Two meanings of command? Command in the Instrumental Organisation versus Coercive Command

Aidan Walsh[1]

Abstract: This paper seeks to use Turner's (2005) precise analysis of the different power mechanisms that exist in social behaviour to argue that coordination in instrumental organisations can occur without coercive command. This may mean that individuals who function in instrumental organisations (like the business firm) feel a more fundamental difference between that order and the larger market order than actually exists. This possible error may result in a preference for trying to impose what appears, but may not be, the coordination mechanism within instrumental organisations to the market. It may also mean that the coercive nature of the socialist or interventionist state may appear attractive because 'command' there, coercion, may be mistaken for the familiar 'command', articulation of rules that have been voluntarily committed to, within the organisation.

Keywords: Order, orders, commands, rule, rule-following, commitment

'There is in the operation of the market no compulsion and coercion.' (Mises 1949: 257)

'The feats of order accomplished by the modern organization of industry have given a new appeal to the old ideal of a state which would keep free from confusion without releasing the suspicious energies of such powers as privately owned land, privately conducted schools, strongly organized families, and citizens protected by inalienable rights.' (Simon 1962: 64)

Introduction:

In a number of economic theories of the firm, managers have the ability to control, direct, influence and make decisions about the activities of others because those managers have control of resources (including knowledge) (see for example: Coase 1988a; Williamson 1994; Hart 1995: 58; Jensen and Meckling 1995; Putterman 1995; Foss and Foss 2002).   Hence modern economists studying the firm can often be focused on resources (human, non-human, specific, non-specific) and the use of resources (for example, as incentives, rewards and so on) (see Aghion and Tirole 1997 and Baudry and Tinel 2008 for recent reviews).

These theories of the firm seem to arise directly or indirectly from the standard theory of power in social psychology.   The standard theory of power is, as Turner describes it:

> 'that power is the capacity to influence other people, that it is conferred by the control of resources (positive and negative outcomes, rewards and costs, information, etc.) that are desired, valued or needed by others and which make them dependent upon the influencing agent for the satisfaction of their needs or reaching their goals, and that different types of resources confer different types of power leading to different kinds of influence.'

This basic idea about power has been very influential (Turner 2005).   One consequence has been that superiors in a hierarchy in an instrumental organisation (such as a business firm) and those using the coercive power of the State are seen to be using the same power mechanism (see Max Weber 1983: 158, for an important example).   It is an old idea that the tremendous achievements and the tremendous productive capacities of individuals within instrumental organisations, seem to hold out the attractive possibility that the market order could be improved by the application of some conscious direction. (A famous example being Galbraith 1972: 350; even Coase

acknowledged that his early interest in the firm was partly driven by attempt to resolve the paradox of people in the western capitalist economies running factories but at the same time saying Lenin's hopes of running Russia as one big factory was impossible. (Coase 1988b))

The purpose of this paper is to try to reverse this argument. In his recent article, Turner (2005) speculated that the conventional theory of power may not be correct; that power, instead, can be understood as quite different processes that are often confused and 'confounded' (Turner 2005). Turner divided power into three different processes: persuasion, authority and coercion. For Turner's description of these three processes see **Table 1**. I will try to argue that at least one of these power processes may not be available to the superior in an instrumental organisation but is available to the State. I will try to argue that 'command' within that organisation may be quite different to the 'command' that can be exercised by a coercive power. Therefore, it is submitted, the tremendous achievements of individuals within instrumental organisations may be based on a different social mechanism than is routinely availed of by coercive powers. In this context understanding the different power processes involved may mean that we can demonstrate two different possible meanings of 'command'.

Turner's Power Process	Persuasion	Authority
Defined, by Turner (2005), as:	'a collective attempt by a group to develop a consensual response to some stimulus situation… Thus a judgement is assumed to be informational, to provide evidence about reality, precisely to the degree that it has ingroup consensual support… the power to get people to believe that certain things are correct.'	Authority 'is the power to control[2] ingroup members because they are persuaded that it is right for a certain person to control them in certain matters…. a person, role or group has the right to prescribe appropriate beliefs, attitudes or behaviour in certain areas… Authority is not direct persuasion but groups confer authority to in order to get things done right. This acceptance of leader authority carries a presumption the leader is likely to be right about the matter in hand and can lead to validation and internalization of the leader's view under certain conditions.'

Table 1.

What Turner does not discuss in his article is why people, in his view, conflate and confound these different power processes? How can they make such a mistake? It may be that the conventional power theory is used as the

explanation because it is so obvious; we do all of these things for the same reason - because we were told to do them by someone in charge. We do not seek different explanations for what seem to be similar actions subject to similar motivations. As Schlicht points out 'individuals try to find clear, rather than diffuse, explanations even in cases where the diffuse explanation is the correct one.' (Schlicht 1998: 271; see also Jouvenal 1956) Perhaps this point can be made clearer by looking at a number of examples. In these examples we may see how the conventional power theory and Turner's alternative analysis can result in quite different interpretations of the underlying reasons for certain actions and, also, how easily all concerned have recourse to the conventional view.

