twenty years in the future: what would you look back on with greatest satisfaction?" [Peters & Waterman (1982), pg. 279]

A business' 'beliefs,' or 'values,' or simply its 'what we stand for' will vary from one Enterprise to the next but what they will all have in common is that they constitute first principles for guiding the making of every business decision, responding to emergent situations, and they are understood and agreed to by every entrepreneur in the corporate Community. They can quite rightly be called *business principles*. They are capable of being stated objectively and function in the role of what can rightly and properly be called the *business mores* of the Enterprise. The first function of Relation is therefore called the *company principles* function.

For Watson and IBM, their specific company principles were:

1. Have respect for the individual;
 2. Give the best company service of any company in the world;
 3. Pursue all tasks with the idea that they can be accomplished in a superior fashion.
- [Watson (1963)]

For the Hewlett Packard Company they were:

1. *Profit*. To recognize that profit is the best single measure of our contribution to society and the ultimate source of our corporate strength. We should attempt to

- achieve the maximum possible profit consistent with our other objectives.
2. *Customers.* To strive for continual improvement in the quality, usefulness, and value of the products and services we offer our customers.
 3. *Field of Interest.* To concentrate our efforts, continually seeking new opportunities for growth but limiting our involvement to fields in which we have capability and can make a contribution.
 4. *Growth.* To emphasize growth as a measure of strength and a requirement for survival.
 5. *Employees.* To provide employment opportunities for HP people that include the opportunity to share in the company's success, which they help make possible. To provide for them job security based on performance, and to provide the opportunity for personal satisfaction that comes from a sense of accomplishment in their work.
 6. *Organization.* To maintain an organizational environment that fosters individual motivation, initiative, and creativity, and a wide latitude of freedom in working toward established objectives and goals.
 7. *Citizenship.* To meet the obligations of good citizenship by making contributions to the community and to the institutions in our society which generate the environment in which we operate. [Packard (1995), pp. 80-81]

HP operated under these company principles from 1957 until the late 1990s, during which time it was regarded as one of the best managed and most successful companies in America. When its management abandoned these principles in the late 1990s, within a year HP was transformed into the mediocre and declining industrial conglomerate that goes by the old name today. HP's story is one of uncounted many in American business retelling a tale of business decline and failure under the rulership of an unprincipled and incompetent management [Malone (2007)]. The decline and fall of the Morrison-Knudsen Company under William Agee is another example.

The second general idea of Relation is the *external Relation*, i.e., *the form of connection among objects in which is represented something not contained in the representation of any of these objects by themselves*. Its governing acronym is the *Principle of Generation*, which says that everything that happens presupposes something which it follows in accordance with a rule [Kant (1781), A 189-211]. At the core of this acronym is found the Critical notion of causality-and-dependency, which is one of the primitive functions in the phenomenon of mind.

A business has many external Relations: customers; suppliers; creditors; regulators; stock shareholders; etc. It must react to the actions of its competitors or to emergent situations of a non-commercial nature (such as a fire or an earthquake) that affect its commercial liberties. The specifying concept for the second function of Relation is the concept that, in all it does, its people are the agents of all the actions of an Enterprise. This concept can rightly be called the causality of Enterprise. Now, *causality* is *the notion of the determination of a change by which the change is established according to general rules*. In order for an Enterprise to be the agent of its own actions, there must therefore be some set of rules by which it determines its specific actions and the manner in which its activities proceed. *All actions are actions taken in the particular*. This is the characteristic that distinguishes the rules I'm talking about here from those which make up the company principles. The rules in the context of the second function of Relation are subject to variations with time and circumstances, i.e., they are not persistent rules. Instead they are maxims that are conditioned by specific circumstances and lead to specific actions. The second function is therefore called the *maxims of business conduct*. It subsists in habitually applied rules and practices adopted by the Enterprise and pertaining to conducting specific business actions. They function in the role of folkways within the Enterprise Community. Such things as "standard operating procedures" are examples. In contrast, the principles of the first function are properly called *tenets* rather than maxims and function in the role of mores of the Enterprise Community. The maxims are of a pragmatic character; company principles are of an ethical character.

