Article:

Spencer, DA orcid.org/0000-0002-7803-6105 (2020) Economics and ‘bad’ management: the limits to performativity. Cambridge Journal of Economics, 44 (1). pp. 17-32. ISSN 0309-166X

https://doi.org/10.1093/cje/bez033

Economics and 'bad' management: the limits to performativity

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Forthcoming, *Cambridge Journal of Economics*

Abstract

The performative power of mainstream economic theories (notably agency theory and transaction cost economics) has been criticised by researchers within management studies. The latter blame these theories for creating 'bad' management in real-world organisations and call for their removal from business schools. This paper questions this line of criticism. It argues that mainstream economic theories have condoned more than created 'bad' management. It also questions whether 'bad' management can be negated by ousting these theories from business schools. Rather it is argued that 'bad' management has deep roots within organisations – specifically, it reflects on how organisations are run by and in the interests of capital owners. The possibilities for securing comparatively enlightened or 'good' forms of management are seen as necessarily limited by capitalist ownership relations. The paper argues that the transformation of management will require wider reforms in – and importantly beyond – business schools.

JEL codes: A11, A12, A13

Keywords: performativity, economics, business schools, bad management, capitalism

1. Introduction

The ascendancy of mainstream economics has been one prominent feature of the modern development of business schools. Specific theories, notably agency theory and transaction cost economics, have become key components of the teaching and research agendas within management studies. Students and managers enrolled on business school courses have been exposed to mainstream economic theories in a direct way and management journals and conferences have become important outlets for the promotion of the ideas and concepts of mainstream economics. While colonisation might be too strong a word (see Fine and Milonakis, 2009), it is certainly the case that mainstream economics has come to exert a strong, if not dominant, influence over business schools (Fourcade and Khurana, 2013).

The question is whether this influence is a good or bad thing, not just for the development of an understanding of management, but also for the moulding of management practice in the real world. This paper considers how some management scholars have confronted and contested the encroachment of mainstream economics into business schools (Ghoshal and Moran, 1996; Ferraro et al., 2005; Ghoshal, 2005; Fourcade and Khurana, 2013; Pfeffer, 2016). These scholars, importantly, offer a critique of mainstream economics that goes beyond the level of theory. They argue that mainstream economic theories, as taught and professed in business schools, are dangerous for management practice. Indeed, they implicate these theories in the creation of 'bad' management that is directly corrosive not only of the efficiency of organisations but also of the health and well-being of workers. This argument leads to the conclusion that mainstream economic theories must be removed from business schools. Here the removal of these theories is viewed as a necessary step in creating a better world of management that yields superior economic and social outcomes.

The paper shows how the above criticism forms part of a broader view of mainstream economics as performative (Callon, 2007). In the case of this paper, the focus is on the perceived performative power of mainstream economics in creating management that is regressive in its effects. Workers and wider society are seen to have suffered under the influence of management created by the acceptance of mainstream economic theories of management. This criticism complements long-standing heterodox accounts of the poverty as well as potential and actual partiality of mainstream economics (see e.g. Fine, 1980; Fine and Milonakis, 2009). One contribution of the paper is to highlight this area of overlap and to show how heterodox economists and critical researchers in management studies might join forces in resisting mainstream economics both within and beyond business schools. A more direct aim, however, is to question the application of the performativity idea to the explanation of 'bad' management.

Two lines of criticism are developed. Firstly, it is questioned whether mainstream economics has created 'bad' management, at least in a direct way. It is argued that 'bad' management has roots independent of mainstream economics. On the one hand, regressive forms of management are endemic features of capitalist work organisation. Importantly, 'bad' management predates mainstream economics taking hold within business schools – indeed it predates business schools themselves. On the other hand, 'bad' management has taken on particular forms and intensified in the present due to shifts in the political economy of capitalism, particularly the move to the 'shareholder value model'. Here the entrenchment of 'bad' management has reflected on changes in the way in which modern organisations have been run. The argument is made that mainstream economics has not *performed* 'bad' management as much as condoned and supported its existence and evolution. Modern mainstream economic theories of management, in particular, have lent ideological support to and helped to validate the objective of shareholder value maximisation, aiding the enrichment of capital owners, at the expense of the rest of society.

Secondly, the paper questions whether the removal of mainstream economic theories from business schools would help to create the necessary conditions for the negation of ‘bad’ management. The performativity thesis imagines a world where new and superior management can be brought into being by communicating new and superior management theories within business schools. Arguing against this view of the world, attention is focused on institutional and political constraints on change. It is argued that attempts to ‘perform’ alternative critical theories of management are likely to fail more than succeed and that the movement beyond ‘bad’ management requires direct change in prevailing corporate governance and ownership relations. In the end, removing ‘bad’ management requires transcending capitalism itself.