Three case studies on obedience to authority.

The first case study is the 'Obedience to Authority' experiments of Stanley Milgram. Between 1960 and 1963 Milgram and a team from the Department of Psychology at Yale University carried out a series of experiments in New Haven, CT (Milgram 1974). The experiments involved volunteer members of the public following a few simple rules in an experiment that was, they were told, designed to study memory and learning; to study the effects of punishment on learning. This was a lie: the experiment was designed to test 'obedience to authority'.

While the overall effect of Milgram's experiments is well-known, the actual details and some variations are not generally familiar and so may repay some repeating. The volunteer member of the public had replied to various newspaper advertisements or direct mail shots. The volunteers were paid for their participation; they were paid $4 (plus 50c carfare) as soon as they arrived at the laboratory and were told that they did not have to give back this money 'no matter what happened' (47). An experimenter, in a grey lab technicians coat, explained the rules and the ostensible purpose of the experiment. According to Milgram, the 'experimenter' (the participant in the experiment who took the role of 'authority') 'orientated the subjects toward the situation in which he wished to assess obedience to the following instructions:

> *'Psychologists have developed several theories to explain how people learn various types of material…. So in this study we are bringing together a number of adults of different occupations and ages. And we're asking some of them to be teachers and some of them to be learners. We want to find out just what effect different people have on each other as teachers and learners, and what effect punishment will have on learning in this situation. Therefore, I am going to ask one of you to be the teacher here tonight and the other one to be the learner. Does either of you have a preference? [Subject and*

{Milgram's} accomplice are allowed to express preference.] Will, I guess the fairest way of doing this is for me to write the word Teacher on one slip of paper and the Learner on the other and let you both draw. [The subject draws first, then the accomplice. {Both slips say Teacher – the draw is rigged}] Well which of you is which? All right. Now the first thing we'll have to do is set the Learner up so that he can get some kind of punishment.'
(Milgram 1974: 18, 19)

The rules he or she had to follow were quite simple: the teacher (that is, as a result of the rigged draw, the volunteer member of the public) was to ask a learner a series of questions, if the learner got an answer wrong the teacher was to administer an electric shock, every time the learner got a question wrong the teacher was to increase the voltage of the shock. Voltages ran from 15 volts right through to 450 volts. The teacher was told there would be no permanent tissue damage from the shocks but the shocks could be painful; the shock generator was clearly labelled with warnings: for example, 'Strong Shock', 'Danger Severe Shock' and, finally at 435 and 450 volts – 'XXX'. The learner, part of the experiment team, and not actually receiving any shocks, would start to protest at a certain point, then scream and, finally, just be silent; silence was deemed a wrong answer and the rules called for further shocks.

If the teacher refused to continue, the experimenter responded with a series of 'prods' (Milgram 1974: 21): 'The experiment requires you to continue'; 'You have no other choice, you *must* go on' etc. At no stage was the teacher, directly, told to administer a shock. There was 'no objective threat or availability of physical means of controlling' the teacher. (Milgram 1974: xiii) In this basic version of the experiment over 60% of 'teachers'/subjects administered the maximum shock. This was not done lightly: subjects exhibited extreme tension and stress while continuing with the shocks. 'Observers of the experiment agree that its gripping quality is somewhat obscured in print. For the subject the conflict is intense and obvious.' (4)

However, this may not just have been a case of subjects doing what they were told. Milgram performed a number of variations of the experiment. What may be, in this context, interesting was that in many of these variations 'obedience' plummeted. If the subjects were out of sight of the experimenter, the subjects cheated (62). When an 'ordinary' man gave the instructions to continue, *nobody* obeyed (110). Also, when there were two experimenters and they disagreed as to whether the experiment should continue *no* shocks were delivered (110). Finally, where there were two experimenters and one became the learner, the experimenter/learner's protest had no more effect than a non-experimenter learner (110).

More recent reinterpretations of the experiment have focused on the doubts, internal conflicts and final commitment of the participants to the

success of the experiment and not mere 'obedience to authority'; as a recent review of the experiment noted 'Milgam's theoretical account is as weak as his empirical evidence is powerful' (Haslam and Reicher 2007). This, it is now argued, was not a case of following orders 'unquestioningly and automatically' (Haslam and Reicher 2007). There was, as Milgram himself pointed out but then ignored the implications of it, an 'internalized basis for his obedience' (141). Haslam and Reicher conclude: 'It is not true that people obey because they put themselves in the hands of an authority figure'[3] (Haslam and Reicher 2008). Subjects were adhering to a set of rules that they had made a voluntary commitment to. Schlicht concluded his review of this experiment by pointing out: 'The commitment effect can be very strong' (Schlicht 1998: 109). Even where 'authority' protested, as when the learner was the experimenter in the grey lab coat, the shocks continued; the rules of the laboratory were clear. Where the rules in the laboratory were not clear (as when experimenters disagreed) the shocks did not continue.