The general idea of the **transitive Relation** is *the form of connection in which the concept of the connection is simultaneously the concept of an internal Relation and an external Relation*. External Relation pertains to causality-and-dependency and succession in time. In contrast, transitive Relation pertains to states of coexistence and co-determinations between objects. At the core of this idea is found the Critical notion of community, i.e., the notion of reciprocally co-determining objects. The Critical acroam here is the **Principle of Community**, which states that all substances, insofar as they are coexistent, stand in thorough-going community, i.e., are in interaction with one another [Kant (1781) A 211-215].

No business exists in isolation and so for a *civic* business – an Enterprise – the specifying concept here is straightforward. It is the concept of *corporate citizenship*. Now, because the Society in which it exists undergoes constant change, this specifying concept contains within it a concept of adaptability, i.e., a concept that it will change itself as its general Society undergoes change. The specifying concept further contains an inherent relationship to that Society's overall social contract. The third special function of Relation in an Enterprise follows at once from this specifying context. It is the **corporate civic Duties** function in accordance with the Society's social contract. The 7th corporate principle of Hewlett Packard quoted above made an explicit reference to this function through its idea of corporate citizenship. The function subsists in those actions and activities undertaken by the Enterprise which are grounded in its Community's self-commitment to make its exercises of civil liberty conform in every instance to Obligations to civil rights as these rights are guaranteed by its Society's social contract. It is a deontological justice function that, in its upholding by the corporate Community, makes an Enterprise a corporate citizen of its parent Society and sustains the citizenship of its members within the Enterprise. This function is a *sine qua non* for *civic* free enterprise.

§ 3.4 The *Momenta* of Modality

The first three headings (Quantity, Quality, and Relation) pertain to the representation of an object. The fourth heading, Modality, adds nothing to the understanding of an object by itself but, rather, pertains to the manifold of relationships that connect the object to *how* the person understands the object. This connection is epistemologically vital. Modality is the matter-of-the-form of representation; Kant referred to connections of Modality as a "metaphysical manifold" in representation, by which he meant combination of appearances "in the *a priori* faculty of knowledge" [Kant (1787) B 202 fn].¹¹ Judgments of an object in regard to Relation judge the object's connections with other objects in Nature (hence in a physical manifold), while those of Quantity and Quality judge the Nature of the object as a thing. Judgments of Modality, on the other hand, are best described as judgments of the *judgments* about an object. By means of Modality judgments we are able to distinguish real objects from imaginary ones, distinguish between actual things and speculations about possibilities, and discern when our experience with actual events disagrees with our expectations and anticipations of what we thought would happen.

The first general idea of Modality is **the determinable**, i.e., *that which can be used in the synthesis of a determination but which prior to this synthesis has no context*. The idea of 'context' is an extremely important idea epistemologically because every understanding of an object is an understanding within a specific context. More formally, **context** is *the sphere of concepts, combined by judgment with the concept said to have the context, which delimits the applicable scope involving that concept in Reality*. All meanings are meanings *within a specific context*.

The acroam governing ideas of the determinable is the **Postulate of Possibility**, which states

¹¹ Any metaphysic, whether personal or scientific, is nothing less and nothing more than "the way one looks at the world." Everyone makes a metaphysic for himself; it's construction begins in his infancy. A person's metaphysic fundamentally determines how he understands objects and what he does with or to them.

that whatever agrees with the formal (epistemological) conditions of experience is possible [Kant (1781) A 218-224]. To obtain the specifying concept for specializing the general idea for application to commercial Enterprise, all we need do is note that businesses have to plan and formulate business tactics. In order to do so successfully, its people have to obtain relevant information and posit possibilities and contingencies. Because it is almost never the case that a businessperson is able to obtain all of the relevant information one would like to have before making business decisions, planning also involves informed risk assessment, i.e., judgments based on a person's experience and concerned with what might go wrong and how serious the consequences would be if that were to happen. What people call the "immaturity" of teenagers' judgments is nothing of the sort; what teenagers lack (because they have not had time to acquire it) is experience required to make risk assessments or even to know the importance of making it a habit to *make* these kinds of assessments in the first place. It is why the army expects a newly commissioned lieutenant to listen to and respect the advice of his senior sergeant. It is why corporations do not put a newly graduated twenty-one-year-old ex-college student in charge of one of their divisions.