The contribution of the above criticisms is to show the limits to performativity. The latter overstates the power of mainstream economics to create ‘bad’ management. It also fails to see the limits to reform in management that potentially comes from the critique and replacement of mainstream economics within business schools. ‘Bad’ management has existed for longer than mainstream economics has had an influence within business schools and will likely persist even if mainstream economics is somehow jettisoned from business schools. The possibility for more enlightened or ‘good’ management is seen to raise broader questions, not least over the status of the business school itself, and to necessitate critical thinking about ways to restructure organisations beyond the profit imperative. Here the issue is not the performativity of particular theories but rather the capacity to sustain forms of critique against the influence of dominant power relations. In relation to critique, the argument is made for heterodox economics as a means to extend criticism of – and opposition to – capitalistic forms of management.

The arguments and criticisms made in the paper support those found in Fleming and Banerjee (2016). Hence they endorse their view on the likely failure of performativity as a mechanism for achieving change within organisations. However, the present paper goes beyond the paper of Fleming and Banerjee in three respects. Firstly, it argues that performativity fails to explain current ('bad') management practice as much as prevent it from changing. The limits to performativity as a focus for critical enquiry are magnified in this case. Secondly, the paper focuses more directly on the putative influence of mainstream economics on 'bad' management. It shows how this influence has been exaggerated. It also shows how the focus on the performativity of mainstream economics has distracted from deeper-lying sources of 'bad' management. Thirdly, the paper asks what might be done to overcome the deficiencies of mainstream economics and in turn advance the critique of capitalist work organisation. Here it seeks to promote ideas from within heterodox economics. In doing so, it aims to open up new space for dialogue between critical management researchers and heterodox economists, including on the promotion of theories that seek to question and transcend capitalist social relations.

The paper is organised as follows. Section two sets out the argument that mainstream economic theories present within business schools have created 'bad' management. Section three outlines criticisms of the above argument. Section four considers critically the argument that changes in management theory away from mainstream economics can counter and negate 'bad' management. Section five explores the possibilities for reforming business schools via a union of heterodox economics and critical management research. Section six concludes.

2. From 'bad' economic theories to 'bad' management

The performativity thesis holds that theories do not just describe reality; they also directly shape it (Callon, 2007).[1] In the case of mainstream economic theories of management, there is the view that these theories have altered management behaviour in ways that have suited the realisation of the theories themselves. A world consistent with mainstream economic theories has been created, it is argued, by the strength of belief in the validity of these theories (Ghoshal and Moran, 1996; Ghoshal, 2005; Ferraro et al., 2005; Pfeffer, 2016).

Two mainstream economic theories of management have been singled out for attention. The first is agency theory that has its origins in the work of mainstream economists such as Alchian and Demsetz (1972) and Jensen and Meckling (1976). The second is transaction cost economics linked to the work of Williamson (1975; 1985). Both these theories make assumptions about human nature and the management process. In particular, they assume that 'principals' (e.g. shareholders or managers) face an 'agency problem'. Those who are hired by principals (namely 'agents') have the discretion to act in ways they desire and they are assumed to use this discretion to shirk the responsibilities placed on them. In transaction cost economics, the assumption of 'opportunism' is made, which leads to the idea that agents will lie, cheat, and steal in order to gain their own way. The assumed inevitability of shirking and opportunism means that principals must police the actions of agents as well as introduce suitable incentives to ensure that their interests are met. Management, from the perspective of the above theories, becomes a simple matter of securing the compliance of agents, by processes of direct command and control. Shareholders must incentivise managers (e.g. by share option schemes) to maximise shareholder value, whereas managers must induce workers to work hard by the encouragement of financial rewards and the threat of dismissal.

The above view of management is viewed as simplistic, not least because of its under-theorised and ultimately false view of human nature (Granovetter, 1985). For example, it ignores how agents can be led to cooperate by relations of mutual trust and how management can be effective under more democratic conditions (Pfeffer, 2007). Indeed, a whole body of work in human resource management (HRM) is devoted to demonstrating how employee cooperation can be secured through the participation of workers in organisational decision-making (see e.g. Paauwe et al., 2013). This work challenges directly the assumptions about human behaviour made in mainstream economics.

Yet, the argument put forth by critics is that mainstream economic theories have performative power. Even though these theories are false in their assumptions and prescriptions, they have the capacity to change management behaviour in a manner that can make them 'true'. The transmission of mainstream economic theories from business schools into actual practice, indeed, is blamed for the spread of regressive or 'bad' management that is consistent with the predictions of these theories (Ghoshal and Moran, 1996; Ghoshal, 2005; Ferraro et al., 2005; Pfeffer, 2016).

