

# The Moral Economy and Research on Projects: Neglect and Relevance to Social Capital and Competencies

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This paper makes a theoretical contribution to the understanding of management and of projects. The paper adopts an analysis of the *moral economy*, which poses a conceptual challenge to the way in which management generally, and specifically concerning projects, is understood. The paper also poses an indirect methodological challenge, particularly to positivism, empiricism and some interpretative analysis.

Project management and the management of projects have tended to focus upon task and function respectively, which has relegated or excluded the role of morality in relationships in both research and practice. A similar position is adopted in economics with a focus upon closed systems. The combined result is an exclusion of the *moral economy*. This paper argues for a theoretical reappraisal of management generally, and specifically with regard to projects, to include the *moral economy*. The moral economy is not only foundational to the operation of the market economy, but also contributes to its performance.

The conclusion summarises the main points and makes recommendations concerning theoretical development, methodology and practice.

Keywords: ethics, economy, competencies, methodology, morality, projects.

## INTRODUCTION

The *aim* of this paper is to make a theoretical contribution to the understanding of management and of projects through the introduction of the concept of *moral economy* (Smyth, 2006). The *moral economy* is of considerable relevance to the management of projects and more specifically project management. Moral issues not only underpin the operation of the market economy for all goods and services, including projects, but also enhance economic performance in the market economy. We argue that an adequate understanding of managing projects cannot be achieved without addressing the *moral economy* in research. Sayer put it this way:

*...I have long been troubled by the lack of recognition in contemporary social science of what might be termed the moral dimension of social life. In much recent social theory, action is assumed to be either merely interest-driven, or habitual, or a product of wider discourses and institutions (2003).*

Where drivers are profit and growth and where management and task actions are purely habitual, then morality has been excluded from consideration. We argue that moral issues are central to the management of the economy and the firm, and therefore, amorality is indefensible and irrational. Thus, interests and habits need to be made explicit in relation to morality in research into management and projects.

The *objectives* of this paper are to:

- Define the *moral economy*.
- Analyse why most of the economic and management literature generally omits this dimension.
- Address paradigm shifts that have taken place in our understanding of projects:
  - the shortcomings of the main paradigms.
  - the scope of the most recently emergent paradigm, the *relationship approach*, which offers the most fruitful opportunity for embracing research on the moral economy in relation to projects.
- Examine the methodological implications for research on projects.
- Explore the moral economy as a primary source of social capital and competencies, especially behavioural ones.
- Make recommendations for further theoretical and methodological research development and for practice.

## **MORALITY AND RESEARCH ON PROJECTS**

### **THE TENDENCY TO EXCLUDE MORALITY AND THE MORAL ECONOMY**

There is also a growing literature upon morals and ethics in business (Trevino and Nelson, 2004). Lui *et al.* (2004) provide a recent example concerning projects. However, ethical practice tends to be seen as desirable, yet a luxury or “optional extra” (Smyth, 2006). Most management and economic theory and practice either see profit and growth motives as the interests, thus subsuming and absorbing morality within these interests or perceiving it as a purely personal matter (Sayer, 2003).

We argue that morality is central to economic functioning. Morality is foundational, underpinning the market economy. Morality comprises ‘good’ behaviours and ‘good’ values. What sort of behaviour comprises ‘good’ morality? Behaving with integrity and honesty, treating others with dignity and respect, trusting others and reciprocity are some of the main concepts associated with morality. Morality plays a linking role between production and exchange, that is, between predominantly internal relations within the firm to produce the product and service, and the morality of the supplier-customer relations or contractor-client relations (cf. Reichheld, 1996).

The *moral economy*, therefore, comprises the elements of the way in which people conduct themselves that articulate relationships in positive ways for both the actors and the market economy. The moral economy is foundational to the functioning of the market economy. It also helps to potentially add benefits to the performance of the market economy (Smyth, 2006).