For the purposes of this paper, the point being emphasised is that, despite the theoretical weaknesses supporting that view, Milgram and the subjects of the experiments immediately explained what happened in terms of mere passive obedience to authority, to commands, to orders. One said, '*I had to follow orders. That's how I figured it.*'(47); another said, '*Because I was following orders… I was told to go on. And I did not get a cue to stop.*' (50); a third said, '[I was] *caught up in a set of circumstances where I just couldn't deviate and I couldn't try to help.*' (54) Milgram saw no reason to differ: 'They have given themselves to authority; they see themselves as instruments for the execution of his wishes…' (168) Why would all parties to the experiment instantly provide the same explanation, possibly erroneous, when alternative, possibly more favourable, explanations were available?

There may be an explanation in the next case study. In the 1920s the Swiss psychologist Jean Piaget and his collaborators studied the games children played at different ages (Piaget 1997). He focused on the marbles games that boys played and asked boys at different ages about the rules of the games. These rules were complex, exceptionally complex: 'These rules with their overlapping and their exceptions, are at least as complex as the current rules of spelling.' (Piaget 1997: 50). However, even boys of 10 to 12 years of age had no difficulty in mastering, consistently applying, critically examining and articulating those rules. (27)

Piaget asked boys of different ages why they obeyed the rules of the game. Here, as the boys got older, their explanation of where the rules came from and why they obeyed the rules changed. At roughly age 6 the child's knowledge of rules is not complete but the reason why the child seeks to obey the rules is external. The children explain the source of the rules as follows:

> Geo (age 6) [explaining the origin of the rules of the games]: '[the game of marbles began with] *people, with the Gentlemen of the Commune* [the town council]… *It came into the gentlemen's heads and they made some marbles… They taught people. Daddies show little boys how to…*'
>
> Leh (5½) [explaining why a variation in the rules was not possible]: '*No that wouldn't be fair. Because God would make the little boy's shots not reach the marbles and the big boy's shot would reach them.*' (58)

As Piaget notes, the 'children harbour an almost mystical respect for the rules: rules are eternal, due to the authority of parent, of the Gentlemen of the Commune, and even of almighty God. It is forbidden to change them ….' (61) The child's obedience to the rule flows from external sources, from authority, the rule is 'coercive' (87) and results from the unilateral respect that the child feels for the person in authority (older children, parents and so on): 'the simplest explanation, namely, he receives commands from older children (in play) and from adults (in life), and that he respects older children and parents.' (105).

At ages 12 to 14 the child's reason for obeying the rule has changed. At ages older than 14, generally, boys have ceased to play marbles. Among the boys playing marbles at ages 12 to 14 there are no longer any older boys or parents playing the game. In addition, the boys of that age are very conversant with the rules. Their understanding of the source of the rules has also changed.

> Vua (13): [In reply to the question, who invented the rules?]: '*Some kids. They saw their parents playing at bowls, and they thought they might do the same thing.*' (68)
>
> Blas (12): '*Children invented the game…*' (69)
>
> Ross (11): '*We make them [up] sometimes. We go up to 200. We play about and then hit each other, and then he says to me: "if you go up to 100 I'll give you a marble"…If they do it often it will become a real rule.*' (66)
>
> Malb (12): '*At first children looked for round pebbles… I expect they played from the coche. Later on boys wanted to play differently and they invented other rules… I expect they had fun hitting the pebbles and then they invented the coche…*' (68)

The rule, says Piaget, 'ceases to be external to children and depends only on their free collective will … and obedience is henceforth purely spontaneous.' (71) The children 'apply [the rules] in a spirit of genuine cooperation…' (95):

> 'the rule of a game appears to the child no longer as an external law, sacred in so far as it has been laid down by adults; but as the outcome of a free decision and worthy of respect in the measure that it has enlisted mutual consent… the child allows a change in

the rules so long as it enlists the votes of all. Anything is possible, so long as, and to the extent that you undertake to respect the new decisions…. the child ceases *ipso facto* to look upon rules as eternal and as having been handled down unchanged from one generation to another. Thirdly and finally, his ideas on the origins of the rules and of the game do not differ from ours: originally, marbles must simply have rounded pebbles which children threw about to amuse themselves, and rules, far from having been imposed as such by adults, must have become gradually fixed on the initiative of the children themselves' (65ff).