The above criticism is based on the belief that mainstream economics has become more influential and powerful in business schools (Fourcade and Khurana, 2013). Mainstream economic theories, in particular, have come to influence what is taught in business schools. The view is that through its influence on business school teaching mainstream economics has brought about changes in managers' behaviour, leading to the verification of its management theories.

Consider the case of managers enrolled on business school programmes that feature mainstream economic theories. These theories teach that workers are untrustworthy and prone to opportunism. They also teach that managers themselves cannot be trusted and that they must be incentivised to work as required by shareholders. Indeed, they suggest that managers are open to corruption and fraud. These ideas and beliefs about behaviour are assumed to have a self-fulfilling prophecy element (see Ghoshal and Moran, 1996: 21-25). Hence managers who believe that workers will shirk and act in untrustworthy ways will use incentives to gain the consent of workers. The effect of their behaviour, in this case, will be to crowd out mutual cooperation and trust, as workers come to question the motives of managers. The result then will be to confirm the forms of behaviour predicted by mainstream economic theories. Here the latter theories are verified not because they are valid in themselves, but rather because they are believed to be valid. Managers create greater opportunism and the necessity for incentives, in effect, by believing that mainstream economic theories are true.

The same managers, again influenced by their exposure to mainstream economics, will be inclined to indulge in more rent-seeking behaviour, increasing their own rewards at the expense of shareholders. Here the effect will be to confirm what mainstream economics says about the lack of trust and self-seeking behaviour that exists in organisations. But again the occurrence of misbehaviour results from managers' internalising ideas from mainstream economics, not from the essential truthfulness of the latter. As managers misbehave, so shareholders will be required to introduce and extend incentives to gain the compliance of managers, once more confirming a key prediction of mainstream economics.

Contributions such as that of Ferraro et al. (2005) do not substantiate the link between the teaching of mainstream economic theories and changes in management behaviour. Rather they refer to evidence about the role of mainstream economics in changing the way that students and academics think and behave (see Ferraro et al., 2005: 14). Experiments, for example, show how economics students are more likely to free ride and cheat than their peers in other university departments (e.g. Marwell and Ames, 1981; McCabe and Trevino, 1995). There is also evidence that economics professors are more corruptible than other academics (see Frank and Schulze, 2000). These findings are used to account for why the exposure of managers to mainstream economic theories of management can lead to changes in their behaviour, rendering these theories as performative. Importantly, however, there is no direct evidence of managers having changed their behaviour as a result of being exposed to mainstream economic theories. Instead, there is the broader assertion that the teaching of these theories is on the rise – particularly within business schools – and that such teaching is driving changes in actual management practice (Ferraro et al., 2005: 10-11).

The idea of mainstream economic theories being 'bad' for management incorporates several points. One is that these theories yield management that is directly regressive in its effects on workers. 'Bad' management refers to management practice based on cost reduction including wage cuts and layoffs. Pfeffer (2016: 665) highlights the 'hellish and toxic work arrangements' present in some modern organisations. These arrangements have not only reduced worker well-being but also shortened the lives of workers. Here mainstream economic theories are seen as directly responsible for the spread of management practice that has done mortal damage to workers. Another point of criticism relates to firm performance. Alternative forms of management (sometimes referred to as 'high-commitment' management) that take into account the interests of workers are seen as potentially more efficient. Firms, it is argued, have 'left money on the table' by pursuing cost-cutting forms of management (Pfeffer, 2007: 115). The problem, however, is that mainstream economic theories have created a form of lock-in, preventing the move to what are regarded as superior, in economic as well as ethical terms, forms of management. They have done so again by creating beliefs and patterns of behaviour that have validated their predictions.

To summarise, according to the performativity thesis, 'bad' management – bad for workers as well as for society – is explained by the dominance of mainstream economic theories in business schools. Corporate scandals (e.g. Enron) and oppressive and life-limiting workplaces (e.g. Amazon warehouses) are blamed on managers' acceptance of these theories (Pfeffer, 2016). Only by going beyond – and indeed rejecting – mainstream economic theories within business schools, it is contended, will 'bad' management be reduced and ultimately conquered.

3. Just how bad are mainstream economic theories for management practice?

The application of the performativity idea to the explanation of 'bad' management practice is clearly provocative and eye-catching. It suggests that business schools are not innocent citadels separate from the real world. Rather it suggests they have had a direct and inescapable role in creating a malign reality that aligns with the mainstream economic theories taught and professed within them. This line of criticism, as mentioned above, leads to the argument that business schools should shun mainstream economic theories of management.

