# Chapter 2
# An Aesthetic Theory of the Firm

**John Dobson**

**Abstract** All the firm's a stage. On this institutional stage, many plays are performed simultaneously. The common theme of the plays is human desire: the desire for personal material gain, the desire to bond socially and to achieve status, the desire to do good, the desire to create and experience beauty, etc. When correctly designed, firms are institutional stages that facilitate human flourishing. This correct design has three dimensions: the stage must nurture—and treat as equally valuable—plays in the dimensions of the economic, the moral, and the aesthetic. These dimensions are ontologically fluid and interlaced in the sense that each inevitably rests on the others for ultimate vindication and justification. So, on the institutional stage that is the firm, the play of material gain is only fully justified—in the sense of fostering human flourishing—if its performance is also morally good and aesthetically beautiful. The morality play is only fully justified if it is economically sound and aesthetically beautiful. The challenge humans face in designing firms, therefore, is to design a three dimensional stage that is balanced when viewed from all three dimensions. Sculpturally, the firm should be a perfect sphere: three dimensions of infinite symmetry.

**Keywords** Aesthetic • Education • Stage • Plays

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*Something continues to call for art, something in the experience of those who make it and something in the experience of those who seek to apprehend it* (Stewart 2005, p. 17).

J. Dobson, Ph.D. (✉)
Orfalea College of Business, California Polytechnic State University,
San Luis Obispo, CA, USA
e-mail: jdobson@calpoly.edu

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Theories of the firm address basic questions concerning the nature, purpose, and structure of business organizations. These questions have traditionally been addressed by economists in terms of transaction costs, principal-agent relations, and property rights (McMillan (2002) and Roberts (2004)). But even economists accept that these fundamental questions of business ontology stretch beyond the traditional purview of economic theory. For example, Jensen (a founder of modern agency theory) recently noted the "remarkable division of opinion about the fundamental purpose of the corporation" (2001, p. 8).

The protagonists in this division of opinion are often described simplistically in terms of the degree to which they privilege the *economic* over the *ethical* ontological dimensions: in colloquial terms 'stockholders versus stakeholders'. My focus here, however, is on a third dimension that traditionally has been viewed as merely economically instrumental or ethically decorative, namely, the *aesthetic* dimension. I argue that, once correctly conceived, this latter dimension carries equivalent ontological weight to that of the economic or ethical. In practical terms, understanding the economic, ethical, and aesthetic dimensions equally will better enable firms and the actors therein to foster human flourishing.

Both economics and ethics are now generally accepted as dimensions of any valid theory of the firm. Both disciplines address fundamental questions concerning the individual actors within firms, and the structure within which these individuals act. Both disciplines are normative and descriptive in this regard. In the case of the individual, both disciplines have conceptions of who the individual within the firm is and who this individual should be. In economics, the individual *is* susceptible to behavioral biases and bounded rationality; the individual *should be* a rational wealth maximizer. In ethics, the individual *is* a material opportunist and a moral neophyte; the individual *should be* morally enlightened.

In the case of firm structure, both disciplines again offer normative and descriptive conceptions. In economics, the firm *is* a contractual nexus rife with inefficiencies and agency conflicts; the firm *should be* an invisible structure facilitating wealth creation. In ethics, the firm *is* a hierarchical power structure; the firm *should be* a community nurturing human flourishing.

These brief descriptions are obviously caricatures. But they do at least indicate the extent to which the economic and ethical permeate our conceptions of the firm. Although generally not recognized as such, aesthetics is equally fundamental to the firm's nature and purpose. This claim is true both at the level of the individual and at the level of the firm's structure: the individual both *is* and *should be* an aesthetic being; the firm's structure both *does* and *should* accommodate an aesthetic dimension.

This paper reveals *homo aestheticus* as an individual who, in addition to the ethical and economic dimensions, values the aesthetic dimension of business activity. Furthermore, these three dimensions of the individual character are shown to be mutually supportive: particular attention is given to synergies between the aesthetic and ethical dimensions. This paper concludes with a discussion of how the firm can be structured to best nurture the aesthetic dimension of business activity.