Any change in the rules results from the boys agreeing to play by these new rules. The rules arose spontaneously from the desire of the boys to 'contend with his partners *while observing common rules*' (42). The boys themselves (72) are quoted describing the process by which the rules are changed:

Gross (aged 13): *'Some want to and some don't. If boys play that way you have to play it like they do.'*

Vua (aged 13): *'sometimes people play differently. Then you ask each other what you want to do … We scrap for a bit and then we fix things up.'*

Piaget, although mainly interested in child psychology, did seek to speculate whether this process left its traces in adult psychology:

'Why, then, in an extremely schematic way, should he same thing not hold good of society. It is no mere metaphor to say that a relation can be established between the individual's obedience to collective imperatives and the child's obedience to adults in general. In both cases the human being submits to certain commands because he respects his elders….Now … when we think of the decreasing power of the family in the course of social evolution, and of all the social the social features that characterize modern civilizations, we cannot help seeing in the history of societies a sort of gradual emancipation of individuals; in other words a levelling up of different generations in relation to each other…. In short, modern responsibility tends to be entirely individual and entirely subjective' (335ff).

We do what our elders tell us to do because we feel an external imperative to obey (we feel 'commanded') but it may be that we are mistaken and that the imperative is purely internal. It may be an error for an adult, just as it is for a 6 year old child, to subjectively feel that a command is 'coercive', that there is an external reason to obey it. Piaget concluded: There 'are at least two types of responsibility – one objective and communicable, the other subjective and individual, and the great social evolution has gradually caused the second to predominate' (334). Seen in this light 'commands vanish and

turn into mutual agreement, and rules that have been freely consented to lose their character of external obligation' (382).

Moving to the most common form of instrumental organisation, the business firm, there can be little doubt that individuals do feel that external obligation in relation to their behaviour within the firm. There is, also, common recourse by external observers to see coordinated behaviour within the firm in terms of external motivation and neglect the internal imperative. However, we can see the importance of the internal commitment effect, and the failure of any external imperative, in a final case study. Behaviour in this case study could be explained in terms of an employee bowing to the power of a manager who has control of immense resources but may be more completely explainable in terms of the commitment of an employee.

In the spring of 1899, Frederick Winslow Taylor began a series of experiments at the Bethlehem Iron works. In the previous decade the price of pig iron had been low. Then, in 1899, the price increased. Bethlehem had 80,000 tons of it accumulated about at its works. Some of this iron was sold. The iron was in 'pigs' - iron bars, 32 inches long and weighing c92 pounds each. Tens of thousands of these pigs would have to be manhandled from piles in the works' yard onto railcars for on-shipment.

In his *The Principles of Scientific Management* (Taylor 1911) Taylor described the experiments he put in place to discover the cheapest method of obtaining the labour to do that pig-handling. Taylor ran, what would become known as, time and motion studies on the labourers loading the pigs onto railcars. He decided, after these studies, that 47 tons was the rate a man could load onto the railcar in a day; the previous average was under 13 tons. The work required the labourer to pick up the pig from a pile, walk across the yard, climb eight or ten steps up a plank onto the railcar and then hand the pig to a man on the railcar.

Taylor based the rate on 'stopwatch timing, careful 'observations" and 'pages of numbers and calculations' (Kanigal 1997: 320). The calculations were elaborate, 'the weight of pig iron hauled in a day was plotted against the distance of the piles from the cars, and their height… Tables were prepared showing how many foot-pounds of work each labourer did, broken down into that required to lift the pig, carry it, and finally heave it into the car. Soon piece rates took into account such variables as height of lift and the angle of the plank. Hot summer work got a 15 percent premium…' (Kanigal 1997: 322).

All that was required of the worker, it appeared, was to do what he was told. Taylor wrote: 'Thus all of the planning … must of necessity under the new system be done by the management in accordance with the rules of science … It is also clear that in most cases one type of man is needed to plan ahead and an entirely different type to execute the work… The work of every

workman is fully planned out by the management at least one day in advance, and each man receives in most cases complete written instructions, describing in detail the task which he is to accomplish, as well as the means to be used in doing the work… This task specifies not only what is to be done but how it is to be done and the exact time allowed for doing it' (Taylor 1911: 16 and 17).

This work was being carried out by the most famous 'common labourer' in management-theory history: Henry Noll (or 'Schmidt' as Taylor called him in *The Principles of Scientific Management*). Money was important to Noll at that time (he was building his own house): 'A penny looks the size of a cart-wheel to him' (Taylor 1911: 20). Taylor, in his short book (1911), wrote in detail about recruiting Noll to the task:

'Schmidt, are you a high-priced man?

Vell [sic], I don't know what you mean

Oh yes, you do. What I want to know is whether you are a high-priced man or not.

Vell, I don't know vat you mean.

Oh, come now, answer my questions. What I want to find out is whether you are a high-priced man or one of those cheap fellows here. What I want to find out is whether you want to earn $1.85 a day or whether you are satisfied with $1.15, just the same as all those cheap fellows are getting.

Did I vant $1.85 a day? Vas dot a high-priced man? Vell, yes, I was a high-priced man.

Oh, you are aggravating me. Of course you want $1.85 a day – every one wants it! … Now come over here. You see that pile of pig iron?

Yes.

You see that car.

Yes.

Well, if you are a high-priced man, you will load that that pig iron on that car tomorrow for $1.85. Now wake up and answer my question. Tell me whether you are high-priced man or not?