Yet, the performativity thesis in the above form confronts certain limitations. Firstly, it assumes that mainstream economic theories play a direct and decisive role in shaping management behaviour. It neglects, for example, how economic theories are not the only ones taught in business schools. Rather these theories must compete with theories from other subjects (e.g. HRM and business ethics) that offer a different view of management. At least in some variants of HRM, there is emphasis on routes to higher productivity that entail granting greater autonomy to workers – here the view of pervasive shirking by workers found in mainstream economic theories is replaced with the idea of creating cooperation in the workplace (see Paauwe et al., 2013). In this case, business school students may be faced with a confusing mix of theories and in turn competing ways of acting in the real world. It then needs to be explained why mainstream economic theories of management will dominate over other management theories.

There is also ambiguity over the level of economics teaching that managers are exposed to. An introductory course on economics as part of an undergraduate management degree will be very different (in its content and level), for example, to a specialist economics course on agency theory in an MBA programme. In the latter case, there may also be variation in economics teaching based on the status of the business school – some leading US business schools, for example, may offer MBAs with courses on economics that are taught by leaders (may be even Nobel Laureates) in the economics discipline (see Fourcade and Khurana, 2013). The point here is that there will be differences in managers' exposure to economics teaching, which can be expected to impact on the effect of such teaching on actual management behaviour. Indeed, for some managers, there may be no contact with economics teaching. It is not clear that such differences in exposure to mainstream economics are fully grasped in the performativity literature.

Following the above argument, managers who are exposed to mainstream economics may not embrace it, but rather may see it as abstract and possibly irrelevant to their real world experience. Pursuing economics courses may be more about passing exams than about seeing the world differently. To be sure, these courses may support particular ways of thinking, but only because they match with practices already present within organisations. The problem with the performativity idea is that it assumes that the teaching of mainstream economics transforms management practice, without due regard to the ways in which this teaching corresponds with – and reproduces – the world as it exists. Hence rather than creating 'bad' management it can be argued that mainstream economics has helped to validate it, by offering a supportive and enabling set of ideas (see below).[2]

Secondly, there is the specific context for management change and reform. The performativity thesis as outlined above gives emphasis to mainstream economic theories in explaining such change and reform in the present. Where contextual factors are brought in, they are seen to support the effects of these theories. In the USA and UK, for example, the performativity of mainstream economics is said to have been heightened by the presence of a supportive individualistic culture (Ferraro, et al., 2005: 17). Yet here context matters residually. It enables theories to become self-fulfilling. The emphasis remains on theories – in the above case, mainstream economic theories – in making certain realities possible and indeed achievable. It is as if the shareholder value model owes its origins to mainstream economic theories gaining influence in business schools. But what if context is more important in explaining changes in the world than some individual theories including those found on economics courses in business schools? What if, in direct relation to the arguments presented above, 'bad' management is explained more by the effects of contextual factors than by the influence of mainstream economic theories taught and professed in business schools?

The importance of context in shaping whether theories can have an effect on reality is recognised in the performativity literature. Butler (2010: 147-48), for example, refers to cases of 'perlocutionary' performativity where speech acts bring into existence a particular reality, only in the presence of certain enabling conditions. Talking into existence theories or ideas is impossible in the absence of an environment which enables those theories and ideas to be realised.

But this raises an important issue, namely the importance of 'boundary conditions' (see also Felin and Foss, 2009; Marti and Gond, 2017). It suggests instances where performativity may fail to explain reality. Fleming and Banerjee (2016: 263-65) refer to the limits of performativity. They stress the barriers preventing critical management theories from reforming extant management practice (see also below). Here, in an extension of this argument, it can be asserted that the boundary for mainstream economic theories to effect reality will be determined by the fit between these theories and the practices evident within organisations. Indeed, there may be no hint of an effect of these theories on management practice without the support of an environment that suits their conclusions.

Take the example of a manager imbibing ideas from mainstream economic theories. She may be won over by these theories during her studies in a business school. She may then in the course of her management practice come to act in ways that are compatible with the theories, turning the latter into what appear to be self-fulfilling prophecies. But here her ability to act on the basis of mainstream economic theories is dictated by the environment in which she manages. It is only because forms of management consistent with mainstream economic theories are permissible under existing organisational conditions that the manager in question is able to act in this way. Were such conditions to be different, there would be no suggestion of performativity, given that the above theories would have no correspondence with reality. In the above example, the manager would be seen as simply following patterns of behaviour that are thrust upon her by dint of her position in the organisation and over which she has little control. In this case, she is less 'performing' specific economic theories than adhering to responsibilities that she is paid to do.