The prudence of making it a maxim to do business planning and risk assessment is perhaps clear enough that I need not belabor the point. This specifying concept leads directly to the first function of Modality for an Enterprise. It is the ***research and evaluation*** function – the function of fact gathering and analysis prior to making or amending plans and formulating tactics.

The second general idea is ***the determination***, i.e., *a synthetic attribution to a thing of one of two characteristics that are in opposition with each other*. Look outside your window: either rain is falling or rain is-not falling. The predicate "is falling" and the predicate "is-not falling" are in opposition to one another because these two predications are contraries. After you look, you make a judgment about which one is true and that judgment is your determination. From this judgment others follow, such as a decision whether or not to wear a raincoat if you go outside. The Critical acroam governing this general idea is the ***Postulate of Actuality***, which says: that which is linked up with the material conditions of experience is actual [Kant (1781) A 218, 225-226].

The specifying concept needed to apply this general idea to an Enterprise follows directly as a corollary to the specifying idea for the determinable. Researching, evaluating, and planning are tasks important to an Enterprise but these tasks do not actually achieve the desired ends which the Community of entrepreneurs jointly strive to bring about. This is done only by executing plans. Hence, the ***planned execution*** function is the second function of Modality in an Enterprise. It subsists in actually carrying out enterprise activities in conformity with specific business goals. Robert Townsend put his finger on this point quite nicely when he wrote,

Once I was asked to head up a new long-range planning effort. My wife listened to my glowing description of my new job. Next evening she blew the whole schmeer out of the water by asking: "What did you plan today, dear?" Bless her. [Townsend (1970), pg. 128]

The last general idea is the idea of ***the determining factor***, which is *that which constitutes the reason for making one determination rather than its opposite*. Purposive actions are called that because the ground for their actuality lies in an act of Reason. The ability to act from Reason is perhaps the highest mental capacity of human beings and, more than any other aspect, sets us above the more limited capacities of animals. Marcus Aurelius wrote

Whatever this is that I am, it is a bit of flesh and a little breath and the governing reason. [Aurelius (c. 174 A.D.), Bk II, 2, pg. 26]

The Critical acroam governing this idea is the ***Postulate of Necessity***, which states: that whose context with the actual is determined in accordance with general conditions of experience is necessary [Kant (1781), A 218, 226-235]. Put a bit less formally and in terms of a synthesis of the

other two acroams, when what is actual is regarded as what is possible, it is regarded in the context of an explanatory *system* and, therefore, as being necessary. The system *makes* the judgment necessary, and this is called *necessitation*. Actualities are regarded as necessities only within the context of a system of integrated concepts constituting one's understanding of the world, or a part of it, so that something is not merely regarded as being so but as *necessarily* being so. Something like this is being referred to whenever someone says of something that it "violates the natural order of things." Something actually experienced that "violates the natural order of things" is called a paradox. It is a source of what psychology calls 'cognitive dissonance.'

Bringing this down a level to its specifying concept for Enterprise, plans do not always work out according to the way we expect them to. When they do not, it is not because "something is wrong with nature," but because something was wrong with the plan. A human being understands Nature by means of a system of concepts he constructs about it but experience teaches us that what happens in Nature does not always conform to what we think will happen. This means only that real experience is contingent on things other than our own concepts. Expressed in more popular and non-technical language, "Nature doesn't care what we think about it."