Vell – did I got $1.85 for loading dot pig iron on dot car tomorrow?

Yes of course you do, and you get $1.85 for loading a pile like that every day through the year. That is what a high-priced man does, and you know it just as well as I do.

Vell, dot's all right. I could load dot pig iron in the car tomorrow, and I get it very day, don't I?

Certainly you do –certainly you do.

Vell, den, I vas a high-priced man.

Well, if you are a high-priced man, you will do exactly as this man tells you tomorrow, from morning until night. When he tells you to pick up a pig and walk, you pick it up and you walk, and when he tells you to sit down and rest,

*you sit down. You do that straight through the day. And what's more, no talk
back.' (Taylor 1911: 20 and 21)*

However, when we look at the task that Noll had to complete we realise that
there was an immense amount of information that Taylor's clerks did not have.
Moreover much of this knowledge was essential to the completion of the task.
Each pig was hand-made and would differ, to a greater or lesser extent, from
every other pig, every pig was in a unique location and a unique distance from
the rail-car, each trip to the rail-car was a unique journey with unique problems
to be solved - even if only for Noll to avoid getting dust in his eye or tripping
over. Further, Taylor's clerks knew little about Noll and this information
changed constantly – what was his physical and mental condition and how did
it change as the day and the tons wore on? How did Noll motivate himself?
Which muscles did he favour? Only Noll had this knowledge of self and of
time and place. Given the lack of information, how did Taylor's plan succeed?

Taylor wrote that the work to be done was 'so crude and elementary in
its nature that the writer [Taylor] firmly believes that it would be possible to
train an intelligent gorilla so as to become a more efficient pig-iron handler
than any man can be' (Taylor 1911: 18). If this was the case, why did Taylor
put so much effort into and so carefully record in his short book the process he
used to recruit Noll and why did he offer Noll such a high salary? Moreover,
Noll was paid not for following 'complete' instructions but for meeting the
quota of 47 tons. In other words, Taylor, at some level, knew there were gaps
in his instructions that could only be filled by Noll and so Noll could not be
paid, solely, for following instructions however detailed. Taylor's instructions
alone were not sufficiently detailed to solve every problem that would have
arisen. Noll would have to bring his own experience and knowledge to bear to
solve sub-problems along the way.

The difficulty for Taylor is that he needed to find someone who would
commit to the rules of his new routine and be willing to solve these sub-
problems within those rules. He struggled to find such a person but then he
found Noll and Noll found him. We can now see Taylor's conversation with
Noll and the high wages on offer as Taylor attempting and succeeding in
obtaining Noll's commitment to Taylor's routine; Noll's voluntary commitment
to the rules of this little order. Taylor went to great lengths to obtain the
commitment of Noll. Taylor wrote: 'it is effective in fixing his attention on the
high wages which he wants and away from what, if it were called to his
attention, he probably would consider impossibly hard work' (Taylor 1911: 21).
Taylor ran many of these types of experiments, often without success (Kanigal
1997: 211), at some stage he seems to have discovered that methods like these
worked well enough for him to use them and to record them in such detail in

his book: he had discovered, we can argue, that rule-following behaviour requires an inner-commitment to following the rules.

What may be clear from all this, and the point of looking at this case study for the purposes of this article, is that Taylor could not use 'coercion' (as defined by Turner, 2005); this is despite the conventional view that his power over the immense material resources of the Iron works gave him power over the workers. In fact, before Noll, ten employees had agreed to follow Taylor's instructions for handling the pig iron but then 'reneged' (Kanigal 1997: 320); later more would drop out daily. Taylor's only power was not to pay them as they had not performed their side of the bargain. Taylor did not have the ability to 'control a target against their self-will and self-interest through the deployment of human and material resources to constrain and manipulate their behaviour' (Turner 2005). At every stage in the handling process the employee had a free choice to continue or to stop; most chose to stop, Noll chose to continue. What power did Taylor have that he had so little influence over some men but could get one man to undertake the incredible feat of hauling, day in and day out, 42 tons of iron?

Chester Barnard's Paradox.

In summary so far, I have tried to follow Turner (2005), 'power emerges from human social relationships'; it does not result from control of resources but can result in control of resources – or as Turner says: 'causality works in the exact opposite direction [to the conventional view]… it is power which enables people to gain and control resources' (Turner 2005). There are, as we have seen, three distinct strands to this power: persuasion, authority and coercion. In Turner's view, the traditional approach has been a 'confounding' of all three. In particular individuals may underweight the importance of commitment to a task or rules and may overweight an external imperative. I have also tried to show that 'coercion' as a source of power may not be open to the superior in the hierarchy of an instrumental organisation such as the manager in a business firm. The purpose of this next section is to focus on a source of power that is open to that superior, what Turner (2005) calls: 'authority'.