The above discussion serves to highlight the influence of institutional and political factors in shaping management behaviour. This is the basis of the third criticism developed here. It can be argued that accounts of performativity fail to consider the conditions that make possible and realise 'bad management. They miss, in particular, how capitalism – both historically and in the present – has created and embedded 'bad' management.

Two points can be made here. Firstly, 'bad' management can be seen as in no way exceptional, but rather as endemic under capitalism. Importantly, capitalist organisations have as their objective the maximisation of profit. The imperative to make profit pushes management in a regressive direction and creates the basis for management practice that is by its nature exploitative. This is not to suggest that there is no variation in the form of management – for example, the 'varieties of capitalism' literature stresses such variation in explaining the possibilities for reform within capitalist societies (Hall and Soskice, 2003). It is also recognised that wages and working conditions can vary across workplaces in line with factors such as union presence and the scarcity of the skills possessed by workers. Rather the point is to stress that management is necessarily constrained under capitalism. 'Bad' management, in essence, reflects on how capitalism privileges profit-making above all other objectives.

The second point to make concerns changes in management within modern organisations. Here it is important to highlight the spread and consolidation of the shareholder value model (see Lazonick and O'Sullivan, 2000). This model, in turn, is one aspect of the processes of financialisation that have characterised most capitalist economies over the last 30 or so years (see van der Zwan, 2014). The increased influence of finance capital in the running of firms has deepened forms of 'bad' management'. Workers have faced lower wages and worse terms and conditions of employment, in consequence of shareholder value maximisation (Cushen and Thompson, 2016). In the above case, managers have not acted out theories taken from mainstream economics but rather have fulfilled responsibilities imposed on them by the financialised organisations in which they work.

The above discussion is not to suggest that mainstream economic theories such as agency theory and transaction cost economics have been unimportant in the rise of the shareholder value model. Rather it can be argued that these theories have developed in a way supportive of the above model. Indeed, they have legitimated the latter. More negatively, mainstream economic theories have displaced and discredited other theories (e.g. from HRM and business ethics) that support a more human-centred view of management. Here they have done so by appearing to be 'scientific' and 'rigorous' (see Ghoshal, 2005: 77). This appearance, however, has scarcely concealed their ideological role in supporting shareholder value maximisation, against the interests and well-being of workers.

There is a wider story here of how capitalism has evolved and changed over the course of the last few decades. The move from the so-called 'Keynesian consensus' in the 1950s and 1960s to the present era of neoliberalism, at a broad level, has involved a shift to a harsher and more rapacious capitalism (see Glyn, 2006). The rise of the shareholder value model represents one manifestation of this shift. Importantly, in the post-war era, mainstream economic theories supportive of shareholder value maximisation were kept alive and sustained by intellectual groups (notably the Mont Pèlerin Society) (see Mirowski and Plehwe, 2009). The reproduction of such theories at this time was important in paving the way for the neoliberal era itself. But it was only through the crises of the 1970s plus the subsequent deregulation, privatisation and financialisation processes of the 1980s that neoliberal practices inclusive of the shareholder value model were fully realised. The point to stress is that agency theory, along with other mainstream economic theories, have required these enabling economic and political conditions to become effective. These theories have had an effect because they have fitted with and made sense of the reality of organisational change occurring within modern capitalist economies. It can be argued that, far from being performative, mainstream economic theories have performed to the gallery, embedding and reinforcing structural inequalities and injustices within organisations and society more generally.

4. Creating 'good' management: the failure of performativity

Proponents of the performativity idea suggest that revision in the theories taught in business schools could help to bring about positive changes in management within real-world organisations. On the one hand, they claim that by not teaching currently dominant mainstream economic theories, 'bad' management can be combatted. On the other hand, they argue that by teaching other ('good') management theories conditions can be created that promote 'good' management.

While the status of 'good' theories is not always fully explained, there is the idea that these theories will contribute to social good, at the same time as promoting the goal of efficiency. Positive contribution comes here through sound explanation not just through the 'preaching' of a particular set of policies and politics (Ghoshal, 2005: 86). For writers such as Pfeffer and Ghoshal, there is support for a more ethically grounded management theory that can support higher firm performance while protecting and enhancing the health and well-being of workers. Here 'high-commitment' management is seen to have some merit and is endorsed ahead of cost-reducing alternatives linked to the shareholder value model (see Pfeffer, 2007). More generally, there is a plea for greater 'pluralism' in management theory and for more discussion of alternative types of management practice that go beyond the shareholder value model (Ghoshal, 2005: 88).