From this specifying concept we come directly to the third function of Modality in Enterprise. As plans are executed and contingencies arise, Enterprise success depends on recognizing the departure of actual events from what was anticipated in the plan. To deal with it, plans must be altered, other tactics employed, and new executions must be undertaken. When one's previous determinations are gainsaid in actual experience, new determinations must be made and made in accordance with the overall corporate aims and goals. **Management** is the entirety of activities aimed at stimulating the leadership dynamic and then guiding and shaping the courses of all subsequent actions such that these actions accomplish the aims and meet the purpose of the managed enterprise. The third function of Modality in Enterprise is goal-directed management of Enterprise activities, specifically the activities of particular enterprises within it, according to the actual circumstances and situations that arise during the execution of plans. The function is called the **goal-directed management** function of Enterprise.

I wish to emphasize the phrase "goal-directed" here. Being goal-directed is not the same thing as what Peter Drucker and, later, his student George Odiorne called "management by objectives." The distinction between the two, and what the goal-directed management function subsists in, are what must be discussed next because the function stands in the role of determining factor in any well-managed Enterprise in which there is a effective leadership dynamic. It would be difficult to overstate the importance of this function for civic free enterprise, and so it merits a lengthy discussion in its own right.

§ 4. Goal-directed Management

It might seem self evident that all professional actions of every employee would be directed at achievement of some particular set of goals. Strictly speaking, they are; but those goals might or might not have anything to do with the corporate goals of a company. When they are not, this can be called malfeasance and dereliction of Duty *if* the company is an Enterprise-of-enterprises. In the moderated state-of-nature environment of industrial conglomerates governed by Taylorism, the uncivic nature of the management environment frequently sets up conflicts that individuals *must* respond to by acting on maxims of Duties-to-self instead of civic Duty. Leavitt remarked,

Conflicts, like other psychological phenomena, are conflicts only because they are perceived as such. A conflict exists for a person because to him certain needs seem mutually exclusive. His conflict would be resolved if (1) he could find some new, previously unknown means to satisfy both needs fully, (2) he could change his mind about one of the needs so that he was no longer interested in it, or (3) he could reorganize, in one

of a number of other ways, his view of the world so as to set the conflict in a new and less significant perspective. [Leavitt (1972), pg. 49]

Conflict resolution – within an individual, between individuals, and between individuals and the corporate Community as a whole – for the purpose of establishing cooperation is the principal aim of the goal-directed management function of an Enterprise. The function subsists in actions that orient the leadership dynamic away from the clashing of potentially contradictory special interests and toward concrete understandings of how the different special interests of, say, Person A and Person B can be converted to and understood as *congruent interests*. An interest of person A and an interest of person B are said to be congruent interests if and only if a satisfaction of interest by either person does not necessarily prevent the satisfaction of interest by the other person. The *common interests* of a corporate mini-Community and/or of persons within this mini-Community are the *set* of congruent interests shared by two or more mini-Communities and/or persons. *Special interests* are mini-Community and/or personal interests that are not shared by a different mini-Community and/or person within the overall corporate Community.

Under typical monarchy/oligarchy governance in industrial conglomerates the *system* of management attempts to make interest satisfaction a one-way street traveling down the pyramidal hierarchy from superior to subordinate. However, interest satisfaction can *never* be made to conform to this. Management fails when the person in the superior position attempts to compel the person in the subordinate position into actions that contradict maxims of obligation the subordinate person has constructed in his practical manifold of rules. This is one of the fatal shortcomings in the management control system formally introduced by Odiorne in 1965 [Odiorne (1965)] and called "management by objectives" (MBO). Despite the title of his book, Odiorne's system is not a system of managerial leadership but, rather, a system of managerial rulership. The raw idea of MBO that Odiorne formalized was first proposed and made popular by his teacher, Peter Drucker, in 1954. Drucker's book contains only one chapter on MBO and little of any useful substance is provided in that chapter. It was left to Odiorne to supply a doctrine for it.