'Authority' is quite different from persuasion and from coercion. 'Authority is not direct persuasion but groups confer authority to get things right. Thus acceptance of leader authority carries a presumption that the leader is likely to be right about the matter in hand…' (Turner 2005). Coercion on the other hand is, according to Turner (2005), 'authority in a dark mirror …. Coercion is the power one uses when one does not have power…. Coercion is the weakest and least effective process of power…' Authority has quite

different consequences to coercion, Turner (2005) suggests: '… that power as persuasion or authority is neither oppressive nor maladaptive nor inherently detrimental to social cohesion. The very opposite in fact …' (Obviously, persuasion within the firm is common and, in my view, more important than is generally recognised. But dealing with persuasion, which is open to all, is not the purpose of this paper.)

In the standard theory, the behaviour of individuals within firms are coordinated by adherence to common rules (Smith 1776: Vol II 345; Barnard 1938; Follett 1940; Cyert and March 1963; Nelson and Winter 1982; Langlois 1995; Jensen and Meckling 1995; Schlicht 1998; Eisenhardt and Sull 2001; Ioannides 2003a, 2003b; Pongracic 2009) and by the conscious direction (commonly called 'command') (Chandler 1977; Coase 1988a: 35; Simon 1991; Williamson 1994) by more senior personnel in the firm.

In management theory, managers live in a world of open alternatives, in which they can make decisions and then coordinate the activities of others in the firm to achieve those goals. As Magretta notes in her review of the management literature: 'The fundamental premise of doing better by being different is that you are playing in a world of alternatives.… Broadly speaking, they are choices about which customers and markets to serve, what products and services to offer, and what kind of value to create. Made well, these strategic choices enable an enterprise to outperform its competitors.' (Magretta 2002: 72). In other words any firm could adopt a 'Blue Ocean Strategy' (Chan and Mauborgne 2004) and choose any process or market that offered profitable activities and fast growth.

This then leads to a particular view of the ideal employee. Simon (1991) has articulated what observers seem to think managers in firms want:

> 'What kinds of traits, in addition to personal strength and intelligence, would contribute to the fitness of this socially dependent creature? One such trait, or combination of traits, might be called docility. To be docile is to be tractable, manageable, and above all, teachable. Docile people tend to adapt their behavior to norms and pressures of the society. I am not satisfied that "docile" conveys my meaning precisely, but I know of no better word.'

However, this ideal does not seem to be consistent with the actual experience of senior executives in firms; 'employees are not docile' (Coase 1988c) and tractable and it does not seem to the case that they just have to be told what to do. Instead they have to be convinced, one person at a time (Schlicht 1998: 42ff). One of the most admired CEOs, Jack Welch wrote: 'Whenever I had an idea or a message I wanted to drive into the organization, I could never say it enough, I repeated it over and over and over, at every meeting and review, for

years, until I could almost gag on the words' (Welch 2001: 393). This was true even of the most highly motivated senior employees within the company (See Welch 2001: 460 for an example). Nearly 80 years before Alfred Sloan's experience was similar: 'There are so many people involved and it requires such a tremendous effort to put something new into effect, that a new idea is likely to be considered insignificant in comparison with the effort that it takes to put it across' (Alfred Sloan in a speech to the General Motor's sales committee 29 July 1925, quoted in Stewart, 1963, 165).

Chester Barnard, the president of a company, pointed out a consequent feature of command in the firm: 'a most significant fact of general observation relative to authority is the extent to which it is ineffective in specific instances. It is so ineffective that the violation of authority is accepted as a matter of course and its implications are not considered …. It is surprising how much that in theory is authoritative, in the best of organizations lacks authority – or, in plain language, how generally orders are disobeyed' (Barnard 1938: 161, 162).

There is a paradox here between the disobedience to authority within the firm, as noted by Barnard, and the kind of commitment that he also noted:

> 'I recall a telephone operator on duty at a lonely place from which she could see in the distance the house in which her mother lay bedridden. Her life was spent in taking care of her mother and in maintaining that home for her. To do so she sought employment in that particular position, against other inclinations. Yet, she stayed at her switchboard while she watched the house burn down. No code, public or organizational, that has any general validity under such circumstances governed her conduct, and she certainly violated some such codes, as well as her own. Nevertheless, she showed extraordinary 'moral courage', we would say, in conforming to the code of her organization - the moral necessity of uninterrupted service.' (269)

As Smith points out in his analysis of this aspect of Barnard's work: 'It is a fiction to think that "authority comes down from above." The superior is not an "authority" nor does he have authority strictly speaking. The determination of authority remains with the individual to whom the order is addressed…. [To Barnard's] way of thinking, it was the only theory that explained the facts as he experienced them.' Smith goes on to explain why individuals feel that they are merely obedient to authority: 'It is the subterfuge that members play upon themselves rather than take responsibility for everything that they do. It is far easier to "go along" than be constantly questioning' (Smith 1975).