Projects present a complex case of uncertainty concerning the nature of the 'product' and service. While there may be general confidence that transactions will be completed overall, there is frequent concern and sometimes mistrust over elements. Thus a foundational level of morality is required between both parties. It is an economy because morals are a resource to be managed and developed. They need to be evident between parties so some form of exchange takes place. This accords to some extent with 'atmosphere' (Williamson, 1975) in transaction economics, although this intangible aspect obscures more than it elucidates morality (Smyth, 2006). The moral economy is also an economy of dispensation, which relates to the way in which morals are valued and allocated in society. At the macro-level this involves culture, political and judicial considerations, whilst at the level of the firm it concerns the degree to which management take responsibility to the development and use of morality within their organisations and in their market dealings. Therefore, the moral economy is conceived as a distinct entity from the market economy, although in practice the market economy is dependent upon the moral economy at a foundational level for its continued existence.

The moral economy needs constant replenishing, especially where relationships in the market are discontinuous and are therefore built from the transaction and exchange upwards; however, behaviour tends to be reinforcing so moral behaviour tends to help build stock that becomes part of social capital. The moral economy is of greater importance in complex and uncertain transactions and exchanges, for example construction projects. Therefore moral economy provides the necessary conditions for the market economy, hence for individual exchanges and transactions.

## **RESEARCH PARADIGMS AND PROJECTS**

Where are moral issues addressed in current research on projects? Research into management, management of projects and project management draws upon a range of theories and disciplines (Smyth *et al.*, 2006). The absence of a unified theory for research on projects means that moral issues need to be located in the dominant systems of ideas and beliefs, that is, *paradigms*, which show how thinking upon research has shifted (Kuhn, 1996).

Pryke and Smyth (2006) have set out the main paradigms of managing projects and identified an emergent one:

1. The *traditional* project management approach – emphasis upon control techniques and tools (for example Turner, 1999; cf. Turner and Müller, 2003; and Koskela, 1992; 2000) and the production-orientated or task-orientated focus (Handy, 1996) upon efficiency tends to omit any overt judgment upon morality, providing efficiency is increased.
2. The *functional* management approach – holistic focus including the strategic, "front-end" management of projects (Morris, 1994; Morris and Pinto, 2004; Miller and Lessard, 2000; cf. Davies and Hobday, 2005), organisational design and social theory. The focus is upon effectiveness, as well as efficiency, but similarly effectiveness does not typically nor overtly embrace morality, although the approach offers more scope for implicit moral judgment.
3. The *information processing* approach – technocratic input-output model of managing projects (Winch, 2002), containing social theory and tending to have a focus upon efficiency. This model draws upon economics and managerialist sociology in addressing information as a means to reduce uncertainty and improve attendant risk

management, and once again morality is largely absent, although limited scope for acknowledgement of moral issues exists.

4. The *relationship* approach – this paradigm emphasises managing social relationships as a means to add value to and through projects (Pryke and Smyth, 2006). It is based in social theory and tends to focus upon effectiveness, arguing that it is people who add value individually and through relationships, as relationships are behind all the other tools and techniques (Pryke and Smyth, 2006). This emergent paradigm offers more scope for developing an analysis of morality. A ‘critical’ social theory variant tends to emphasise interpretative research (Hodgson and Cicmil, 2006), which is either amoral or has a wider moral agenda to criticise the prevailing social order.

## **MORALITY AND METHODOLOGY**

Research needs to engage with morality in terms of categorical imperatives in a Kantian sense, moral behaviour of nurture (Gilligan, 1982; Baier, 1992) and behaviours of moral maintenance (Smyth, 2006). The ability to engage with moral behaviours is dependent upon the paradigms cited above, but is also dependent upon the linked and preferred methodology (Smyth *et al.*, 2006). This paper advocates *critical realism* (Bhaskar, 1975; 1979; Harré, 1972; 1979; Harré and Secord, 1972; Outhwaite, 1987; Sayer, 1992; 2000). The realist methodology has its origins in philosophy (Bhaskar, 1975; 1979; Harré, 1972; 1979) rather than in research methods *per se*. Realism does not take preference in searching for general or particular explanation, but recognises context. A *critical realist* methodology is suited to a context specific subject, where morality has a role in underpinning and mediating in economic transactions. It also has a direct role in establishing the necessary requirements within market relationships in terms of organisational and individual behaviour between firms and individuals representing firms.

Morality contains within it a conception of normative behaviour and action – what ought to be – hence normative theory. Normative questions tend to be more important than positive ones for management and project management. Realism also is inclusive of normative theory as a justifiable component of research generally. Realism identifies the ontological processes in the object of study, which is inclusive of behaviour and hence morality.