Performativity, in general, suggests that business school academics need to be more self-reflective and consider the potential for the theories they teach and profess to become self-fulfilling prophecies. They should be careful what they write and what they say because their writings and utterances could change reality for good as well as ill. In the realm of teaching, in particular, self-reflection means professing and promoting theories that seek changes in management practice that transcend the goal of shareholder value maximisation. More directly, it means teaching theories to would-be or actual managers that are not money-centred, but rather which aim for a balance between efficiency and equity (Pfeffer, 2016).

From a different standpoint, some proponents of 'critical management studies' (CMS) have argued for a form of 'critical' or 'progressive' performativity (see Fournier and Grey (2000) for a summary of CMS). These writers argue that management researchers ought to get closer to managers and promote ideas that can effect changes in the practice of the latter. Spicer et al. (2009: 538), for example, recommend 'active and subversive intervention into managerial discourses and practices'. Wickert and Schaefer (2015: 3), in a similar vein, see the need 'to ‘activate’ the language that managers use’ [in ways that] ‘support managers to ‘talk into existence’ new (counterbalancing) behaviours and practices’. In both instances, there is a stress on modifying the language used by managers in a manner that can bring about positive change in their practice. Here the performative power of language is accepted and used to argue for action designed to reform management. CMS, in short, is urged to embrace performativity as a way to create a better world in and beyond present-day organisations.

The notion of performativity as a driver of management reform, however, faces problems. Most clearly, it ignores the fact that critical management theories may be professed in business schools without any influence at all on actual management practice. Managers may be exposed to these theories and may even accept them but if they continue to work under conditions that preclude their realisation, their behaviour will remain unchanged by them. It is to invest too much power in the potential influence of critical management theories to think that they alone could help to bring about ‘good’ management.

Consider the example of a middle-manager being exposed to a critical management theory – for example, one found in the subjects of HRM and business ethics – that promotes the idea of shared ownership and challenges the shareholder value model. This theory may be highly convincing in its arguments and may also be backed by strong supporting evidence (e.g. on the well-being and health benefits of more democratic forms of management). It may win over the manager in ways that make her want to implement it. More subtly, it may lead her to think and act differently, in ways that create the potential for the theory to become performative. But consider then the scope for the manager to make changes in her work life. She will face the pressing constraint of shareholders who demand conformity to profit maximisation. She will run the risk of demotion and even the loss of her job if she pursues an alternative course of action. Resistance to the shareholder value model would not just breach a corporate norm but also lead to opprobrium and direct sanction. Here even though the manager may be convinced by a different course of action and want to revise existing management practice, she will be unable to change things as she wishes. Instead, circumstances will lead her to maximise shareholder value, despite her belief in its regressive implications.

Fleming and Banerjee (2016: 265-67), as mentioned above, discuss reasons why performativity is likely to fail in practice. They show how management scholars will often be required to make compromises in getting close to managers and how any critical agenda will be diluted by such engagement. Middle-managers are easier to access than CEOs and senior managers, yet the latter are the ones with the power and influence to change management. CMS scholars, in this case, may be faced with engaging with managers who lack the ability to change anything significant. Further, CEOs and senior managers may turn critical agendas into mechanisms for promoting their own goals – corporate social responsibility, for example, has become another tool for promoting firm performance with little positive effect on climate change or worker well-being (see Fleming and Jones, 2013). Finally, if promoting alternative theories to managers causes a backlash from shareholders in the form of stricter management control, the effect on lower-level managers and workers may be worse terms and conditions. Hence, in this case, the impact of performativity may be more, not less, 'bad' management.

The point to add here is that the reasons for the failure of performativity are not just contingent but structural. They reflect on the way that capitalism sets limits on management and how change in management requires reform beyond the level of theory. The problem of performativity, in short, stems from a failure to see the need for broader structural change and a future where organisations are run differently and in non-capitalist ways.

The above is not to paint an overly deterministic view of the scope for change. There remain contradictions and tensions, not least over the limits to management itself. Workers and also managers remain potential agents for change, even within the constraints of capitalism. The most recent global financial crisis also points to fragility in the system and the possibility for upheaval. Critical theories here can play a role in reproducing and generating dissent. As we shall see in the next section, there is the opportunity to build new critical alliances within and beyond business schools that can help to facilitate social change. Rather what is to be emphasised is that 'good' management cannot be won just through better or superior theories taught in business schools – it must also be secured by changing ownership relations and bringing democracy to organisations. These deeper changes – to be promoted and encouraged by critical theories (see below) – indeed ultimately take us beyond ideas of 'good' management and towards an understanding of possible post-capitalist futures.