A supermajority of managers who have first-hand practical experience with, or a theoretical understanding of, MBO understand it as it was introduced by Drucker and later explained by Odiorne. From the latter half of the 1960s into the 1970s, Odiorne's book [Odiorne (1965)] was a management training textbook used by many government agencies and industrial organizations. In many places where it was tried, serious problems with making it work were encountered and it was abandoned. Some influential writers and management consultants (for example, W. Edwards Deming) have leveled serious and mostly accurate criticisms at it. I call this species of management by objectives the Drucker-Odiorne MBO system (DO-MBO). It is a system fatally flawed right down to its foundations but it is institutionalized in many industrial conglomerates who operate under a Taylorite system of management. I have previously provided a critique of DO-MBO [Wells (2014), chap. 9, pp. 278-282] and will not repeat that analysis here because DO-MBO is a failed and uncivic methodology of rulership that contradicts human nature.

There is another methodology of goal-directed management that also goes by the name MBO. This is the methodology that was used by the Hewlett Packard Company from shortly after that company's founding until the disastrous-for-HP reign of CEO Carly Fiorina from 1999 to 2005 [Malone (2007), pp. 373-387]. In the early years of the company the methodology had no name. It was not until after Drucker popularized the phrase "management by objectives" that it came to be known by this name. But the method used at HP was something very different from DO-MBO. It was my privilege to know both Bill Hewlett and Dave Packard when I worked at HP, and it is my opinion that neither Hewlett nor Packard ever noticed that what was called MBO at HP was different from what was called MBO in other companies. I didn't know it myself until after my years with HP. To distinguish the two methodologies, I refer to the Hewlett and Packard method of goal-directed management as HP-MBO.

I have previously provided an exposition on HP-MBO [Wells (2014), chap. 9, pp. 282-286]. The importance of HP-MBO for the goal-directed management function, however, makes repetition of that exposition appropriate here. The first thing that must be explained is that a "goal" and an "objective" are not the same thing. Although the "O" in HP-MBO stands for "objectives," in fact HP-MBO is a methodology of management by goals. For that reason I should probably call it "MBG" instead of MBO, but I elect to stay with the terminology Dave Packard liked to use.

The word "goal" comes from the Middle English word *gol*, which meant "a boundary." In this original connotation, a goal was the line or place at which a race is ended. By transference, the word was given a second dictionary definition, namely, "the end or final purpose; the end to which a design *tends* or which a person *aims* to reach or accomplish." In this connotation, judgments of whether or not a goal has been reached are *always subjective*. In effect, we know we have *reached* a goal *when we stop trying to reach it without having given up on it*. Goal fulfillment is matter in a person's subjective state-of-being (Critical Quality in composition and Modality of judgment). Consciousness of fulfillment is marked by negation of the feeling of *Lust* or *Unlust* in aesthetical reflective judgment. (See the glossary for explanations of these terms).

An objective, on the other hand, is a practical object of Reason, a *thing* the real actuality of which is the object of expressed actions. A goal pertains to the Relation of community judged to exist between an object and the acting person. An objective refers *only* to an object of experience. Put another way, a goal is a "why" while an objective is a "what" that is made to be *associated* with a judgment of satisfaction. Goals are teleological causes; objectives are effects. Objectives *might* be quantitative but goals can *only* be *qualitative*. Peters & Waterman observed,

Virtually all the better-performing companies we looked at in the first study had a well-defined set of guiding beliefs. The less well performing institutions, on the other hand, were marked by one of two characteristics. Many had no set of coherent beliefs. The others had distinctive and widely discussed objectives, but the only ones that they got animated about were the ones that could be quantified – the financial objectives, such as earnings per share or growth measures. Ironically, the companies that seemed the most focused – those with the most quantified statements of mission, with the most precise financial targets – had done *less* well financially than those with broader, less precise, more qualitative statements of corporate purpose. (The companies without values fared less well, too.) [Peters & Waterman (1982), pg. 281]

The methodology of DO-MBO is a methodology of management *control* of employees and its basic premises are the premises of vintage Taylorism. In contrast, HP-MBO is a methodology heuristic, its premises are the opposite of Taylorism's and, as Packard pointed out, opposite to the control premise of DO-MBO. Of HP-MBO he wrote,