Numerous students of the firm have pointed out that 'commands' and 'orders' within the firm must be within certain limits (Coase 1988a and b),

within what some authors call a 'zone of acceptance' (Simon 1991) or what Chester Barnard calls the employee's 'zone of indifference' (Barnard 1938: 167) 'within which orders are acceptable without conscious questioning of authority' (Barnard 1938: 167).

Instead, it may be more useful to cast the solution to the paradox in terms of commitment and rule-following behaviour; in the firm the employee makes a commitment to (and not mere acceptance of) the rules of the firm, orders in conflict with those rules or in apparent conflict with those rules may not be 'obeyed' (as seems to happen frequently) but those that conform to the rules will be followed even in the most difficult circumstances. Barnard is quite clear about this:

> 'I suppose all experienced executives know that when it is necessary to issue orders that will appear to the recipients to be contrary to the main purpose, especially as exemplified in prior habitual practice, it is usually necessary and always advisable, if practicable, to explain or demonstrate why the appearance of conflict is an illusion. Otherwise the orders are likely not to be executed, or to be executed inadequately' (Barnard 1938: 166).

Instructions, directions, commands within the firm that appeal to this zone of commitment will be obeyed, those that do not will not be. Because this zone of commitment involves commitment to common rules, the zone should be known to others in the firm and 'disobeyed' commands may cause no loss of coordination.

It may be helpful, to compare the common law judge (a central institution within an order created by rule following behaviour) with the executive in the firm; both appear to be people who make decisions based on particular circumstances and issue, consequent, orders or decisions. (Both Chester Barnard (1938: 279) and Edith Penrose (1959: 16) compared managers to judges.) In fact, like judges, managers are often concerned about 'precedent' and creating 'expectations' when they make a decision; 'Every order and each decision creates a precedent… Within a firm every command creates the expectation that similar future situations will be handled in a similar manner…' (Schlicht 2008) Hayek (1973: 99) has shown how the common-law judge is, in fact, merely articulating a rule or an order of rules that was not apparent before a particular set of facts resulted in a dispute about which rule to follow. This then is authority in Turner's meaning of the phrase: we turn to the person in the hierarchy who is 'likely to be right about the matter in hand' (Turner 2005). Or as Mary Parker Follett put it: 'The leader gets an order followed first, because men do really want to do things in the right way and he can show them that way, and secondly, because he too is obeying' (Follett 1940: 276)[4] (See also, Walsh 2009a and 2009b and Brady and Walsh 2008).

This insight also allows us to clarify the point made by Alchian and Demsetz (1972) that the firm 'has no power of fiat, no authority, no disciplinary action any different in the slightest degree from ordinary market contracting between any two people. I can "punish" you only by withholding future business or by seeking redress in the courts for any failure to honor our exchange agreement. That is exactly all that any employer can do.' Alchian and Demsetz are right – the firm has no power of fiat, no authority (in the conventional sense, as opposed to Turner's definition). However, they may have been incomplete: the rules in the firm are different from the rules of the market and the rules in each firm are different from every other firm (Walsh 2009a and 2009b) and when it comes to feedback (or 'disciplinary action') the rules within the firm may allow for different forms of feedback than the market or other firms. Of course, any individual employee is open to accept that feedback or not or to remain a participant in the rule-bound order within the firm or not. Williamson was right to notice that feedback in the firm was different to feedback in the market (Williamson 1994) but that does not necessarily mean that there is 'fiat' within the firm.

The power that the manager in a business firm has is completely different to the power of a state official implementing legislation. That state official has coercive power. His or her commands or orders must be obeyed whether there is any zone of commitment, acceptance or indifference present. This view then supports Bruno Leoni's argument (1991) that even though legislation may be certain and prospective and may only involve piecemeal social engineering (Popper 1966: 158) there is a fundamental difference between modern legislation and the laws we as individuals have made a commitment to. Turner (2005) provides important support for Leoni's persistent focus on the importance of the coercive implications of legislation (see in particular Leoni 1991: 133ff). The authors of the highly influential Nudge (Thaler and Sunstein 2009) intermixed coercive and voluntary 'nudges' without any distinction. While they refer to Edmund Burke (at 237) they might also have heeded De Jouvenel's warning about the effects of the Tribunate in ancient Rome: 'In this way there was introduced into Roman society the essentially erroneous notion that it is the business of legislative authority to prescribe or forbid anything whatever. Anyone who put forward a proposition of a seemingly advantageous nature for the immediate future was blindly applauded, even though his proposition subverted the entire permanent edifice of order.' (Jouvenel 1952: 276 ff.)

Finally, there is one delicate point that must be confronted. Sacking an employee, it is submitted, is not a coercive act – although threatening someone with the loss of their job may appear to be. There is a contrast between a coercive power threatening someone with the loss of their job (as is common

in totalitarian states) and a person *within a firm* separating another person from that firm (Nozick 1974: 253ff). The former, it is submitted, is a coercive act; the latter is merely the withdrawal of a willingness to enter into a cooperative association with that other person. The manager sacking a subordinate is merely deciding him or herself and on behalf of other individuals that a certain form of cooperation between that person and the rest of the members of the firm (including the manager) should not continue, for any number of good or bad reasons. The state official (Leoni 1991: 39) denying a person employment with a particular firm or in a particular capacity is the coercive prevention of individuals who seek to do so from cooperating with each other. The end result may look similar but the power process may be completely different.