5. Ideology, mainstream economics and business schools: reimagining the future

The idea of mainstream economics serving and reinforcing the interests of particular class actors is, of course, not new. Marx (1976: 97) famously criticised mainstream economists (in his case, classical political economists) for acting as 'hired prize-fighters' for capital. His concern was less about mainstream economists creating capitalist reality than their justifying and legitimating it – for example, via theories of value that fetishise social relations, thereby obscuring and denying their link to deeper-lying relations of exploitation.

Keynes too offered a view of economic ideas affecting popular opinion. He wrote famously that 'the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. … Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist' (Keynes, 1973: 383). Indeed, this quote is invoked by Ghoshal (2005: 75) and Ferraro et al. (2005: 8) in their discussion of the performative power of modern mainstream economics. Yet, for Keynes, a key concern was the influence of mainstream economics on practical policy-making. The hegemony of mainstream economics created a bias against the kind of reflationary policy that Keynes wished to see enacted. Again here the issue was not mainstream economists' ideas 'creating' reality as their having too much power over prevailing policy thinking. Their influence had to be tamed in order to allow alternative policy proposals to have an effect.

Heterodox economists, following the approaches of Marx and Keynes, have expressed concern at the power and influence of mainstream economics. The power of mainstream economics in excluding alternative perspectives within economics is one area of obvious concern (Fine and Milonakis, 2009). Another is the disproportionate influence of mainstream economics on policy and politics. In the present, a key concern would be the influence of mainstream economics in supporting – or at least condoning – austerity policies (see Blyth, 2013).

The point to be stressed is that mainstream economics has long been implicated in the support and reinforcement of particular class interests. It has been argued to be dangerous in closing down discussion of alternatives and of promoting an acceptance of the status quo. Its influence, indeed, has been linked to the glossing over of inequities in power and resources and to the erection of barriers to progress.

But here mainstream economics has been seen to present a problem because it legitimates reality not because it creates it. Capitalism has its own material drivers and processes. While, in an ideological sense, mainstream economics has helped to support capitalism, there is little basis for the argument that mainstream economics has 'performed' capitalism. The same argument can be applied to the performative power of mainstream economics in creating 'bad' management. While again supported ideologically by mainstream economics, 'bad' management has been driven and shaped by forces linked to the forms of ownership that exist under capitalism.

Where does this leave critical thought in business schools? What can be done to effect positive change in the world of management and beyond? At least the performativity literature raises these questions, even if, as contended above, it fails to adequately address them. In confronting the above questions here, two points can be made.

The first point is the scope for interchange between heterodox economics and critical enquiry within management studies. It can be recognised here that the degree of contact and collaboration between perspectives such as CMS and heterodox economics has been slight. This reflects, in part, on the fact that the two approaches have different agendas. Whereas CMS has focused on critiquing conventional management theory and practice, heterodox economics has been concerned to contest the terrain of mainstream economics (see Lawson, 2006). Yet, it can be argued that by working together the two could help one another. This is especially so given that both now figure in business schools and have the opportunity to forge alliances.

On the one hand, heterodox economists would find in CMS a receptive audience for their critique of mainstream economics. Indeed, they could extend the range and influence of this critique, by allying with CMS scholars in resisting mainstream economics within business schools. On the other hand, by engaging with heterodox economics, CMS would stand to gain insight into ways to rethink economics. Beyond simply critiquing mainstream economics, CMS could work with heterodox economics in seeking an alternative economics that can be taught and professed in business schools. In the latter case, an alliance of heterodox economics and CMS could be used to promote the case for change beyond business schools.[3]

The second point to be made relates to the status of the business school itself. Contrasting viewpoints present themselves here. One is to dismiss the business school as hopelessly partisan and opposed to social progress. Parker (2018) provocatively calls for the bulldozing of business schools – if rampant managerialism is to be overcome, Parker argues, then business schools must be torn down. Another view is to accept the flaws of the business school but to work for change within it – and ultimately beyond it. It can be recognised that business schools have come to employ numerous critical social scientists, from advocates of the performativity thesis through CMS scholars to some heterodox economists. In the latter case, at least in the UK, business schools have served as relative safe havens from the intolerance and outright resistance of standalone economics departments. Here the argument would be to harness the dissent that exists within business schools in a manner that challenges current ways of managing and organising business. Working for change within business schools may be pursued in this case, even if the ultimate goal is to realise a world where the need and rationale for business schools is nullified.

6. Conclusion

The use and application of the performativity idea within management studies have led to critical reflection on the role and impact of mainstream economics within modern business schools. The idea itself has shown how ‘theories matter’, in the sense that they are able to effect changes in how managers think and behave. It has highlighted, in particular, the role of mainstream economic theories in creating within real-world organisations ‘bad’ management that favours shareholder value maximisation, at the cost of workers’ income, well-being, and health. Management malpractice and the erosion of ethical standards in the conduct of managers have been connected directly to the dissemination of mainstream economic theories in and through business schools.