MBO, as it is frequently called, is the antithesis of management by control. The latter refers to a tightly controlled system of management of the military type, where people are assigned – and expected to do – specific jobs, precisely as they are told and without the need to know much about the overall objectives of the organization. Management by objective, on the other hand, refers to a system in which overall objectives are clearly stated and agreed upon, and which gives people the flexibility to work toward those goals in ways they determine best for their own areas of responsibility. It is the philosophy of decentralization in management and the very essence of free enterprise. [Packard (1995), pp. 152-153]

At first hearing, this sounds very similar to how Drucker described DO-MBO. However, HP-MBO is not a management *control* system; it is a management method of *coordinating* work. Furthermore, *who* states the objectives is the polar opposite of DO-MBO. Under DO-MBO the manager states the objectives. Under HP-MBO the manager states *goals* and *the managee* states

and formulates the objectives for achieving these goals. HP-MBO consistently stresses a policy that a manager is to *avoid* making technical statements of objectives to people because he can too easily be misconstrued to be telling them how to do their jobs. In one division I worked in, there was an in-house joke among the lab engineers that when a person became a manager the first thing that happened to him was that he was taken away somewhere and given a lobotomy that made him forget everything technical he ever knew. New lab engineers received training on the technicalities of the product line from experienced engineers, not from managers, by means of informal mentoring somewhat like an older brother teaching his younger brother how to play baseball. In contrast, under Taylorism managers are expected to prescribe and control exactly how, when, and how fast tasks must be performed. It urges managers to find ways to impose on their workers what they should do, in what way they should do it, within which limits and at what pace work is to be performed. It also requires them to evaluate employees' work performance and apply sanctions when the dictated performance does not meet the manager's requirements.

This Taylorite prescription is the contradictory opposite of good management practice that Bill Oncken called the "freedom scale" for conflict resolution [Oncken (1984), pp. 104-121]. Under HP-MBO, although managers avoid *telling* people the technicalities of the work, this does not mean managers are expected or desired to be *ignorant* of these technicalities. Indeed, a manager can not be expected to have the *Kraft* of competently guiding the leadership dynamic if he is ignorant of these technicalities. This is because the challenge of coordinating cooperative efforts requires constant interpersonal communications, often technical or quasi-technical, be maintained throughout the group, including communications to and from the manager acting in his capacity as the group's authority figure. Packard wrote,

I should point out that the successful practice of management by objective is a two-way street. Managers at all levels must be sure that their people clearly understand the overall objectives and goals of the company, as well as the specific goals of their particular division or department. Thus, managers have a strong obligation to foster good communications and mutual understanding. Conversely, their people must take sufficient interest in their work to want to plan it, to propose new solutions to old problems, and to jump in when they have something to contribute. [Packard (1995), pg. 153]

Different HP managers had different ways of keeping track of how well goals and objectives seemed to be understood by members of the team and of maintaining their own awareness of how well, or not well, the leadership dynamic was functioning. The best-regarded ones tended to have multiple ways of doing this, which they tailored individually to the interpersonal styles of the different members of the team¹².

For example, when I was an R&D manager, I would hold monthly "objectives meetings" with the product design engineers I managed. These were face to face meetings between myself and individual engineers. At them, the engineer would tell me: (1) how things had developed in regard to his past month's objectives; (2) what he had done to address unanticipated problems or events that had occurred during that month¹³; and (3) what his objectives were going to be for the coming month. If I had technical concerns about any of this, I'd generally ask him questions designed to ensure he would take into account anything I felt he might be overlooking. If something he was doing affected something someone else was doing, I'd ask him to "touch bases" with that other person to ensure their activities remained coordinated. The key point I want to emphasize is: *he told me* what the objectives were, *I didn't tell him*. At most I would remind him

¹² For many years HP managers received special training through short courses on rudimentary personality psychology. The Wilson Learning Center course was the most popular of these [Wilson (2011)].