## The Aesthetic Dimension

Before addressing the role of aesthetics in contemporary business, this section gives a very brief historical overview of the concept of aesthetics. Although its influence has varied over time and place, aesthetics has never been far from the center of the cultural *zeitgeist* (Chytry 2007). In the introduction to *The Continental Aesthetics Reader*, Cazeaux observes that "[a]esthetics has undergone a radical transformation in the last hundred years". He continues:

> Traditionally, the subject [of aesthetics] has always occupied the margins of philosophy, for the simple reason that it deals with those aspects of experience … least amenable to categorization, i.e., art, beauty, emotion, and the ever-changing delights of the senses. However, the divisions imposed on reality by modern reason and changes brought about by the industrialization of experience have necessitated a rethinking of the relationship between the individual and reality. Gone are notions of a distinct self in receipt of a mind-independent world and, in their place, are theses to the effect that consciousness and reality are interconnected at a fundamental level. The aesthetic, formerly exiled from mainstream attention, assumes center-stage as the region to which we can turn for new cognitive possibilities and a sensibility that is critical of the divisions exercised by modern thought. (2000, p. xiii)

Regardless of whether one agrees with Cazeaux's placing of aesthetics at "center-stage", there is no doubt that aesthetics has generally played a significant role in the theatre of philosophy. Pre-Socratic origins of the word "aesthetic" are etymologically derived from the Greek equivalents "to gasp" or to "breath in suddenly" (Onians (1951/1988); the word is also linked to "play" and being "out of time" or "beyond time" in the Heideggerian (1927) sense:

> Phenomena which manifest or appear with the impact of a prominent or memorable emergence…provoke the involuntary intake of breath…A gasp of this order 'stops', as it were, time itself—one is invariably 'breathless' before the emergence of the authentically beautiful…It goes without saying that such provocations to our everyday are more than just "smart and pretty" (Postrel 2003, p. 182), at the very least they launch a thousand ships. (Chytry 2007, p. 40)

In the context of the connection between aesthetics and play, Chytry notes "the vital discovery that Schiller borrowed and expanded from Kant of the aesthetic as focused on the 'free play' of human faculties whenever understanding and imagination are in a state of spontaneous openness or 'indeterminability' prior to being 'constrained' either toward adopting a cognitive or a moral stance" (p. 37).

Kant, perhaps the greatest systematic philosopher of aesthetics, defines it in terms of "the faculty of estimating an object or a mode of representation by means of a delight or aversion apart from any interest. The object of such delight is called beautiful" (1790/1952, p. 139). "Apart from any interest" implies that aesthetic judgment does not rest on ulterior utilitarian motives. As Stolnitz puts it, the "aesthetic attitude" is "the disinterested (with no ulterior purpose) and sympathetic attention to and contemplation of any object of awareness whatever, for its own sake" (1960, p. 32). Kieran provides an arboreal illustration:

> We might look at a tree in the garden and be interested in it in terms of what species it is (theoretical interest) or whether it is blocking out the sun and should be cut back

> (practical interest). But we might just sit back and attend to the contours of the trunk and branches, their stratification, the way the leaves rustle and sway gently in the wind, the dappled shadows cast on the bough, the bent-arm-like crook of a branch as it stretches out. In this case we're disinterested since we look at the tree and, if we're lucky, so doing will afford us pleasure. (2005, p. 67)

Nietzsche, the proto-Freudian, argues (contrary to Kant) that the ulterior energy behind "the genesis of art" is "sexual": "every perfection, all the beauty of things, revives through contiguity this aphrodisian bliss [die aphrodisische Seligkeit]" (1888/1967, p. 1). Nietzsche, the futurist, predicted Cazeaux's aesthetic shift by centering his philosophy on aesthetics: "We have our highest dignity in our significance as works of art" (1888/1967, p. 449). Following Nietzsche, Foucault wonders, "[C]ouldn't everyone's life become a work of art? Why should the lamp or the house be an art object, but not our life?" (1984, p. 350).

More recently, Genette has invoked Kant by emphasizing the disinterested and contemplative nature of aesthetic appreciation; defining it as "an experience of intransitive, rapt attention on any object which may elicit interest" (1999, p. 20). According to Genette, aesthetic value resides entirely neither in the object or the subject but rather in an empathetic relation between the two: "It is not the object that makes the relation aesthetic, but the relation that makes the object aesthetic" (1999, p. 11). Thus any object, and not just objects officially labeled as "art", can be evaluated on the basis of aesthetic quality.