Reform of business schools, in this case, is advocated to combat ‘bad’ management. Mainstream economic theories, on the one hand, must be abandoned on business school courses. The clear message is that business school academics should desist from teaching these theories. Alternative theories – ones with a clear basis in ethics and a vision of shared prosperity – on the other hand, should be taught in business schools. These theories should displace mainstream economic theories as a way to promote ‘good’ management. A more humane management that balances equity and efficiency, in short, is seen to depend on business schools adopting and teaching ‘good’ management theories.

This paper has questioned performativity as applied in the above ways. Firstly, it has been doubted whether mainstream economic theories have created ‘bad’ management. Rather it has been argued that mainstream economic theories have helped to support and legitimate regressive forms of management. Even before mainstream economics took hold in business schools, its theories acted as an ideological prop to capitalism. In its transition to acceptance within business schools, mainstream economics has proffered theories supportive of the shareholder value model that has become dominant in capitalist organisations. Here though it has enabled the above model to be reproduced. Mainstream economics has become effective, in short, because it has met with an environment that has supported its assumptions and conclusions. It is less a matter of mainstream economic theories *performing* ‘bad’ management than their confirming and enabling its consolidation. This fact suggests that even if mainstream economic theories had not prospered in business schools ‘bad’ management would still be a problem and a pervasive one at that.

The second criticism concerns the limits for changing management in progressive directions by altering the theories promoted in and by business schools. The idea that by teaching managers ‘good’ theories the world can be changed for the better seems unrealistic given the deeply ingrained practices of management present in modern-day organisations. It is more likely that performativity will fail and that ‘bad’ management will persist, even within the context of a reformed business school where ‘good’ theories are taught and professed by critical management researchers.

Fleming and Banerjee (2016) offer a similar argument. The present paper develops their argument by showing how performativity is unable even to explain ‘bad’ management, let alone resolve it. It demonstrates the broader limits to performativity as a mechanism for explaining both the ubiquity and possible negation of ‘bad’ management within modern organisations.

The criticisms made against performativity highlight the need for alternative routes to social change. In keeping with the performativity literature in management studies, there is a need to contest the ground of mainstream economics. Here, as argued above, there is direct merit in drawing on and developing long-standing criticisms made in heterodox economics. By allying with heterodox economists, critical management researchers can strengthen the opposition against mainstream economics. But it is also necessary to contest capitalism itself. The scope for creating better, more humane management remains impossible without challenging the structural problems at the heart of capitalist organisations. At the present time, an urgent task is to negate and overcome the processes of financialisation. The broader goal is to create more democratic organisations that facilitate not endless profit creation but rather the extension of human freedom and equality.

This leaves the role of business schools. If the latter are to retain relevance in the present, then they must allow for alternative thinking and enlist support for reform. In promoting a different vision of the future, they should seek not to ‘perform’ theory differently but instead to take on and reject powerful corporate interests, including those that benefit from the theories associated with mainstream economics. Ultimately, however, the elimination of ‘bad’ management will require more than just reform in business schools – rather it will necessitate the negation of business schools themselves and the move beyond capitalism.

Endnotes

1. The work of Callon (2007), in particular, takes a strong 'social constructionism' approach, seeing reality as the creation of discourses and ideas. The sense of a reality apart from discourses and ideas is denied. This approach is one that the present paper rejects, on the basis of its idealism and its failure to grasp the existence of real social structures.

2. While not covered in this paper, there is the issue of econometrics and its effects on management teaching and in turn management behaviour. The use of econometrics in business schools has grown alongside the rise in mainstream economic theory. Econometrics is not tied to any particular theory of human behaviour as such. But it has been used to inject an element of 'science' and 'rigour' into management studies – by extension, it has impacted on what is taught to students and managers within business schools. Its use, in particular, has displaced and undermined qualitative analysis and given credence to formulaic approaches to management that neglect wider issues of culture and politics. For a critique of the use of econometrics in one particular area of management scholarship (namely the HRM-performance link), see Hesketh and Fleetwood (2006).

3. The specific argument here for rethinking economics teaching fits with the call for 'critical pedagogy' made by Fleming and Banerjee (2016: 269), only in this case, direct appeal is made to the value of engagement with heterodox economics. The broader view of using critical theory to push for reform outside of business schools also dovetails with Fleming and Banerjee's (2016: 270) support for a 'public CMS' – though again here this view is supported by a critical engagement between CMS and heterodox economics.

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