¹³ Frequently he would still be working to solve these unanticipated problems or issues. In that case, he would usually make those activities new objectives for the upcoming month.

of the team's *goals* if I thought the objectives were being focused on so much that the goals were being forgotten. The *goal of the meeting* was for us to agree on the objectives. From time to time an engineer might call a special (*i.e.*, a not-regularly-scheduled) objectives meeting with me if something had happened that radically affected the objectives he was working on that month.

On the other hand, when I was the production engineering manager the different nature of a production engineer's work necessitated a different tactic for HP-MBO. Much of the work of a production engineer is driven by things he learns from production line supervisors, trainers, or operators. Problems tend to pop up unexpectedly and require rapid solution. It is an environment that does not lend itself to the more scholarly pace characteristic of R&D work. A production engineer typically "called" an informal objectives meeting by coming to see me to tell me what was going on and what he was doing about it. If we faced an emergent situation that necessitated stopping production until the problem was solved, he'd usually bring one of the line supervisors along. We'd deal with things as they came up, and my job was to make sure that everybody who needed to be involved *was* involved and informed. Otherwise, for routine work a quick "I'm still working on the new assembly jig for the such-and-such process" would constitute our objectives meeting. My teammates expected *me* to stay abreast of what in general they were working on. This was part of the team's expectation of authority that went with my office.

Management consultant Bill Oncken used to talk about what he called "the freedom scale." The general idea of HP-MBO practice is to empower people to operate as high on that freedom scale as prudent regard for practical circumstances permit. Oncken's scale is:

1. Authority to act *without* specific approval from your supervisor;
2. Authority to act *provided* appropriate personnel are promptly advised of the action taken;
3. Authority only to *recommend* an action. [Oncken (1966), pg. 92]

'Authority to act' here means that the action *behavior* is managerially condoned. Oncken used the phrase "authority to" to mean "be at liberty to." Hence he called this "the freedom scale." Below number three (off the freedom scale) are two types of behavior that are to be actively hindered by a manager: (a) asking a manager *what* to do instead of taking action; and (b) taking no action until being *told* what to do by a manager. Behaviors of either kind are warning signs that the leadership dynamic is breaking down somewhere for some reason and something has to be done to correct it. In contrast, Taylorism aims to force people to operate at (b), the worst level.

Managers of managers are generally expected to harmonize the goals of the next higher level of the company with goals at their own level. At HP these goals were often misnamed 'objectives' (mainly because we called what we did 'management *by* objective'), but this lexical error was usually rendered harmless by two things: (1) the policy of not telling people *how* to do their jobs; and (2) the *example* set by the seven general goals of the corporation. These latter were called the "Seven Corporate Objectives." As these were formally stated from 1966 to 1999, they were:

1. Profit. To recognize that profit is the best single measure of our contribution to society and the ultimate source of our corporate strength. We should attempt to achieve the maximum possible profit *consistent with our other objectives*.
2. Customers. To strive for continual improvement in the quality, usefulness, and value of the products and services we offer our customers.
3. Field of Interest. To concentrate our efforts, continually seeking new opportunities for growth but limiting our involvement to fields in which we have capability and can make a contribution.
4. Growth. To emphasize growth as a measure of strength and a requirement for survival.
5. Employees. To provide employment opportunities for HP people that include the

opportunity to share in the company's success, which they help make possible. To provide for them job security based on performance, and to provide the opportunity for personal satisfaction that comes from a sense of accomplishment in their work.

6. Organization. To maintain an organizational environment that fosters individual motivation, initiative and creativity, and a wide latitude of freedom in working toward established objectives and goals.
7. Citizenship. To meet the obligations of good citizenship by making contributions to the community and to the institutions in our society which generate the environment in which we operate. – [Packard (1995), pp. 80-81]

Despite the name and the occasional use of the word "measure," note that all these statements are non-quantitative. They are actually goals rather than objectives in the strict technical sense. The 'measure' of which they speak is 'more vs. less' or 'better vs. worse.' Success means 'more' or 'better'; un-success means 'less' or 'worse'; and non-success means 'neither more nor less' or 'neither better nor worse.' Further, 'non-success' *is-not* 'failure.' This interpretation of 'measure' is how performance was evaluated. In other words, one *evaluates* actual congruence with goals, not accomplishment of objectives. Note that in this context "to evaluate" Critically means *to express a representation of a value*. A "value" is *a form of affective perception* (and is therefore judged *subjectively* rather than objectively).