In summary, the aesthetic dimension—in comparison to the economic and ethical dimensions—is the dimension that values form, style, and surface over substance: "Aesthetics shows rather than tells delights rather than instructs. The effects are immediate, perceptual, and emotional" (Postrel 2003, p. 6). More fundamentally, the aesthetic dimension provides a perspective from which form, style, and surface *are* the ontological substance. Perhaps Nietzsche puts it best in *The Gay Science*: "What is required is to stop courageously at the surface, the fold, the skin, to adore appearance, to believe in form, tunes, words, in the whole Olympus of appearance. Those Greeks were superficial—out of profundity" (1882/1974, p. 38).

## An Aesthetic Theory of the Firm

Support for Cazeaux's claim that we are experiencing an "aesthetics renaissance" can be found in an unlikely place, namely, recent literature on business. Just within the last decade, several books have appeared that claim a growing connection between aesthetics and business (Pine and Gilmore *The Experience Economy* (1999), Dobson's *The Art of Management and the Aesthetic Manager* (1999), Dickinson and Svensen's *Beautiful Corporations* (2000), Austin and Devin's *Artful Making* (2003), Postrel's *The Substance of Style* (2003), and Guillet de Monthoux's *The Art Firm* (2004)). Although radically different in many respects, these books all cite the *aesthetic* as a fundamental tenet of business activity. As such, they provide a foundation from which an aesthetic theory of the firm can be built.

As discussed above, the two fundamental perspectives from which such a theory can be constructed are that of the individual actor within the firm and that of the structure of the firm in which this individual acts. Of course, as Jensen and Meckling famously observe, the firm is a nebulous "nexus of contractual relations among individuals" (1976, p. 311); so the notion of the individual "within" the firm is something of a misnomer:

> Viewed in this way it makes little or no sense to try to distinguish those things which are 'inside' the firm from those things that are 'outside' of it. There is in a very real sense only a multitude of complex relationships (i.e., contracts) between the legal fiction (the firm) and the owners of labor, material and capital inputs and the consumers of output…In this sense the 'behavior' of the firm is like the behavior of the market; i.e., the outcome of a complex equilibrium process. [*Ibid.*]

Not only managers and employees, but also consumers and other external stakeholders, can be viewed as "within" the purview of the firm. All these individuals have an effect on, and are affected by, an aesthetic theory of the firm. In the case of consumers, for example, Dickson and Svensen observe that they "now expect to experience the pleasing sensations of style and beauty from the companies with which they choose to deal" (2000, p. 2). Similarly, Postrel notes that GE believes the global corporate culture is "entering an era in which the look and feel of products will determine their success. Sensory, even subliminal, effects will be essential competitive tools" (2003, p. 2). She argues that the recent experiences of other major corporations bear out GE's prediction. Her list includes Apple Computer's use of bright colors, Target's increasing use of designer products at its retail outlets, and Visa's use of designer credit cards. Postrel quotes Starbuck's CEO, Howard Schultz: "Every Starbucks store is carefully designed to enhance the quality of everything the customers see, touch, hear, smell, or taste… All the sensory signals have to appeal to the same high standards. The artwork, the music, the aromas, the surfaces all have to send the same subliminal message as the flavor of the coffee…" (p. 20).

What, if anything, are the broader cultural implications of this apparent shift in consumer tastes? What does this shift imply about the motivations and fundamental psychological makeup of the individual within and without the firm? As Thaler observes, traditionally "the same basic assumptions about behavior are used in …the theory of the firm…The two key assumptions are rationality and self-interest. People are assumed to want to get as much for themselves as possible, and are assumed to be quite clever in figuring out how best to accomplish this aim" (1992, p. 2). The individual Thaler describes is the familiar *homo oeconomicus* of neoclassical economics. What I argue here is that we should be placing a new individual at the heart of a more descriptively accurate—and prescriptively desirable—theory of the firm; namely, *homo aestheticus*.