It is only by analysing the ontology of value added and added value to projects that the importance of morality can be appreciated in the management of projects. Scanning most research and text books on project management would lead us to believe that value gets added through the tools and techniques of management (Smyth *et al.*, 2006). This embraces the vast majority of literature within the traditional, functional and information paradigms. Value is added through people as they use the tools and techniques, and especially through the social relationships of working together within a firm and across organisational boundaries in various forms of exchange and alliance (Pryke and Smyth, 2006). Management literature that emphasises competitive advantage gained from adding value through social capital in general and core competencies in particular, has its source in social relationships (Hamel and Prahalad, 1994). Hence in the ontological causality of the object of study, the project, is then mediated by the context to produce a permutation of outcomes, in terms of specific service offers as well the general ability to compete in the market.

## **THE MORAL ECONOMY – THE SOURCE OF SOCIAL CAPITAL AND CORE COMPETENCIES**

Social capital concerns the assets a company derives from individuals and through relationships that is released to add value to products and especially services (concerning projects see Pryke and Smyth, 2006; Zoiopolous *et al.*, 2006). It is the experience, knowledge, learning, social skills and capabilities that are of value in service delivery. Management may seek to enhance its social capital base through the employees they hire. Effective management will endeavour to facilitate release of this social capital through a number of means, including employee rewards and incentive schemes, management behaviours that encourage employees generally and specifically in relation to taking responsibility and initiatives, and by developing management systems and procedures that are conducive to the release of social capital.

Core competencies are cross-functional skills and areas of expertise that are captured and embedded within a firm (Hamel and Prahalad, 1994). In other words, core competencies include part of the social capital of a firm where management has tried to weave it into the fabric of the organisation. Core competencies include a range of corporate abilities, including organisational learning and knowledge management, relationship management, emotional intelligence, as well as competencies that feed into tactical issues concerning procurement that have been elevated to the strategic level, such as partnering, supply chain management, lean and agile production.

Morality relates to social capital in two ways. Firstly, the development of social competencies requires personal morality, but release into the social capital of the firm depends upon moral behaviour amongst management and promoted by management. Secondly, there are competencies directly related to morality, trust being a notable example that has featured extensively within partnering (for example Egan, 1998) and other collaborative forms of working (Edkins and Smyth, 2006). In this way competencies, indeed all social capital, have origins within the moral economy and management has a role in managing morality in the functioning of the market economy (Smyth, 2006). Therefore core competencies specifically provide, as social capital does generally, a direct bond or an inextricable link between the moral and market economies.

Therefore the strength of social capital and core competencies do not just rely upon the systems and procedures a firm puts in place in order to embed competencies into the firm, but rely upon the proactive management of morality by employers to create and mobilise social capital.

What is interesting is the lack of interest in morality in this regard, although this is hardly unsurprising given the way in which both economics and management have been divorced from this source in research. A similar picture is present in practice. Research on projects therefore needs to consider the moral economy as important, especially when exploring social capital and core competency issues. In order to inject moral economic issues into the project, a more interventionist stance is needed between the corporate or main office management and managers directly engaged on projects. The implication is that contracting firms need to manage projects as a portfolio of projects and clients from the main office, which has implications for strategy. This in turn has implications for research agendas.

## CONCLUSION

It has been argued that social capital generally and core competencies in particular act as a direct link between the moral and market economies. Employing social capital has taken a central role in the development of strategies for competitive advantage. However, the way in which economics and management are frequently divorced from moral concerns in theory and practice inhibits the development of effective and efficient markets. The primary conclusion, therefore, is that if management in practice is going to be able to improve performance over a range of 'soft skills', especially core competencies, then further research is needed into the moral economy.

It has also been argued that the emergent *relationship approach* offers the most conducive paradigm for understanding and developing research on projects and the moral economy. It has further been argued that the moral economy creates part of the project context and thus *critical realism* offers a preferable methodology for such research on projects. It is recommended that this theoretical and methodological approach is adopted in the development of research into the moral economy and research on projects.

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## **USEFUL WEBSITES**

[www.comp.lancs.ac.uk/sociology/papers/Sayer-Restoring-the-Moral-Dimension.pdf](http://www.comp.lancs.ac.uk/sociology/papers/Sayer-Restoring-the-Moral-Dimension.pdf)