This use of qualitative measures differs in kind from the quantitative measures typically set up in Taylorite systems. Furthermore, objectives are not used to evaluate the performance of an employee or as a factor in salary administration. Performance is instead judged on the basis of a person's consistency in contributing to fulfilling goals or on the merits of his contributing. Objectives are only planning tools – means rather than ends – and it is *expected* that objectives might change radically from time to time as new facts are learned or new discoveries are brought out through actual experience.

Another general characteristic of HP-MBO can be seen in the Seven Corporate Objectives list. The goals stated there *are not stated in priority order* and *it was never accepted that any of these goals be allowed to conflict with each other*. For example, 'profit' was a goal but the statement of this goal was qualified by the phrase *consistent with our other objectives*. If two goals *appeared* to be contrary to one another, that meant the way they were being interpreted was faulty and how the goals were to be understood was re-examined until we understood how to *jointly* fulfill them. Put another way, it is never permitted to sacrifice one goal for the sake of any other goal. This has a beneficial tendency to act as a sort of brake on analytical temptations to *over-specify* goals.

Of the seven, HP's growth goal was the one that most frequently provoked disagreements and problems. The reason was because of an ambiguity found in the term "growth." Growth of what? Profit? People rarely disagreed about that. Growth in market share? There was often disagreement about that. Hewlett and Packard both frequently said that "market share" was not an objective but had trouble convincing executives with MBA degrees of this. The latter had been taught that growth in "market share" is *always* "good." It isn't, and market share is not an end-in-itself, but these executives trusted their teachers more than they did Bill and Dave in this matter. I wondered from time to time if they had never heard the old joke, "We lose a little money on every sale but we make it up in volume."

In later years, after founding my laboratory at the university, I managed it by HP-MBO. I even had my own practical university equivalent to the seven HP corporate goals. There were some differences, of course. I had no "profit" goal (the university is a non-profit Institute); instead I had an "externally funded research" goal. Rather than "customers" we had "stakeholders." "Growth" meant providing more assistantship and internship opportunities for students. "Citizenship" included helping young new assistant professors establish their laboratories and research

programs when we could. As a professor, I had a more active mentoring role because, after all, what we did in the laboratory was very high-tech, students are learning the topics involved in their work even as they are doing this work, and the expectation of authority for me as professor included a *teaching* expectation. Research assistants were expected to put in an average of twenty hours per week on their research, and I startled a visiting parent one time when I told him, "Half the week they [the graduate student assistants] work for me; the other half I work for them."

Overall, I am convinced HP-MBO is the most effective way of managing an Enterprise that has yet been invented. My conviction is based on having seen the outcomes of thirty-nine years of continuous experience with the practice of using it and with experiencing the Community that this folkway engenders in an organization.

It has been emphasized here that this methodology for the goal-directed management function is grounded in *subjective* human factors rather than *objective* dead-matter factors. People who are accustomed to systems of managerial rulership and corrosive Taylorism are not likely to feel very comfortable with this because it implies so-called "touchy-feely factors" cannot be ignored by management methods. If you've spent much time doing the job of a manager, you ought to know this by now, but the human capacity for ignoring uncomfortable truths is awesome and I have known many Taylorites who lock themselves into denial about this. Two "touchy-feely factors" already alluded to are (1) interests, and (2) the tendency to stereotype. These and other human factors that play critical roles in interpersonal interaction and communication must be addressed by the goal-directed management function. That is the topic of chapter 10.

Practical institution of a sustainable Enterprise requires human factors affecting interpersonal relationships, communications, and cooperation be adequately addressed. This chapter dealt with systematic issues of institution of an Enterprise. Chapter 10 takes up people issues. These two factor levels in combination point to a requirement for Republican governance of an Enterprise.

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