## Homo Aestheticus

In his book *Shakespeare: The Invention of the Human* (1998), Bloom makes the intriguing argument that Shakespeare's plays and sonnets essentially *created* modern man. Through the creation of narratives in which complex characters such as Hamlet and Macbeth "strutted and fretted their hour upon the stage", Shakespeare created and vindicated our conception of the human being as an autonomous multi-faceted character acting in the world and being acted upon. To paraphrase Heidegger (1927), man is a "*being* in time". In *The Order of Things: An Archaeology of the Human*, Foucault makes a similar observation regarding the ephemeral nature of our conception of human nature and rationality:

> Man is an invention of recent date. And one perhaps nearing its end. If those arrangements were to disappear as they appeared, if some event of which we can at the moment do no more than sense the possibility – without knowing either what its forms will be or what it promises – were to cause them to crumble, as the ground of Classical thought did, at the end of the eighteenth century, then one can certainly wager that man would be erased, like a face drawn in the sand at the edge of the sea. (1973, p. 387)

Similarly, albeit more prosaically, the evolving and broadening theory of the firm can be viewed as a continual re-invention of the human "actor" within the corporate structure. We go from the narrow caricature of *homo oeconomicus* as the opportunistic wealth maximizer, through the more complex and nuanced characters of behavioral economics and business ethics, to the supra-rational *homo aestheticus*. For example, in *The Aesthetics of Organization*, Strati strives to reveal the aesthetic core of business activity. In addition to the familiar cognitive-rational, he emphasizes the aesthetic-empathetic nature of individual activity within the firm:

> The underlying assumption of the aesthetic approach to the study of organizations is that, although an organization is indeed a social and collective construct, it is not an exclusively cognitive one but derives from the knowledge-creating faculties of all the senses… [W]ithin the organization flourish personal idiosyncrasies, specific modes of interpreting events, different views of what to do and when to do it, and the ceaseless negotiation of values, symbols and organizational practices: these refer also to aesthetics. (2000, p. 1)

This broadened, aesthetically inclusive, individual is not devoid of economic and ethical thinking. Returning to the shift in consumer tastes: Pine and Gilmore emphasize the theatrical nature of the consumer experience: "When [the consumer] buys an experience, he pays to spend time enjoying a series of memorable events that a company stages—as in a theatrical play—to engage him in a personal way" (1999, p. 2). But, in addition to a superficial theatricality, the authors emphasize that these staged experiences are not just entertaining but also frequently explicitly educational and "transformative" in the sense of not just broadening the experiencer's knowledge, but also engendering a moral awakening. Indeed much of the writing about "aesthetic man" recognizes the embedded ethicality of this individual. As Whewell points out, the evaluative grounding of aesthetic judgments—if they are to be socially meaningful and acceptable—inevitably rests on ethical criteria: "The high seriousness of aesthetic value could perhaps be established in two stages: first, by showing that aesthetic preferences are not merely private and personal but may be correct and incorrect: and second, by linking them, if only indirectly, to overriding moral values or some more general notion of the 'good life'" (Whewell 1995, p. 8).

Throughout the history of philosophy, aesthetic value is often taken as conferring ethical value. Murdoch notes that Plato "treats the beautiful as an introductory section of the good" (1980, p. 41). She goes on to argue that the "appreciation of beauty…

is also a completely adequate entry into (and not just analogy [sic.] of) the good life, since it *is* the checking of selfishness in the interests of seeing the real" (pp. 64–65). Hegel argues that "the highest act of reason, the one through which it encompasses all ideas, is an aesthetic act and … truth and goodness only become sisters in beauty" (1835/1842, p. 182). Schiller claims that "logic rests on ethics, and ethics on aesthetics" (1795/1967, p. 189). Nietzsche, in typical grandiose fashion, claims that "the existence of the world is justified only as an aesthetic phenomenon" (1888/1967, p. 449). Voltaire suggests that aesthetic taste "relishes the good, rejects the contrary, and requires force of habit to give it fixed and uniform determination" (1734/1997, p. 5). Dewey notes that "[t]he enemies of the [a]esthetic are neither the practical nor the intellectual. They are the humdrum; slackness of loose ends; submission to convention in practice and intellectual procedure. Rigid abstinence, coerced submission… incoherence and aimless indulgence" (1934, p. 50). Nehemas contends that "aesthetic difference and multiplicity, even though it is not often in the service of morality, enriches and improves human life" (1998, p. 10).