Conclusion: The two types of command.

People tell other people what to do all the time. We constantly receive and give orders and commands. Both managers and governments issue 'policies', 'directives', 'regulations', 'rules' and 'orders'.

However, we obey these commands for two different reasons; they are two completely different types of 'command'.[5] One command, voluntary command, we follow because we have made a commitment to the rules and the person giving us that command knows those rules and is merely articulating the rule to be followed. Our visible obeying of the command is merely the outward manifestation of our internal subjective commitment to following those rules. Our action is entirely voluntary. This first type command is never arbitrary (although it may be inconsistent!). It is, as Turner notes, 'neither oppressive nor maladaptive nor inherently detrimental to social cohesion. The very opposite in fact …' (2005). This, it has been the purpose of this paper to argue, may be the only type of command that exists within market-based instrumental organisations like the business firm. Hence firms, at any moment in time (Walsh 2009b), are marvels of coordination and common purpose because commands are followed solely because they are merely the articulation of the common rules we have committed to. It may also make it clearer to managers that the firm is a social, rule-bound order. The difference between any particular firm, every other firm, and the larger market order is between different rule-bound orders; the firm may be, in Schlicht's phrase, a shelter from the market order, but the power processes are similar – persuasion and authority.

The other command we follow, coercive command, does not require our voluntary commitment. We may obey it because we are committed to the rule that underlies that command, but that does not matter. The rules must be obeyed for an external material reason. This second type of command is the

recourse of the coercive power. Sometimes, individuals commit to the rules of the coercive power, they may be persuaded that this is the right rule, then this type of command is not oppressive, maladaptive nor inherently detrimental to social cohesion. For example, an order for specific performance or an injunction given by a common law judge are backed up by threats of jail. That coercive threat is not maladaptive as it is merely ensuring that individuals who have committed to the rules behave within those rules. The judge in his or her order is, as we have seen, merely articulating that rule.

However, where individuals do not freely commit, then the command of the coercive power *is* oppressive and may be maladaptive and inherently detrimental to social cohesion. Understanding the two types of command and understanding the Great Society as a spontaneous order, may help to understand how governmental actions differ in their effects and how some actions, but not others, are maladaptive[6] and detrimental to social cohesion. Turner analysis of power finally provides support for Bruno Leoni's of the critical importance of the difference between the law and legislation.

Notes

[1] Ernst & Young

[2] Turner's use of the word 'control', implying external supervision, is somewhat contradictory in this definition but the rest of the extract should make clear the internalised aspect of 'authority', as he defines it.

[3] Each volunteer had voluntarily made a commitment to the success of the experiment – to 'science'. The visible strain that each participant went through showed the degree of their commitment to the rules. They thought, because they were lied to, that *all* the others in the experiment had voluntarily made a commitment to the same rules. Some cheated when they thought that no one was monitoring their commitment. There is no comparison between this experiment and Nazi sadism (despite Milgram, 1974, 2); the victims of Nazi Germany had made no voluntary commitment to Nazi rule (Mandel, 1998). We know, and have always known, that people will do extraordinary things when they have made a voluntary commitment. Milgram's experiment gave rise to trivial results which Milgram then completely misinterpreted. (For a similar critique of Milgram's experiment see Haslam and Reicher, 2007 and 2008 and Turner, 2006.)
Each volunteer that proceeded with the experiment to its conclusion may have done so because of their commitment to the rules of the laboratory, despite the strain. The worst that could be said of them is that, if they were not closely observed they may have alleviated what appeared to be the suffering of another individual. A person who would persevere with that level of commitment is a worthy companion for any uncertain joint endeavour. Instead each of these people was lied to, put under enormous strain and, finally, traduced in print. This was a poor reward for trying to assist staff at Yale University.

[4] This appears to be similar to Turner's conclusion: 'Leaders gain power not by possessing resources in the abstract but by standing for, representing, believing, working for something, or being perceived to do so, with which at least some others concur.' (Turner, 2005)

[5] Herbert Spencer made, I think, the exact same argument from the reverse perspective when he wrote of 'voluntary cooperation' and 'compulsory cooperation': 'Men may work together in a society under either of these two forms of control: forms which, though in many cases mingled, are essentially contrasted.' (Spencer, 1981, 493)

[6] Of course, if the prevailing rules in a culture seem to be leading to a destructive result then a maladaptive approach may be required (Leoni, 1991, 78ff). This was the approach of some classical economists to the Irish question in the 19th century. For example JS Mill argued: 'Where the inhabitants of a country quit the country en masse … It is the duty of Parliament to reform the landed tenure of Ireland.' (Quoted at Black, 1960, 236)

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