The Aristotelian concepts of 'virtue' and 'practice' have also been linked to an ethics of aesthetics. Klein, for example, invokes the idea of a business-management craftsman:

> The ideal of craftsmanship is to create that which has quality or excellence; personal satisfaction, pride in accomplishment, and a sense of dignity derived from the consequent self-development are the motivations. In an 'excellent' company it is this ideal that permeates the firm, and management should provide the moral example of such an ideal; a business management craftsman attempts to create a quality organization, and quality products and services are the result of such an organization. (1998, p. 55)

MacIntyre echoes the point:

> The aim internal to such productive crafts, when they are in good order, is never only to catch fish, or to produce beef or milk, or to build houses. It is to do so in a manner consonant with the excellences of the craft, so that not only is there a good product, but the craftsperson is perfected through and in her or his activity. (1984, p. 284)

Thus the "craftsman" or "craftsperson" can be taken as the archetypal actor on the business stage who combines the economic, ethical, and aesthetic dimensions. This individual can be conceived of as artistically creative in the sense of not just producing a series of commodities. He or she is also a moral actor who recognizes and respects for the traditions of the practice. And finally, this individual produces a material good for a customer. But note well that this "good" is a product, not a commodity: "What immediately distinguishes the craftwork from the commodity is the former's imbeddedness not so much in profit or value-creation motivations as in what used to be celebrated as a 'calling' (*Beruf*) or vocation" (Chytry 2007, p. 42).

In the case of the types of virtues that these artisans might possess, Murdoch provides a list that she believes apply equally to ethics and aesthetics: "I mean such concepts as justice, accuracy, truthfulness, realism, humility, courage as the ability to sustain clear vision, love as attachment or even passion without sentiment or self" (1980, p. 89). In the case of the link between aesthetics and an Aristotelian "practice", Stewart talks of "art's deep commitment to a practice that is truly practice, aesthetic judgments provide a non-teleological paradigm for the ongoing work of ethics" (2005, p. 16). She goes on to make the courageous proposal that "what the practice of art in general might be for is the carrying forward of a practice of ethical encounters between persons" (p. 17). Emphasizing the empathetic nature of the aesthetic relation, she continues: "I suggest that art is an open project, prior to other cultural forms, and vital to our ability to acknowledge other persons. I believe that art therefore might serve as the basis for a global and secular humanism founded on whatever is universal in sense experience and the intelligibility of emotional experience" (p. 5).

In a similar vein, Murdoch emphasizes the ability of aesthetics to transcend personal ego, and to present the viewer with an objective vision of reality:

> I am looking out of my window in an anxious and resentful state of mind, oblivious to my surroundings, brooding perhaps on some damage done to my prestige. Then suddenly I observe a hovering Kestrel. In a moment everything is altered. The brooding self with its hurt vanity has disappeared…Good art reveals what we are usually too selfish and too timid to recognize, the minute and absolutely random detail of the world, and reveals it together with a sense of unity and form. Good art shows us how difficult it is to be objective by showing us how differently the world looks to an objective vision…It is a kind of goodness by proxy. (1980, pp. 84–87)

To summarize; we can conceive of *homo aestheticus* as an individual who possesses the virtues necessary to discern aesthetic value. This person's relation to the world, in addition to being economic and moral, is aesthetic as well. In a business context, in making a decision, this individual will not only ask, "Is it profitable? Is it ethical?", but will also ask, "Is it beautiful?" In answering the latter question *homo aestheticus* will be open to and aware of the sensual, pre-rational, empathetic, and emotional dimensions of the decision: e.g., How will the decision affect the aesthetic quality of the lives of those impacted?

This openness and awareness will require a level of empathy and respect for the objects affected by the decision. These objects will be viewed as not merely instrumental, but as something autonomous and worthy of contemplative aesthetic interest. In short, *homo aestheticus* will recognize and respect aesthetic value, not as merely instrumental to economic or moral value, but as inherently and intrinsically foundational to human flourishing. In business, this recognition of and respect for the aesthetic can be nurtured through the provision of a structure that accommodates the aesthetic dimension.

## The Aesthetic Firm Structure

Much of the recent literature connecting aesthetics to business resorts, sooner or later, to the analogy of the theatre: "staging a performance"; "all the firm's a stage". The word "play" frequently appears, both as noun and verb: to stage a play; but also to play as in some spontaneous, indeterminate, no-fixed-rules, often-group-orientated, activity. Several authors emphasize the importance within the firm structure of an emotional *play-space*: a space, both physical and intellectual, in which managers have free rein to accommodate the aesthetic (non-teleological) dimension of their activity both in terms of creation and appreciation.

In their invocation of the *Experience Economy* (1999), Pine and Gimore claim that "work is theatre" (p. 101) and that managers must concern themselves with "staging business performances" (p. 108). Austin and Devin argue that the "activities of a wise manager…need not be much different to those of a theatre director" (2003, p. 162). In a recent memo to Starbucks' top managers, CEO Howard Schultz talks of the need to foster the "romance and theatre" of the Starbucks' "experience" (Birchall and Wiggins 2008, p. 7). In connecting business to aesthetics, both Chytry (2007) and Guillet de Monthoux (2004) refer to Schiller's famous dictum: "Man only plays when he is in the fullest sense of the word a human being, and he is only fully a human being when he plays" (1795/1967, p. 107). Thus, to paraphrase Shakespeare again: "The *play* is the thing".

Empirical grounding for these theatre and play analogies is supplied by Austin and Devin in their analysis of software development at Sun Microsystems. They observe the spontaneous nature of knowledge development in this activity: "The joy of working for the sake of doing the work, of work as play" (2003, p. 180). This *play-space* affords the development of the supra-rational knowledge necessary for the firm to flourish. The play-space conflates producer and consumer. Both derive aesthetic "goods" from the activity just as the artist creates simultaneously for herself and for some perceived future audience for the artwork.

Austin and Devin also emphasize the strong connection between an aesthetic theory of the firm and the increasingly *knowledge-based* modern economy: "As business becomes more dependent on knowledge to create value, work becomes more like art" (2003, p. 1). This need for an aesthetic play-space to nurture knowledge development is emphasized also by Nonaka, Toyama, and Nagata. In their paper, "A Firm as a Knowledge-creating Entity: A New Perspective on the Theory of the Firm" (2000), the authors invoke the Zen concept of "ba":

> Viewing a firm as a black box, a set of transactions or a collection of resources is not enough. 'Ba' (which roughly means 'place') is defined as a shared context in which knowledge is shared, created and utilized… 'Ba' does not necessarily mean a physical space…[It] is an emerging relationship among individuals, and between an individual and the environment… [V]iewing a firm as a dynamic configuration of 'ba' means that we have to view the dynamic process in which the organizational members, their interactions and the firm itself evolves through continuous organizational knowledge creation. (2000, pp. 8–9)

Degot observes that this need for 'ba', for the emotional play-space, tends to work against larger, hierarchical corporate structures: "The creative manager must have sufficient leeway for expressing himself…creative management aspirations are most easily fulfilled within a smaller firm…" (1986, p. 23). This insight might, for example, explain the creations of YouTube and Facebook "without" Google and Microsoft. He concludes that "management, as it has evolved during the last one or two decades, now looks more like an artistic activity than the rationalistic model which business economists have been trying so long to impose" (p. 33).

Chytry observes that the firm itself can be viewed as an "[o]rdering and shaping [of] the play-space" (2007, p. 41). If correctly ordered, the firm-as-play-space can encompass the artwork (as manifestation of the aesthetic dimension), the craftwork (as manifestation of the ethical dimension), and the commodity (as manifestation of the economic dimension). All three are intertwined, and the artwork – as originating 'spark' – "encompasses the entire range of human production and productivity" (*ibid.*).

Cummings emphasizes the non-teleological prerequisite for the firm-as-play-space: "The aesthetic approach would encourage organizations to base actions not on a series of ethical questions like: What is expected of us?; How can we conform?; and How do we act in accord?; but rather Who are we? And how/why are we different?" (2000, p. 166). Thus, far from a black-box or nexus-of-contracts view, he characterizes the firm along Foucaultian lines as an emerging art-form, a stylization, a personality. Heideggerian notions of "being in and through time" are invoked:

> While this [rationalist view] may seem to indicate that organizations are prisoners of their pasts, Heidegger's philosophy may enable strategists greater freedom. Recognizing that it is only our thrown-ness, our own historically shaped aesthetic view of the world, rather than any foundational basis, that directs our actions, enables questions to be asked about often unquestioned assumptions. We are encouraged to question the way in which historical events have thrown ourselves, and supposedly natural modes of being-in-the-world. [*Ibid.*]

An example of this type of "Heideggerian" firm structure being implemented in practice is supplied by the Finnish mobile phone manufacturer Nokia. Nokia was "thrown" from virtual bankruptcy in 1992, emerging as Europe's most valuable company in 2000. The new management team that took the helm in the early 1990s essentially re-created Nokia as a *play-space*. Apart from a general decision to focus on wireless telephones, management avoided corporate hierarchies or strategies. Every attempt was made to create an *art firm*: a firm that was open to creativity wherever it might lead. During this period, Roberts quotes one senior manager at Nokia saying; "We hate organization charts, and if forced to create one, we will *draw* it only in *pencil*" (2004, p. 30, emphasis added). In essence, Nokia's firm structure was characterized by a non-hierarchical ensemble-like flatness, openness, and a love of creativity. As Roberts observes; "No explicit incentives were needed to motivate managers…People were simply expected to do their best and were trusted to act in the best interests of the company" (pp. 172–173).

In summary, in an aesthetic theory of the firm, concepts surrounding artistic creation and appreciation relate to more than just the sculpture in the corporate lobby or the paintings mounted on office walls. The firm, in essence, *becomes* a *work* of art. More specifically, an aesthetic theory of the firm invokes a firm-structure that facilitates, or "stages", an ongoing and indeterminate process of cooperative human knowledge acquisition (both rational and emotional), intellectual/aesthetic development, and creativity. The firm becomes a play-space capable of nurturing *homo aestheticus*.

## Conclusion

In his widely acclaimed recent book *The Modern Firm*, Roberts describes firms as "institutions created to serve human needs" (2004, p. 20). He sees the challenge as "the incredibly difficult problem of coordinating and motivating large numbers of people carrying out a complex of interrelated activities often in different locations" (p. 1). To Roberts (an economist), the coordination problem is largely the province of agency theory: resolving the tension, the moral hazard, between the interests of the individual versus the interests of the firm. Indeed, Roberts's book largely can be summarized as a guide to resolving agency problems. The theory of the firm over the last 50 years, at least in economics, has been the theory of how to mitigate agency problems.

The *motivational* side of the challenge that Roberts identifies as central to the firm has received less attention to date. Human motivation in both the economics and business ethics literature has generally been accepted as individualistic, materialistic, and opportunistic. The "human needs" identified by Roberts as the motive behind the formation of firms are generally taken to be material needs: people are in business to make money.

What is becoming increasingly recognized, however, is that human motivation is both more complex and malleable than traditionally assumed. In many circumstances, the desire for status, social acceptance, sexual conquest, knowledge, beauty, etc., may trump any mundane desire for material gain. Humans may pursue several desires simultaneously, and they may not even be consciously aware of what is motivating them (Thaler 1992).

Given that firms are human constructs, it follows logically that any valid theory of the firm must accommodate this multiplicity of human motivations. Structures within the firm must be designed to nurture those motivations that further corporate objectives and must be designed to minimize the damaging effects of undesirable motivations. Hence, basic economic incentives for the individual—such as performance bonuses—must be structured in such a way as to further concomitantly the economic goals of the firm. A corporate code-of-ethics should motivate ethical behavior but not behavior that would lead to the significant destruction of corporate economic value.

This latter tension between the economic and moral role of the firm has led to the now vast literature in business ethics. In essence, in the context of theory of the firm, business ethics matters at the micro-level in the sense that an ethical agent will mitigate the agency costs of moral hazard by, say, not abusing trust. But business ethics also matters at the macro level in so far as the economic *raison d'etre* of the firm is only justifiable if it benefits society in aggregate. So the familiar economic dimension of the theory of the firm is impoverished without the inclusion of the ethical dimension.

This paper has focused on a third dimension of the theory of the firm, the aesthetic dimension. This aesthetic dimension too, can be viewed at a micro and macro level. At the micro level, it is another facet of human motivation—the desire for beauty, invoked here as *homo aestheticus.* At the macro level, by fostering the aesthetic dimension of corporate activity, the firm will ground its moral legitimacy by promoting human flourishing.

In summary, this paper has both a descriptive and prescriptive purpose. The descriptive purpose is to shed light on the increasingly aesthetic nature of human activity within firms. The prescriptive purpose is to suggest that fostering this aesthetic dimension will have morally desirable consequences.

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